華發物業服務集團有限公司
Huafa Property Services Group Company Limited

(Formerly known as HJ Capital (International) Holdings Company Limited 華金國際資本控股有限公司)*
(Incorporated in Bermuda with limited liability)

(Stock code: 982)

ANNUAL REPORT 2020

* *For identification purposes only*

CONTENT

MILESTONE

2000 JUL

iOne Financial Press Limited commenced operations in Hong Kong and the Asia-Pacific region.

2008 JUL

The Company became the first financial printing company to be listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock code: 00982).

2016 JUN

The Group expanded into financial advisory services through the acquisition of the entire equity interest in WAG Worldsec Corporate Finance Limited, a licensed coporation carrying on business in Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong).

2017 SEP

Completed the acquisition of the entire issued share capital of Huajin Financial (International) Holdings Limited. The Group commenced carrying out regulated activities through its wholly-owned subsidiaries, including Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO"), and also holding a Money Lender's Licence under the Money Lenders Ordinance (Cap 163 of the Laws of Hong Kong).

2017 DEC

The official registered name of the Company was changed from "iOne Holdings Limited" to "HJ Capital (International) Holdings Company Limited 華金國際資本控股有限公司" with effect from 25 October 2017.

2018 NOV

Developed a new business segment in hotel advisory, hotel management and exhibition services planning.

MILESTONE

2019 MAR

Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited*（珠海市橫琴新區華金國際酒店管理有限公司）, a subsidiary of the Company, entered into a property lease framework agreement in relation to Huafa Place（華發行政公寓）and Sheraton Zhuhai Hotel（珠海華發喜來登酒店）.

2020 JAN

The Company commenced to provide property management services and related value-added services through Zhuhai Huafa Property Management Services Co., Ltd.*（珠海華發物業管理服務有限公司）and its subsidiaries.

2020 JUN

The Company disposed its financial printing services and related investments holding segment.

2020 SEP

The Group decided not to renew the property lease framework agreement for the leasing of the two hotel properties with effect from 1 September 2020, and therefore discontinued its hotel leasing operating business.

2020 DEC

The Company disposed its financial services and related investments holding segments.

2021 MAR

As disclosed in the announcement of the Company dated 15 March 2021, the official registered English name of the Company has been changed from "HJ Capital (International) Holdings Company Limited" to "Huafa Property Services Group Company Limited" and the Chinese name of "華發物業服務集團有限公司" has been adopted as the secondary name of the Company in replacement of its former name in Chinese of "華金國際資本控股有限公司" which was used for identification purpose. The Company's stock short name, logo and website have been updated accordingly.

* For identification purpose only

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. Li Guangning *(Chairman)*
Mr. Xie Wei *(Chief Executive Officer)*
Ms. Guo Jin
Mr. Tze Kan Fat

Non-executive directors

Ms. Zhang Kuihong (Resigned with effect from 28 September 2020)
Ms. Zhou Youfen (Appointed with effect from 28 September 2020)
Mr. Shong Hugo

Independent non-executive directors

Dr. Chen Jieping
Dr. Sun Mingchun (Resigned with effect from 1 June 2020)
Mr. Pu Yonghao (Appointed with effect from 1 June 2020)
Mr. Tse Yung Hoi (Retired with effect from 21 July 2020)
Mr. Guo Shihai (Appointed with effect from 21 July 2020)

AUDIT COMMITTEE

Dr. Chen Jieping *(Chairman)*
Dr. Sun Mingchun (Resigned with effect from 1 June 2020)
Mr. Pu Yonghao (Appointed with effect from 1 June 2020)
Mr. Tse Yung Hoi (Retired with effect from 21 July 2020)
Mr. Guo Shihai (Appointed with effect from 21 July 2020)

REMUNERATION COMMITTEE

Dr. Sun Mingchun *(Chairman)* (Resigned with effect from 1 June 2020)
Mr. Pu Yonghao *(Chairman)* (Appointed with effect from 1 June 2020)
Dr. Chen Jieping
Mr. Tse Yung Hoi (Retired with effect from 21 July 2020)
Mr. Guo Shihai (Appointed with effect from 21 July 2020)
Mr. Xie Wei
Ms. Guo Jin

NOMINATION COMMITTEE

Mr. Tse Yung Hoi *(Chairman)* (Retired with effect from 21 July 2020)
Mr. Guo Shihai *(Chairman)* (Appointed with effect from 21 July 2020)
Dr. Chen Jieping
Dr. Sun Mingchun (Resigned with effect from 1 June 2020)
Mr. Pu Yonghao (Appointed with effect from 1 June 2020)

LEGAL ADVISER

Bird & Bird

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor

JOINT COMPANY SECRETARIES

Ms. Chan Sau Ling
Mr. Liang Liang (Appointed with effect from 22 January 2021)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3605, 36/F
Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

PRINCIPAL BANKERS

Hang Seng Bank Limited
Dah Sing Bank Limited

BERMUDA RESIDENT REPRESENTATIVE

Conyers Corporate Services (Bermuda) Limited

AUTHORISED REPRESENTATIVES

Mr. Xie Wei
Ms. Chan Sau Ling

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

982

WEBSITE ADDRESS

www.huafapropertyservices.com

FIVE YEAR SUMMARY

	Year ended 31 December				
	2020	2019	2018	2017	2016
		(Restated)	(Restated)	(Restated)	(Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS FROM CONTINUING OPERATIONS					
Revenue	**1,086,434**	952,337	737,196	546,924	471,024
Profit before income tax	**144,089**	117,989	102,346	47,093	22,894
Income tax expense	**(48,734)**	(38,044)	(25,783)	(11,393)	(7,146)
Profit for the year	**95,355**	79,945	76,564	35,700	15,748

	As at 31 December				
	2020	2019	2018	2017	2016
		(Restated)	(Restated)	(Restated)	(Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**1,030,811**	1,174,145	1,076,827	2,036,850	1,989,496
Total liabilities	**(1,391,971)**	(755,991)	(604,833)	(1,555,215)	(1,655,284)
Total (deficit)/equity	**(361,160)**	418,154	471,993	481,634	334,212

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present the audited consolidated results of Huafa Property Services Group Company Limited ("Huafa Property Services" or the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2020, and also share the future plans and development.

It was destined to be an extraordinary year for 2020, the Chinese people united together to overcome the impact arising from the COVID-19 epidemic. China became the first major economy to resume growth since the outbreak and achieved the significant result in coordinating epidemic prevention and control as well as promotion of economic and social development. In the course of fighting the epidemic, all of us worked together in the front line of the epidemic prevention and control, comprehensively implemented the prevention and control strategy of "preventing external importation and internal rebounding", resolutely curbed the spread of the epidemic, and thus achieved an honourable ranking as "13th of the Top 100 Satisfied Enterprises of National Epidemic Prevention and Control".

The value of property services is recognized rapidly by the social public and the professional field and the social status and importance of the property management industry is gradually enhanced. With the advancement of urbanization in China, the property management industry has become a new trillion-dollar industry with vast room for development. In recent years, more and more property management companies have accelerated the use of capital market platform to promote leaps in their own development through listing.

To ensure the implementation of the Group's long-term strategic plan, the Company completed its strategic transformation and upgrade in 2020, successfully injecting property management business into the Group and divesting less profitable businesses such as financial printing, financial services and related business. During the year under review, the Group achieved the revenue from continuing operations of approximately HK$1,086.4 million, representing an increase of approximately 14.1% as compared to approximately HK$952.3 million (restated) for the year ended 31 December 2019, and profit from continuing operations attributable to owners of the Company for the period under review was approximately HK$95.4 million. Looking ahead, the Group will strive to grow into a national high-end service provider under its "One Core, Two Wings" development strategy with property management as the core and hotel advisory and exhibition services as the synergy, and will continue to "grow bigger, stronger and more solid", so as to go on creating value for its shareholders.

Continuously promote quality innovation and establish new benchmarks for service brands. In the rapid development boom of the property management industry, we have always adhered to our industry-leading service quality with a pioneering and innovative spirit in the past year and won many honors such as "26th amongst the 2020 China Top 100 Property Service Enterprises", "15th amongst the 2020 Greater Bay Area Property Service Brand Enterprises", "16th amongst the 2020 Guangdong Property Service Comprehensive Development Strength Enterprises".

Actively implement a national expansion strategy and achieve steady and rapid growth in the scale of our management. The Group managed a portfolio of properties covering 27 cities across the country, with a total of 172 projects under management, and a total contracted GFA of approximately 27.6 million square meters and an aggregated revenue-bearing GFA of approximately 16.7 million square meters as at 31 December 2020. To expand our business into the national market, we will leverage our experience in the Greater Bay Area to establish presence and expand our business into major cities in East China, Central China, South China, North China and Northwest China. As one of our core competitive advantages, the Group has four professional subsidiaries related to property management business, among which Zhuhai Huafa Municipal Comprehensive Services Co., Ltd.*（珠海華發市政綜合服務有限公司）mainly provides professional municipal comprehensive services. It has been providing services for Hengqin New District Integration and Zhuhai Fushan Industrial Park Project for many years, which has won the unanimous recognition of the government. Rich industry experience has laid a solid foundation for us to expand comprehensive urban operation services in the future. Zhuhai Huafa Building Elevator Engineering Co., Ltd.*（珠海市華發樓宇電梯工程有限公司）has the national A-grade elevator qualification, providing timely, thoughtful and safe elevator maintenance services to our clients. We have entered into a strategic partnership with Jones Lang LaSalle, a leading global real estate professional services company, and established Zhuhai Huafa Jones Lang LaSalle Property Management Services Company, Limited*（珠海華發仲量聯行物業服務有限公司）to provide high-quality services for Hengqin International Finance Centre, the tallest building in Zhuhai and Macao, which has laid a good foundation for our expansion of business into the super high-rise office sector. In 2020, we also actively sought business expansion opportunities in new cities and entered into a strategic partnership with Xi'an Ziwei Property Management Co., Ltd.（西安紫薇物業管理有限公司）, a leading local property management company in Xi'an, and established a joint venture company to expand our business in Xi'an and further enhance our influence in the northwest region.

Actively diversify business forms and expand scale of business in non-residential properties. In 2020, we were committed to continuously enriching the property management business, and have expanded a number of third-party public sector projects, including the projects for public security bureaus, prosecutor's office and people's court, institutional building, archives building and bank branch, achieving a new breakthrough in the business of projects under management. As of 31 December 2020, our services have covered diversified property types such as residential buildings, office buildings, industrial parks, commercial centers, convention and exhibition centers, ports, tunnels, government public buildings and super high-rise buildings. We have 35 years of property management experience in residential communities, 19 years in government public properties, 19 years in office buildings, 13 years in commercial buildings, 11 years in municipal management and 8 years in exhibition center property management services. In particular, we have provided services for Gongbei Port, China's largest land port, for nearly 19 years.

Actively expand our "City Butler" business and upgrade our "City Excellence+ Service" comprehensively. In 2020, our "City Butler" business was piloted in Zhuhai, providing intelligent upgrade services for enterprises and citizens in the region, assisting in handling emergencies such as traffic accidents, mass incidents, fire protection, public security and natural disasters. The "City Butler" business has achieved a comprehensive innovation in the service mode, enriched service contents and revenue sources, and increased the margins of property management services. We have gradually become a comprehensive property management service provider for city services.

CHAIRMAN'S STATEMENT

Be committed to providing high-quality services for property owners and innovate a variety of value-added services for them. In 2020, the Ministry of Housing and Urban-Rural Development and other departments jointly issued policies on supporting and encouraging properties to carry out intermediary acts and encouraging the development of home care community elderly services, which provided policy guarantee for the property management industry to vigorously develop diversified business activities in the community. In 2020, leveraging our experience in providing traditional value-added services for property owners, we have developed five diversified business directions, including home delivery, excellence+ butler, fresh food delivery, home and property insurance and car lifestyle, which were complemented by the "Huafa Excellence+ Life" APP to provide richer and more convenient lifestyle and services for property owners, strengthening the adhesion with property owners and forming new profit growth points. At present, the number of users of the APP has exceeded 250,000, and the APP has already realized smart home control, mobile phone door opening, property repair and bill payment, as well as shopping and housekeeping services, and allowed owners to view second-hand property information. The continuous enrichment of diversified business services and investment in science and technology has helped us gradually transform into a community living service provider.

Promote steady development of exhibition and hotel segments and explore diversification of business development. The Group is engaged in hotel advisory and exhibition services through Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited* (珠海市橫琴新區華金國際酒店管理有限公司) ("Huajin International Hotel Management") and Zhuhai Hengqin New Area Huajin International Convention Services Company Limited* (珠海市橫琴新區華金國際會展服務有限公司) ("Huajin International Convention"). Among them, Huajin International Hotel Management, as a professional consultant for hotel project development with international resources, has provided hotel investors and developers with "full process" consultancy services for hotel projects, which has been highly recognized and appreciated by the government and partners. Huajin International Convention, as a world-class integrated service provider of high-end exhibition industry, is still actively exploring business diversification, developing new product business system and finding new business power and growth points under the impact of the COVID-19 epidemic.

Vigorously promote information technology empowerment to enhance the operational efficiency of our Company. The Group has responded to the needs of the time and built the goal target at "empowering property services with science and technology and creating a better life with wisdom", through actively embracing science and technology to achieve new breakthroughs in the quality of our innovative service models and expanding our business, and comprehensively promoted online and intelligent business, management and service. Through the integrated command system in our property management business, we have integrated data from over 20 systems, including operation management, customer service and internal control management, and designed a total of 56 management and service indicators in four categories: personnel, finance, quality and engineering. In the future, we will fully build a smart community, launch an integrated video conferencing system and integrate an IoT platform to achieve intelligent management. we will fully integrate hotel and convention business to promote innovative development of our business. With the investment in intelligent construction, we will further reduce costs and increase efficiency, lower labour costs and obtain higher operational efficiency and better user experience.

CHAIRMAN'S STATEMENT

The road leading to success is long, and now we are taking a step forward from the beginning. Looking ahead, we will pay close attention to the development trend of the industry and make the best business layout in line with the Group's own strategy, based on technology empowerment, give full play to our advantages in the expansion of public construction related projects, focus on the development of third-party outreach to enhance the scale of the Company, while continuously expanding the non-residential business, continue to deepen urban housekeeping services, and strive for new breakthroughs with a vigorous attitude. At the same time, we will continue to pay attention to changes in the external market and industry, and actively consider business development directions and trends that are in line with the Group's strategy and in the interests of our shareholders.

It is the opening year of the 14th Five-Year Plan for 2021 and the start of a new journey to build a modern socialist country. In the new year, we will keep pace with the time. We will join hands and take advantage of the situation to start a new great journey and strive to continue to write a new brilliant chapter!

Here, I would like to convey my sincere gratitude to our shareholders and clients for their trust and support, and take this opportunity to thank our Board, management team and staff for their outstanding contribution and unremitting dedication in the past year.

Li Guangning
Chairman of the Board

Hong Kong, 23 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

The Group expanded its business scope to provide property management services and related value-added services in the PRC since January 2020. In the face of the complex global business environment and fierce market competition, the Group divested its financial printing business in June 2020, formally discontinued its hotel leasing operation business in September 2020 and completed the divestment of its financial services business in December 2020. Since then, the Group will further promote its "One Core, Two Wings" development strategy with property management as the core and hotel advisory and exhibition services as the synergy.

(I) Property management services

Zhuhai Huafa Property Management Services Co. Ltd.*（珠海華發物業管理服務有限公司）("Zhuhai Huafa Property"), an indirect wholly-owned subsidiary of the Company, was founded in 1985. In the increasingly fierce competition in the property management industry, the Company has always adopted a steady and safe corporate style, and continued to develop and innovate in the past year to promote development by empowering and improving quality. According to the report published by China Index Academy, the overall strength of Zhuhai Huafa Property Management is ranked 26th among the Top 100 Property Companies in the PRC in 2020 (2019: ranked 28th). It is also awarded as "26th amongst the 2020 China Top 100 Property Service Enterprises", "15th amongst the 2020 Greater Bay Area Property Service Brand Enterprises", and "16th amongst the 2020 Guangdong Property Service Comprehensive Development Strength Enterprises".

As at 31 December 2020, Zhuhai Huafa Property Management managed a portfolio of properties covering 27 cities in the PRC (the corresponding period of 2019: 20 cities), provided property management services and value-added services to 172 properties with a total contracted GFA of approximately 27.6 million square meters (the corresponding period of 2019: 24.5 million square meters of 138 properties), and with an aggregated revenue-bearing GFA of approximately 16.7 million square meters (the corresponding period of 2019: 13.2 million square meters). The property services of Zhuhai Huafa have covered diversified property types, such as residential buildings, office buildings, industrial parks, convention and exhibition centers, tunnels, commercial centers and ports, super high-rise buildings and different forms of public construction. Meanwhile, Zhuhai Huafa Property, extended both the upstream and downstream business of industry chain through its professional subsidiaries, and expanded its super high-rise building business through cooperating with Jones Lang LaSalle. Through the establishment of Xi'an Ziwei Huafa Property Management Co., Ltd., the influence of Zhuhai Huafa Property in the northwest region will be further strengthened, thus enhancing its overall competitiveness.

For the year ended 31 December 2020, the Group has recorded revenue of approximately HK$1,024.9 million (2019 restated: HK$864.9 million) from the business segment of property management service, and profit for the period of approximately HK$137.4 million (2019 restated: HK$90.8 million).

(II) Hotel operation, hotel management, hotel advisory and exhibition services

From 1 September 2020, the Group discontinued its hotel leasing operation business, focused on the development of hotel advisory and consultancy services and further allocated the Company's resources to the main business with property management as its core.

Huajin International Convention, an indirect wholly-owned subsidiary of the Company, is also advantageously located next to Zhuhai International Convention and Exhibition Centre in SZM Central Business District of Zhuhai City. Meanwhile, the subsidiary taps into the geographical, institutional and industrial merits of the Guangdong-Hong Kong-Macau Greater Bay Area to provide professional, efficient on-site service that cater to clients from home and abroad. In 2020, Huajin International Convention actively explored online exhibitions and tried various exhibition methods such as live streaming with goods during the normalization of the epidemic, so as to improve the revenue level by innovating business development methods.

During the year under review, without considering the discontinued hotel leasing operation business, the Group recorded revenue of approximately HK$61.5 million from the business segment of continuing hotel advisory and exhibition services.

(III) Financial services

Due to the impact of the intense competition and market volatility in the financial industry and other factors, the Group completed the disposal of its financial services segment in December 2020, further divesting businesses that were not related to its main business and were less profitable.

(IV) Financial printing services

During the year under review, the financial printing services segment incurred losses. The Group disposed of the financial printing services segment in June 2020.

II. FINANCIAL REVIEW

For the year ended 31 December 2020, the Group recorded revenue from continuing operations of approximately HK$1,086.4 million (2019 restated: approximately HK$952.3 million), representing an increase of approximately 14.1% from the previous financial year. The Group's profit before income tax from continuing operations increased to approximately HK$144.1 million (2019 restated: approximately HK$118.0 million), which was mainly due to increase in revenue.

Profit for the year attributable to owners of the Company was approximately HK$36.8 million (2019 restated: approximately HK$95.0 million). Basic earnings per share for profit from continuing operations attributable to owners of the Company amounted to approximately HK0.95 cent (2019 restated: approximately HK0.79 cent).

III. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately HK$664.9 million (2019 restated: approximately HK$600.1 million) with bank borrowings of HK$519.0 million (2019: HK$150.0 million). The Group held current assets of approximately HK$911.3 million (2019 restated: approximately HK$975.6 million) and total current liabilities of approximately HK$1,391.6 million (2019 restated: approximately HK$726.2 million). The Group's current ratio, being total current assets over total current liabilities, was 0.7 (2019 restated: 1.3). Total deficit of the Group was approximately HK$361.2 million as at 31 December 2020 (2019 restated: Total equity of approximately HK$418.2 million). The Group's gearing ratio, being total liabilities over total assets, was 135.0% (2019 restated: 64.4%).

IV. CAPITAL STRUCTURE

There was no material change in the capital structure of the Company during the year.

V. EXPOSURE TO FLUCTUATIONS IN INTEREST RATES

As at 31 December 2020, the Group's interest-bearing financial assets primarily comprised of bank deposits and margin loans receivable, and the Group's interest-bearing financial liabilities primarily comprised of bank borrowings and amount due to a related party. As there was no significant financial risk of a change in interest rates, the Group had no interest rate hedging policy.

VI. EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group conducted its business transactions principally in Hong Kong Dollars ("HK$") and Renminbi ("RMB"). As at 31 December 2020, most of the Group's bank deposits and cash balances were mainly denominated in HK$, United States Dollars ("USD") and RMB. The HK$ is pegged to the USD, and this made the Group's foreign exchange risk exposure minimal. As such, the Group did not utilise any foreign exchange derivatives for hedging purposes as at 31 December 2020. Foreign currency exposure did not pose a significant risk for the Group, but we will remain vigilant and closely monitor our exposure to movements in relevant currencies.

VII. EXPOSURE TO CREDIT RISK

The Group's credit risks mainly arose from contract assets, trade receivables and margin loans receivable, bank balances and deposits and client trust bank balances. The Group strove to manage the risk exposure of trade receivables and margin loans receivable by closely monitoring the payment records of its customers and requesting customer deposits wherever necessary. The credit risk on the bank deposits was limited because of their high credit rating.

VIII. EXPOSURE TO PRICE RISK

The Group's financial asset at fair value through profit or loss is exposed to price risk. The management of the Company (the "Management") closely monitored this risk by performing on-going evaluations of its asset value and market conditions.

IX. EXPOSURE TO LIQUIDITY RISK

The Group's licensed operating unit was required to meet various statutory liquidity requirements as prescribed by relevant regulatory authorities during the reporting period. The Group had a monitoring system in place to ensure that it maintained ample liquidity to comply with the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong).

X. EXPOSURE TO OPERATIONAL RISK

The Group operated financial services in a highly regulated sector during the reporting period. The risk of non-compliance with regulatory requirements might lead to the loss of operating licenses. The Group has actively implemented policies and procedures to ensure compliance with relevant laws and regulations. To the best of the Management's knowledge, the Group had complied with the relevant regulations for its financial services business in Hong Kong, and the Management had not identified any material non-compliance or breach of relevant rules and regulations.

XI. EVENTS AFTER THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

As disclosed in the announcement of the Company dated 15 March 2021, the change of the official registered English name of the Company from "HJ Capital (International) Holdings Company Limited" to "Huafa Property Services Group Company Limited" and adoption of the Chinese name of "華發物業服務集團有限公司" as the secondary name of the Company in replacement of its former name in Chinese of "華金國際資本控股有限公司" which was used for identification purpose, has become effective, and the Company's stock short name, logo and website were updated accordingly. For details, please refer to the aforementioned announcement.

XII. SIGNIFICANT ACQUISITIONS AND DISPOSALS OF INVESTMENTS

Save as disclosed in the abovementioned section headed "Business Review" in this report, the Group neither acquired or disposed of any significant investments or properties, nor carried out any material acquisitions or disposals of the Company's subsidiaries and associates during the year.

XIII. EMPLOYEES

As at 31 December 2020, the Group had a total of 6,583 employees (2019 restated: 6,076). Staff costs of the Group amounted to approximately HK$631.6 million for the year ended 31 December 2020 (2019 restated: approximately HK$551.5 million), which comprised salaries, commissions, bonuses, other allowances, and contributions to retirement benefit schemes. The Group operates a defined contribution scheme under the Mandatory Provident Fund Schemes Ordinance and provides medical insurance to all its Hong Kong employees. For Mainland employees, social insurance, housing provident fund and pension are provided. The Group structures its employee remuneration packages with reference to general market practice, employees' duties and responsibilities, and the Group's financial performance. The Group provides training courses and developed training programmes to equip its staff with the necessary skills, techniques and knowledge to enhance their productivity and administrative efficiency.

XIV. PLEDGE OF ASSETS

As at 31 December 2020, the Group had no pledged assets (2019: Nil).

XV. CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any contingent liabilities.

XVI. CAPITAL EXPENDITURE

For the year ended 31 December 2020, capital expenditure for property, plant and equipment of the Group amounted to approximately HK$5.7 million (2019 restated: approximately HK$11.9 million).

XVII. CAPITAL COMMITMENTS

As at 31 December 2020, the Group did not have any capital commitments.

XVIII. BUSINESS PLAN

(I) Property management services

Under the impact of Covid-19 epidemic in 2020, the value of property management industry became more prominent. The property management industry has witnessed a period of rapid development, with a rapidly growing number of property management companies sought for listing status and a significant expansion of the industry scale. At the same time, a number of material policies in the industry have been announced, creating a better policy environment for property service enterprises to develop and pointing out the future development direction for more enterprises to gradually explore diversified development leveraging on the experience gained from traditional property management services. The value of property management services is gradually recognized by the public and the professional community, and the social status and importance of the property management industry is gradually rising. Through the development of property management services and related value-added services, the Group aimed to further strengthen its strategic positioning as a high-end service platform and ensure sustainable development, with a view to enhancing the overall operational performance of the Group in the future.

Zhuhai Huafa Property provides three types of property management services, which constitute the comprehensive services provided to its clients and cover the entire property management value chain, namely:

1) Property management services: provide a range of property management services to owners, tenants and property developers. During the reporting period, the revenue from this business increased by approximately 16.7% year-on-year for the full year of 2020, and gross profit increased by more than 30% year-on-year.

2) Value-added services to property owners: lay out a diversified model of services around the core users, and maintain steady growth in customized services, value-added services in public areas, and E-Commerce and community finance. Revenue from this business increased by approximately 10% year-on-year for the full year of 2020 and gross profit reached 36.4% for the year.

3) Other value-added services: In addition to value-added services for property owners in areas such as public areas, the Group also achieved relatively stable growth in other value-added services in aspects such as supporting services to property developers at the pre-delivery stage, maintenance of municipal works and elevator maintenance. Revenue from this business increased by approximately 30% year-on-year for the full year of 2020.

Owing to the long-term collaboration between Zhuhai Huafa Property and Zhuhai Huafa Group Company Limited*（珠海華發集團有限公司）(“Zhuhai Huafa”), the ultimate controlling shareholder of the Company, the Group has been backed by vigorous support from Zhuhai Huafa in terms of expanding the property management business. As a state-owned enterprise wholly-owned by the State-owned Assets Supervision and Administration Commission of Zhuhai Municipal People’s Government*（珠海市人民政府國有資產監督管理委員會）, Zhuhai Huafa is one of the Top 500 Chinese Enterprises, Top 500 Chinese Service Companies and Top 100 Chinese Multinational Corporations. In 2020, total assets of Zhuhai Huafa exceeded RMB475.0 billion and its revenue exceeded RMB110.0 billion, ranking 259th on the list of the “China Top 500 Companies”.

Compared with private property management enterprises, Zhuhai Huafa Property has an obvious advantage in obtaining engagements from the public construcion projects such as public security bureau, prosecutor’s office, court, hospitals and government office buildings by relying on Zhuhai Huafa’s background as a state-owned enterprise. In 2020, additional expansion projects of the Company included, but are not limited to, projects from Zhuhai Intermediate People’s Court, Zhuhai Water Environment Holdings Group LTD., Zhuhai City Construction Archives and Zhuhai Central Branch of the People’s Bank of China, etc. As such, the strong and stable relationship between Zhuhai Huafa Property and Zhuhai Huafa is expected to bring the Group a substantial source of business and stronger competitiveness in external expansion for its property management business.

Looking into 2021, the Group will continue to properly utilize its collaborative ties with Zhuhai Huafa and fully capitalize on its edge as a listed company, to further enhance the brand awareness of Zhuhai Huafa Property and solidify its market leadership in the PRC. The specific initiatives are as follows:

1) As regards the expansion of scale, the property management industry has displayed such characteristics as speedy scale amplification, constant increase in industry concentration, and frequent industry mergers and acquisitions. The Group will strengthen its cooperation with independent third-party property developers through a healthy expansion strategy, especially for the expansion of business in third-party public construction projects. Meanwhile, the Group will also further enhance the operations of its headquarters in Zhuhai, proactively work on its layout in other key domestic cities, and stress on growing the business model of “residential business as the core, expanding commercial and office properties as well as public infrastructure projects, industrial parks and municipal projects”, expanding the business of “City Butler”, upgrading the “city excellence + service” in an all-round way, expanding non-residential formats, thus boosting its business scale and market share.

* *For identification purpose only*

2) As regards diversified business forms, considering the potential acquisition targets identified for consideration by the Company, the Company aims to broaden its business presence through merger and acquisition activities in property management companies and upstream and downstream of the industry chain while further deepening on external market expansion. In order to further elevate its service quality and consolidate its leading industry reputation, the Group will cater to the increasingly stringent service requirements of clients with even better value-added services such as community finance, community trading service and other community commercial services so as to strengthen the adhesion with property owners. At the same time, the Group will increase its efforts in technology empowerment, improve the level of informationization, develop smart property communities via technological means and increase the types of its value-added services in property management to pursue more diverse profit models while enhancing the owners' quality of life experience.

3) In respect of talents management, given that the property management industry is characteristic of evolving towards high-end professionals, the Group will remain committed to the "people-oriented"concept and combine the introduction of high-caliber talents with internal training. In tandem with continuous introduction of key market talents in such areas as high end management and strategic operation, the Group will never cease to implement its incentive policy for employees to improve their academic and professional qualifications, establish a training system to train them and lift the overall operational efficiency of frontline and administrative personnel.

4) As regards the control of labour cost in its cost of sales, the Group will, from time to time, review its operational efficiency in light of controlling labour cost while optimizing its service provision to clients, so as to maintain the profitability of the property management business.

Leveraging its proven overall strength and professional property management services, Zhuhai Huafa Property Management has grown in a robust and swift pace. Going forward, Zhuhai Huafa Property will rely on the organic growth of the Zhuhai Huafa's network, execute its expansion strategy of concentrating on key development regions to deliver expansion growth as well as more mergers and acquisitions when suitable opportunities arise, so to amplify the overall effect of scale and business revenue. By seizing the "Technology+" strategic plan as an opportunity to accelerate its information-based development, the Group will further bolster service quality and operational efficiency, and work to develop into a community life operator and integrated facility service provider based in the Guangdong-Hong Kong-Macau Greater Bay Area and equipped with a global vision, persistent quality innovation, pursuit of knowledge-based management and practice of social responsibility.

(II) Hotel advisory and exhibition services

As regards the business segment of hotel advisory and exhibition services, the Group will capture the favourable timing of accelerated development of the Guangdong-Hong Kong-Macau Greater Bay Area, and fully leverage the geographic edge of Zhuhai as a popular tourist destination in China and a core city in the Greater Bay Area. By expanding marketable projects, it will vie for market opportunities to secure stable growth of its hotel advisory and exhibition services segment. In the meantime, more investment will be made in the technology sphere to develop and promote the function of smart operations service, to enable "one click" digital management of exhibition activities with lower costs and better service performance and seek potential market-oriented business opportunities for the segment so that the Group's revenue streams can be further diversified and widened.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Guangning

Mr. Li Guangning, aged 49, has been appointed as an executive Director and chairman of the Board (the "Chairman") with effect from 21 July 2014. Mr. Li currently serves as the director and the general manager of Zhuhai Huafa, the single largest shareholder of the Company. In addition, Mr. Li also holds various positions in the subsidiaries of Zhuhai Huafa, including director and chairman of the board of Zhuhai Huafa Industrial Co., Ltd. (珠海華發實業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600325), Zhuhai Huajin Capital Co., Ltd.（珠海華金資本股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 000532) and Zhuhai Huafa Investment Holdings Group Co. Ltd.（珠海華發投資控股集團有限公司）(formerly known as Zhuhai Financial Investment Holdings Group Co., Ltd.（珠海金融投資控股集團有限公司）) ("Huafa Investment Holdings") Mr. Li joined Zhuhai Huafa in 1993 and held various managerial positions in various subsidiaries of Zhuhai Huafa.

Mr. Xie Wei

Mr. Xie Wei, aged 46, has been appointed as an executive Director, chief executive officer of the Company (the "Chief Executive Officer") and a member of the remuneration committee of the Board (the "Remuneration Committee") and the authorised representative of the Company with effect from 21 July 2014. Mr. Xie currently serves as a director and executive deputy general manager of Zhuhai Huafa. He also holds various positions in the subsidiaries of Zhuhai Huafa, including a director and the general manager of Huafa Investment Holdings. Mr. Xie is also a director of Zhuhai Huafa Industrial Co., Ltd. (珠海華發實業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600325), and the vice chairman of the board of directors of Zhuhai Huajin Capital Co., Ltd.（珠海華金資本股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 000532).

Ms. Guo Jin

Ms. Guo Jin, aged 49, has been appointed as an executive Director and a member of the Remuneration Committee with effect from 18 April 2018. Ms. Guo graduated from South China Agricultural University in 1994 with a bachelor's degree in Economics. Ms. Guo served as the deputy general manager of Huafa Investment Holdings from May 2013 to March 2015, the executive deputy general manager of Huafa Investment Holdings from March 2015 to March 2020 and the secretary of the party committee of Huafa Investment Holdings from June 2015 to April 2020. Ms. Guo serves as the chairman of director of Zhuhai Huafa Industrial Investment Holding Co., Ltd.（珠海華發實體產業投資控股有限公司）since June 2019. Starting from May 2014, Ms. Guo works as the director and president of Zhuhai Huajin Capital Co., Ltd.（珠海華金資本股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 000532). From August 2014, Ms. Guo serves as the chairman of Zhuhai Higrand Technology Co., Ltd.（珠海華冠科技股份有限公司）, a company listed on National Equities Exchange and Quotations in China（全國中小企業股份轉讓系統）(stock code: 871447). From 22 September 2020, Ms. Guo also serves as the chairman of Shenzhen WeiYe Decoration Group Co., Ltd.（深圳市維業裝飾集團股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 300621). Prior to joining Huafa Investment Holdings in May 2013, from 2002 to April 2013, Ms. Guo served as various management positions in the Bank of Communications Zhuhai City Branch and Bank of Communications Guangdong Province Branch. Ms. Guo has extensive experience and has been working in both banking and private investment fields for over 15 years.

Mr. Tze Kan Fat

Mr. Tze Kan Fat, aged 47, has been appointed as an executive Director with effect from 28 June 2019. Mr. Tze obtained a Bachelor of Business Administration degree from the University of Hong Kong and a Master of Finance degree from the University of Hong Kong. Mr. Tze is a member of the Hong Kong Institute of Certified Public Accountants and is currently a licenced person to carry out type 6 regulated activity (advising on corporate finance) under the SFO. Mr. Tze joined the Company in March 2018 as a vice president. Mr. Tze has served as a responsible officer of WAG Worldsec Corporate Finance Limited for type 6 regulated activity under the SFO since August 2018. Mr. Tze is also a senior management of company comprising Zhuhai Huafa and its subsidiaries. Mr. Tze has over 23 years of experience in the financial services industry and has held various senior management positions in corporate finance. Prior to joining the Company, Mr. Tze was a managing director in the corporate finance department of Yunfeng Financial Markets Limited and last held the position of executive director in the corporate finance department of RHB Capital Hong Kong Limited.

NON-EXECUTIVE DIRECTORS

Ms. Zhou Youfen

Ms. Zhou Youfen, aged 50, has been appointed as a non-executive Director with effect from 28 September 2020. Ms. Zhou is a director and the chief financial officer of Zhuhai Huafa, a controlling shareholder of the Company, since July 2015 and August 2020, respectively, and the chairman of the board of supervisors of Zhuhai Huajin Capital Co., Ltd.（珠海華金資本股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 000532) since May 2014. From 2006 to 2020, Ms. Zhou was delegated by the Zhuhai State-owned Assets Supervision and Administration Commission from time to time to hold positions as a director, supervisor, chief financial officer and/or chairman of the board of supervisors in various subordinate corporations, such as Zhuhai Port Co.,Ltd.（珠海港股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 000507), Zhuhai Huichang Traffic Investment Co., Ltd.（珠海匯暢交通投資有限公司）and Zhuhai Water Group Co., Ltd.（珠海水務集團有限公司）. Ms. Zhou obtained her qualification certificate as a senior accountant issued by Human Resources and Social Security Department of Guangdong Province（廣東省人力資源和社會保障廳）in May 2013 and obtained her qualification certificate with specialty in industrial economy from the Human Resources Department of the People's Republic of China（中華人民共和國人事部）in November 1997. Ms. Zhou obtained a bachelor's degree in Foreign Trade from Beihang University in 1991 and a master's degree in Business Administration from Sun Yat-sen University in 2010.

Mr. Shong Hugo

Mr. Shong Hugo, aged 64, has been appointed as the non-executive Director with effect since 15 September 2017. He is the founding chairman of IDG Capital. Mr. Shong is the non-executive director of IDG Energy Investment Limited (formerly known as "IDG Energy Investment Group Limited"), a company listed on the Main Board of the Stock Exchange (stock code: 650). Mr Shong also served as a non-executive director of Mei Ah Entertainment Group Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 391) from February 2007 to June 2020. He earned his M.S. degree from Boston University and completed the 151st session of the Advanced Management Program from Harvard Business School.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Chen Jieping

Dr. Chen Jieping, aged 68, has been appointed as an independent non-executive Director, the chairman of the Audit Committee, a member of each of the Remuneration Committee and the Nomination Committee with effect from 21 July 2014. Dr. Chen has over 16 years of experience in accounting. Dr. Chen has served as an independent non-executive director of Saurer Intelligent Technology Co. Ltd. (stock code: 600545) since September 2017, a company listed on the Shanghai Stock Exchange. Dr. Chen served as an independent non-executive director of Jinmao (China) Hotel Investments and Management Limited (stock code: 06139) (delisted in October 2020), a company listed on the Stock Exchange, from March 2014 to October 2020. Dr. Chen served as an independent non-executive director of Xinjiang La Chapelle Fashion Co., Ltd. (formerly known as Shanghai La Chapelle Fashion Co., Ltd.) (stock code: 06116), a company listed on the Stock Exchange, from January 2016 to October 2019. Dr. Chen also served as an independent non-executive director of Shenzhen Worldunion Properties Consultancy Incorporated (stock code: 002285), a company listed on the Shenzhen Stock Exchange, from September 2013 to September 2019. Dr. Chen also served as an independent non-executive director of Industrial Securities Co., Ltd. (stock code: 601377), a company listed on the Shanghai Stock Exchange, from 2010 to March 2017. He was a professor of the China Europe International Business School from 2008 to 2018 and is currently an emeritus professor. He was also the head of the department of accountancy of the City University of Hong Kong from 2005 to 2008. Dr. Chen received a bachelor's degree in science and a master's degree in hospitality management, respectively, from the University of Houston in August 1990. He obtained a master's degree in business administration from the University of Houston in May 1992 and a doctoral degree in business administration from the University of Houston in August 1995.

Mr. Pu Yonghao

Mr. Pu Yonghao, aged 63, has been appointed as an independent non-executive Director, the chairman of the Remuneration Committee, a member of each of the Audit Committee and the Nomination Committee with effect from 1 June 2020. Mr. Pu has over 20 years of experience in holding senior positions in investment banks. From 2015 to 2018, Mr. Pu was the founder and chief investment officer of Fountainhead Partners Company Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities for the purpose of SFO. From 2004 to 2015, Mr. Pu held various positions at UBS AG, including the chief investment officer, the head of the Wealth Management Research APAC and his last position held at the company was managing director in Wealth Management and Retail & Corporate Division. Prior to joining UBS AG, Mr. Pu worked at Asian Development Bank as senior consultant from 2002 to 2003, Nomura International (Hong Kong) Limited as senior economist from 2000 to 2002 and Bank of China International (UK) Limited as senior economist from 1997 to 2000. Mr. Pu is the vice chairman of Chinese Financial Association of Hong Kong and the honorary institute fellow of The Chinese University of Hong Kong, The Asia-Pacific Institute of Business.

Mr. Pu obtained a bachelor degree in accounting from Xiamen University in 1982 and a master degree in economics from the same university in 1985. He also obtained a master of science degree in demography from The London School of Economics and Political Science in 1989.

Mr. Guo Shihai

Mr. Guo Shihai, aged 42, has been appointed as an independent non-executive Director, the chairman of the Nomination Committee, a member of each of the Audit Committee and the Remuneration Committee with effect from 21 July 2020. Mr. Guo is the chief executive of CMBC Investment (HK) Limited, a direct wholly-owned subsidiary of CMBC Capital Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1141) since January 2020, where he also acts as a permanent member of the investment and financing approval committee of CMBC Capital Holdings Limited. From 2015 to 2020, Mr. Guo was the managing director, head of principal investment management of BOCOM International Holdings Company Limited, where he was responsible for private equity investments, structured financing and bond investment business etc.. From 2012 to 2015, Mr. Guo was the executive director and vice president, head of product execution of cross-border and structured finance business of ICBC International Holdings Limited. From 2007 to 2012, Mr. Guo was the senior relationship manager of corporate finance, corporate banking and financial institutions of Bank of China (Hong Kong) Limited. From 2001 to 2007, Mr. Guo was an assistant manager and subsequently a manager of Bank of China Limited responsible for international settlement business. Mr. Guo was awarded Master of Science in Global Finance jointly by New York University's Stern School of Business and School of Business and Management of The Hong Kong University of Science and Technology.

Mr. Guo is a representative of each of (i) CMBC Securities Company Limited, a corporation licensed by the Securities and Futures Commission of Hong Kong ("SFC"), to carry out type 1 (dealing in securities) regulated activity, and (ii) CMBC Asset Management Company Limited, a corporation licensed by the SFC, to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities.

SENIOR MANAGEMENT

Mr. Liang Liang
Executive vice president and joint company secretary

Mr. Liang Liang, aged 40, has been appointed as the executive vice president and a joint company secretary of the Company on 19 May 2020 and 22 January 2021 respectively. Mr. Liang is also a director of Beijing Huafa Property Management Services Co., Ltd*（北京華發物業管理服務有限公司）(formerly known as Beijing Jiujun Real Estate Development Co., Ltd.*（北京九郡房地產開發有限公司）), a subsidiary of the Company. Mr. Liang joined Zhuhai Huafa in October 2018 and is currently a deputy director in Capital Management Center of Zhuhai Huafa. Prior to joining Zhuhai Huafa, Mr. Liang has over ten years of experience in the financial services industry, including his roles (i) as vice president of Sanpower Group Co., Ltd（三胞集團）in 2018; (ii) as deputy general manager in the investment banking department of Kaisa Group Holding Ltd.（佳兆業集團控股有限公司*), a company listed on the Main Board of the Stock Exchange (stock code: 1638) from 2016 to 2017; (iii) as senior investment manager of China Everbright Limited（中國光大控股有限公司）, a company listed on the Main Board of the Stock Exchange (stock code: 165) from 2012 to 2014; (iv) as investment manager of China Merchants Securities Co., Ltd.（招商證券股份有限公司）, a company listed on the Main Board of the Stock Exchange (stock code: 6099) from 2008 to 2011; and (v) at the Global Structured Credit Products Department of Citigroup in New York in 2007, where he was primarily responsible for capital markets works. Mr. Liang obtained a bachelor degree in applied physics from Hunan University in June 2003 and a master of science degree in the business administration (finance) program from the University of Cincinnati in August 2006.

* *For identification purpose only*

Mr. Li Wei
Vice president

Mr. Li Wei, aged 39, has been appointed as a vice president of the Company on 19 May 2020. He obtained a bachelor degree in marketing from Guanghua School of Management, Peking University in 2004 and a Master of Philosophy degree in marketing from the School of Business, the University of Hong Kong, in 2007. Mr. Li joined Zhuhai Huafa as the general manager of Operations Management Department in its Strategic Operations Management Centre in November 2018, and is currently the head of its Operations Management Centre. Prior to joining Zhuhai Huafa, Mr. Li worked as (i) assistant director of Data Management Department, Finance and Operation Management Department in China Resources Network (Shenzhen) Holdings Limited*（華潤網絡（深圳）控股有限公司）from 2017 to 2018; (ii) deputy general manager of Strategy Management Department of China Resources Bank of Zhuhai Co., Limited（珠海華潤銀行股份有限公司）from 2012 to 2016 and (iii) senior project manager of Strategy Management Department of China Resources (Holdings) Co., Ltd.（華潤（集團）有限公司）from 2006 to 2011.

Ms. Luo Bin
Chief financial officer

Ms. Luo Bin, aged 48, has been appointed as the chief financial officer of the Company on 19 May 2020. She obtained a bachelor of economics degree in accounting and auditing from the Sun Yat-sen University in 1994 and a master of accounting degree from the Sun Yat-sen University in 2009. Ms. Luo has over 20 years of experience in accounting. Ms. Luo joined Zhuhai Huafa in October 2018 and is currently the deputy chief financial officer of Zhuhai Huafa. Ms. Luo is also currently the financial controller of Zhuhai Huafa Multi-Business Development Co., Ltd.（珠海華發綜合發展有限公司）, director of Zhuhai Huafa Group Finance Co., Ltd.（珠海華發集團財務有限公司）and chief financial officer of Zhuhai Huafa Physical Industry Investment Holding Co., Ltd.*（珠海華發實體產業投資控股有限公司）. Prior to joining Zhuhai Huafa, Ms. Luo worked as (i) financial controller of Guangzhou Pearl River Industrial Development Co., Ltd.（廣州珠江實業開發股份有限公司）, a company listed on the Shanghai Stock Exchange (stock code: 600684), from 2014 to 2018; (ii) chief accountant and manager of Finance Department in Guangzhou Housing Construction Development Co., Ltd.*（廣州市住宅建設發展有限公司）from 2008 to 2014; and (iii) audit supervisor of Property Supervision Department and financial supervisor of Financial Supervision Department in Guangzhou Construction Asset Management Co., Ltd.*（廣州市建設資產經營有限公司）from 2003 to 2008. Ms. Luo has been admitted as a registered certified public accountant of the Chinese Institute of Certified Public Accountants（中國註冊會計師協會）since 1998.

* *For identification purpose only*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Introduction

This is the Group's fifth environmental, social and governance report, which provides an overview of the Group's management of significant issues affecting its operations, including environmental, social and governance ("ESG") issues.

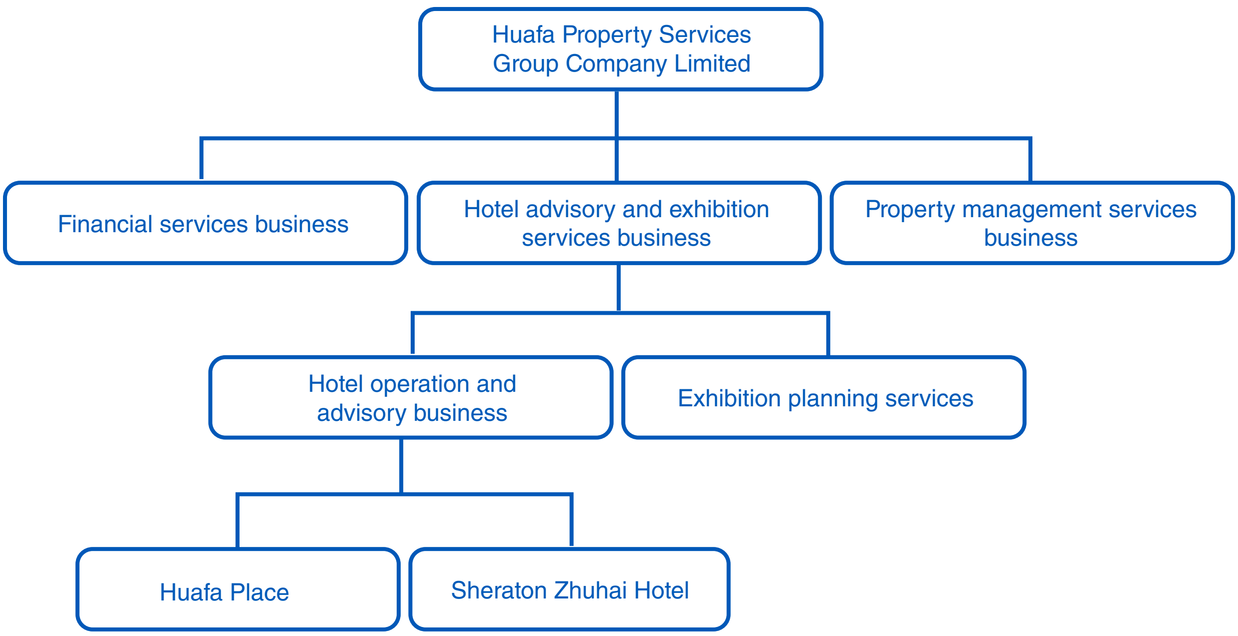
Reporting Year

The reporting period of the Report is from 1 January 2020 to 31 December 2020 (the "Reporting Period").

Scope and Boundary of the Report

Based on changes in the Group, we have adjusted our reporting scope by adding property management services and the removal of the financial printing services from the business segments. Unless otherwise indicated, our reporting scope centres on the Group's major business and operation segments, which include:

- Financial services business in Hong Kong
- Hotel advisory and exhibition services business in the PRC
- Property management services business in the PRC



With its data collection system growing mature and its ESG work deepening, the Group works continuously to optimise its operations in line with disclosure requirements.

Reporting Basis and Principle

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Main Board Listing Rules") issued by the Hong Kong Stock Exchange, and complies with the "comply or explain" provisions set out in the Listing Rules.

The Report is based on the following reporting principles:

- ***Materiality***

  The Group determines ESG-related issues through stakeholder participation and materiality assessment. For details, please refer to "Stakeholder Participation and Materiality Assessment".

- ***Quantification***

  The Group discloses measurable key performance indicators ("KPIs") from its historical data, to disclose the information on the standards, methods, assumptions or calculation tools used for disclosing quantitative data as well as the source of conversion factors used under viable conditions.

- ***Balance***

  The Group worked, to the greatest extent, to prevent such selections, omissions or presentation formats that may inappropriately affect the decision-making or judgment by report readers in its disclosures.

- ***Consistency***

  The Group is committed to adopting consistent disclosure and statistical methodologies for meaningful comparisons. When necessary, the Group will disclose any changes to the statistical methods or KPIs or any other relevant factors affecting meaningful comparison.

The information contained in the Report comes from the Group's official documents and statistics, and collated and synthesised from the monitoring, management and operations information provided by its subsidiaries according to the Group's relevant systems. The final chapter of the Report contains a complete content index for readers' quick reference. The Report is prepared in both Chinese and English. In the event of any discrepancy or inconsistency between the Chinese and English versions, the Chinese version shall prevail.

Information and Feedback

The Group values your opinion on the Report. Should you have any opinions or advices, please email us at ir982@huafagroup.com.

ESG MANAGEMENT APPROACHES

The Board of the Group attaches great importance to the Group's ESG strategies, evaluates the ESG-related risks from the Group's operations, and procures the senior management to enforce a corresponding system for risk management and internal control. During the Reporting Period, the Group strictly complied with the laws and regulations in relation to the environment and society, including the environmental, employment and labour standards, staff health and occupational safety, anti-corruption (including bribery, extortion and money laundering).

Stakeholder Participation

The Group values the engagement of its stakeholders, including staff, customers, suppliers and other stakeholders. All of them materially influence the success of our business or activities. Set out below are the Group's relevant stakeholders. We actively communicate with every stakeholder through various channels, to monitor and manage our impact on all aspects of the environment and society.

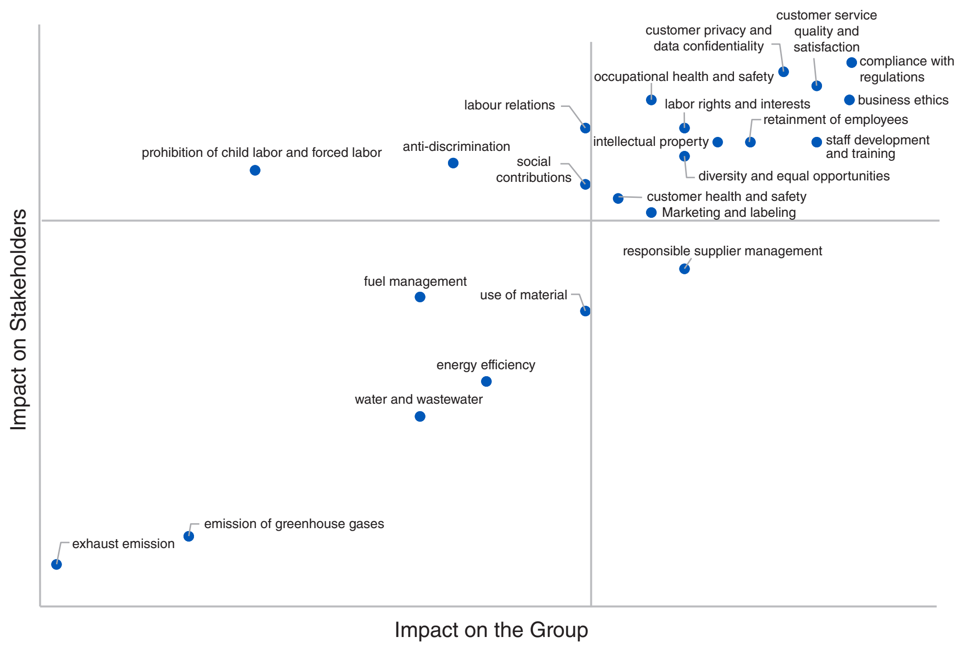
Stakeholders	Stakeholders' Concerns	Communication Channels
Government/ Regulatory Authorities	• Compliance with laws and the Listing Rules • Proper tax payment • Facilitation of regional economic development and employment	• Company activities • Annual, quarterly and interim reports as well as other publicly available information
Shareholders and Investors	• Low risk • Return on investment • Information disclosure and transparency • Protection of shareholders' interests and fair treatment	• Annual general meetings and other shareholders' meetings • Company activities • Annual, quarterly and interim reports as well as other publicly available information • Websites of the Company and The Stock Exchange of Hong kong Limited
Customers	• Legal and quality service • Stable relations • Information transparency • Integrity • Business ethics	• Websites, brochures, annual and quarterly reports and other publicly available information • Credential • Email and customer service hotline • Social channels • Feedback forms
Peers and Industry Associations	• Experience sharing • Cooperation • Fair competition	• Industry conferences, exhibitions (such as the International Financial Annual Report Design Awards Ceremony) • Company activities • Website of the Company
Members of the Public and Communities	• Community involvement • Social responsibilities	• Volunteering • Charity and social investment

Materiality Assessment

The Group identifies issues for disclosure in the Report through internal and external materiality assessment. By considering stakeholders' dependence and influence on the Group and its resources, the management has identified key stakeholders and surveyed them, who offered their opinions and recommendations on the issues on the Group's operation. Having consolidating the results of its assessment and surveys, we have compiled a matrix of importance as shown below. The issues in the upper right quadrant are of relatively high importance to both stakeholders and the Group's business. The Group will continue to improve its reporting process based on the results of the assessment.The Group has concluded that the following issues are important for the year:

Labour Rights	Retaining Employees	Diversity and Equal Opportunities	Occupational Health and Safety
Employee Development and Training	Customer Health and Safety	Marketing and Labelling	Intellectual Property Rights
Customer Services Quality and Satisfaction	Customer Privacy and Information Confidentiality	Business Ethics	Compliance with Laws and Regulations

Materiality Assessment Matrix



ENVIRONMENTAL

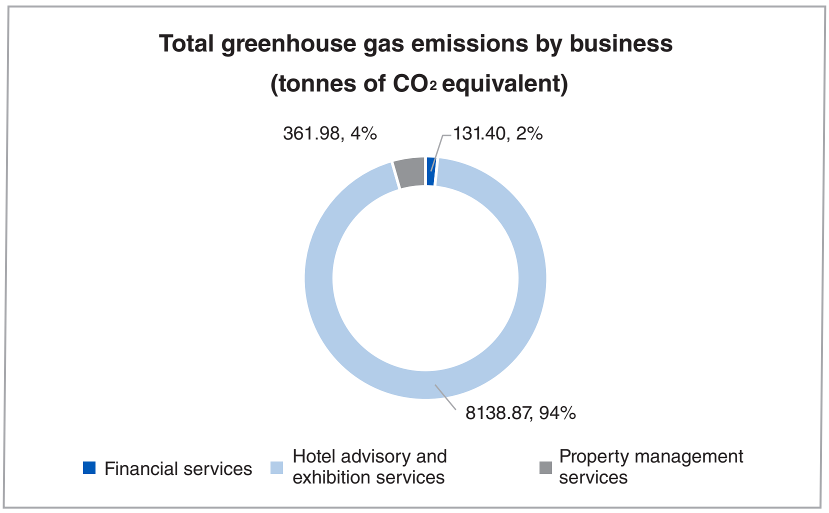
In formulating its ESG approaches and policies, the Group prioritised the work on environmental protection, undertakes to considering environmental factors at the management and operation levels, identifies the environmental impact of its business, and actively seeks opportunities for energy conservation and carbon reduction, so as to achieve a balance between business development and ecological protection. The Group complies with relevant environmental laws and regulations in Hong Kong and Mainland China, including but not limited to the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), the Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) and Environmental Protection Law of the People's Republic of China. During the Reporting Period, the Group was not aware of any material illegal or non-compliance issue that had a significant impact on the Group.

Emissions

Financial services and property management services mainly take place in offices. The main categories of emissions from our business operations are greenhouse gas emissions due to office power consumption. During the Reporting Period, the emissions of our hotel advisory and exhibition services mainly comprised the greenhouse gas emissions from electricity consumption of buildings and equipment and from the fuel consumption of vehicles and kitchens. Relevant activities were not involved in material air pollutant emissions, with no significant impact on the environment.

Greenhouse Gas Emissions

We strive to take active steps to tackle climate change, with the best efforts to reduce risks on our society in the most effective way. The Group is taking action to mitigate the greenhouse gas emission from its business operations. We have implemented energy-saving measures described in the section headed "Use of Resources". In 2020, the hotel advisory and exhibition services constituted the main sources of greenhouse gas emissions of the Group, accounting for 94% of its total emissions.



Below sets out the greenhouse gas emissions[1] of the Group by scope and by business:

	Unit	Financial Services 2020	Financial Services 2019	Hotel Advisory and Exhibition Services[2, 3] 2020	Hotel Advisory and Exhibition Services[2, 3] 2019	Property Management Services[4] 2020	Property Management Services[4] 2019
Scope 1[5]	tons of carbon dioxide equivalent	**0**	0	**539.68**	2,523.10[6]	**35.544**	N/A
Scope 2[7]	tons of carbon dioxide equivalent	**131.40**	127.80	**7,593.05**	11,022.99	**326.44**	N/A
Scope 3[8]	tons of carbon dioxide equivalent	**0**	0.22	**6.14**	98.16	**0**	N/A
Total Greenhouse Gas Emissions	tons of carbon dioxide equivalent	**131.40**	128.02	**8,138.87**	13,644.25	**361.98**	N/A
Intensity of Greenhouse Gas Emissions	tons of carbon dioxide equivalent	**per square meter 0.13**	per square meter 0.13	**nights per room 0.04**[9]	nights per room 0.06[10]	**per square meter 0.06**	N/A

The intensity of greenhouse gas emissions for our financial services in 2020 remained unchanged as compared with 2019. Greenhouse gas emissions are mainly the emissions from electricity consumption (Scope 2). The rest were indirect emissions from employees' business travels by air (Scope 3). To reduce emissions, we have implemented a series of electricity-saving measures (detailed in the section headed "Use of Resources"). In addition, we minimised unnecessary overseas business trips. If necessary, all our staff would take the economy class whenever they go on business trips to minimise carbon emissions. In 2020, the greenhouse gas emissions from our hotel management and exhibition planning services were also chiefly related to electricity consumption (Scope 2), followed by employees' business travels by air (Scope 3) and diesel consumption (Scope 1).

Going forward, the Group will continuously monitor its greenhouse gas emissions, and improve its collection and inspection efforts on such emissions.

1 Greenhouse gas emissions are calculated with reference to the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong issued by the Environmental Protection Department, the Sustainability Report 2019 of HK Electric Investments and the Average CO_2 Emission Factors of Chinese Regional Power Grids in 2011 and 2012

2 To simplify the presentation, the data of the hotel, Huafa Place and relevant offices are reported on a combined basis

3 Due to the structural changes that occurred at the end of the reporting period, all data for this business segment are reported based on the last practicable date prior to the structural changes

4 Includes only the emissions associated with the properties of property management headquarters building

5 Scope 1: Emissions generated directly from business operations owned or controlled by the Company

6 Data of 2019 is increased to make a supplemental disclosure of emissions from natural gas

7 Scope 2: "Indirect energy" emissions from the Company's in-house consumption of purchased or acquired electricity, heating, freezing and steam

8 Scope 3: Covering all other indirect greenhouse gas emissions outside the Company, only including the indirect emissions from employees' business travels by air

9 A total of 213,710 nights in the rooms of the hotel and Huafa Place in 2020

10 A total of 233,334 nights in the rooms of the hotel and Huafa Place in 2019

Waste Management

The Group's waste management strategy focuses on waste reduction, recycling and reuse, aiming to reduce the impact on the environment while saving operating costs. For property management services and financial services, our daily work requires considerable consumption of paper, either for printing contract orders, compiling, printing and proofreading or for clients' review, which affects the environment. The waste generated from the office operation of each business unit is mainly toner and office paper. The waste generated by the hotel advisory and exhibition services includes batteries, general domestic waste and paper-made products. In order to protect the environment, we have formulated policies to minimise the waste of paper and other resources.

Waste Management	
Office Paper	• We calculate and monitor our wastes by referring to the monthly reports of Secure Information Disposal Services Limited (SSID). For example, we monitor the effect of our environmental protection by calculating the amount of A4 paper ordered each year and that of used paper recycled each year. • Colleagues put the double-printed paper into red bags for recycling, and the recycling company regularly collects waste paper for recycling, so as to reduce the greenhouse gases emissions and office wastes. • We encourage double-sided printing and the use of electronic documents to minimise paper printing. • We consider reminding our clients or staff in emails to minimise email printing, to reduce paper consumption and carbon emission
Large Office Furniture	• To provide a comfortable office environment to our colleagues and clients, the administration department conducts regular checks and audits on all our office furniture. We would first explore the possibility of refurbishment or repair for any defects spotted. For example, we engage skilled workers to check and refurnish the leather-like chairs reserved for clients or cabinets. The furniture will be discarded only if such refurbishment or repair proves impossible. • We donate some usable but depreciated furniture to charitable organisations.
Computers	• We have to keep up with the times and adopt the most advanced computer equipment. The design team's old computers are still more than adequate for daily use. To avoid waste, we donate these computers to non-profit organizations.
Toner	• We store the used toner cartridges of printers and arrange for suppliers to recycle the cartridges regularly, to reduce wastes.
Battery	• The batteries of our hotel advisory and exhibition services are stored in the current locations.
Stationery	• We also monitor the stationery consumption by our colleagues. We have an old-for-new practice for replacing such consumables as correction pens and highlighters, to reduce incomplete consumption of such items before their disposal.

Below sets out the Group's waste generation by business:

	Unit	Financial Services 2020	Financial Services 2019	Hotel Advisory and Exhibition Services 2020	Hotel Advisory and Exhibition Services 2019	Property Management Services[11] 2020	Property Management Services[11] 2019
Hazardous Waste[12]	metric ton	**0.01**	0.01	**0.11**	0.24	**0**	N/A
Non-Hazardous Waste	metric ton	**1.94**	1.58	**44.77**	82.66[13]	**0.26**	N/A

The Group will continue to implement the above waste management measures and continuously improve the methods of waste data collection and monitoring.

Use of Resources

The Group advocates environmental protection in its daily business operations, with multiple environmental protection measures in place in its office premises. We mitigate the negative impact of our office operations on the environment by making optimal use of resources, including paper, toner cartridges, electricity and water, as well as categorised resource recycling.

Resource Management	
Water	Office • Since the property management office takes care of water consumption, there is no problem on seeking appropriate water source. We remind our colleagues to avoid wastage by posting the "Save Water" sign. • We replace bottled potable water with water filters. The building's management office has rendered the faucets of our toilets to release water for shorter durations and at less amount, in a bid to save water. Hotel and Huafa Place • Huafa Place worked to reduce the overall water consumption by installing water-saving devices in shower equipment during the year, to reduce such water consumption by 10%. • In terms of hotels, we regularly check the leakages of our water equipment and pipes, with water-saving devices installed in our toilets and other equipment; the sewage produced by our kitchens is cleaned, recycled and reused by a third-party company.

11 Includes only the waste generation associated with the properties of property management headquarters building.

12 Including toner and batteries

13 Including office paper and general domestic waste

Resource Management	
Recycling Bins in place	• We put recyclable items such as paper, plastics, aluminium, CDs and batteries into the recycling bins provided by the building, and separate such items into paper, plastics, glass and metals.
Electricity	Office • We control the temperatures of indoor air conditioners. • We use energy-saving light bulbs and electrical appliances with the environmental-friendly label. • We post reminders for our staff to switch off devices before their departure. Furthermore, an automatic power-off switch is installed in the pantry to save energy and reduce the risk of danger. • Some elevators are shut down during non-office hours to reduce power consumption. Hotel and Huafa Place • We analyse our energy management system, replace LED lighting and install the energy management system according to our electricity consumption from the previous year. Our relevant electricity charge has been reduced by approximately 10%.

Set out below is the energy consumption data of the Group by business:

		Financial Services		Hotel Advisory and Exhibition Services		Property Management Services[14]	
	Unit	**2020**	2019	**2020**	2019	**2020**	2019
Water Consumption	cubic metre	**N/A**	N/A	**112,363.00**	248,344.37	**18,706.00**	N/A
Intensity of Water Consumption	cubic metre	**N/A**	N/A	**night per room 0.53**	nights per room 1.06	**per square meter 3.21**	N/A
Energy Consumption	kWh	**162,218.98**	159,744.00	**12,386,780.11**	33,430,909.66	**593,528.89**	N/A
Intensity of Energy Consumption	kWh	**per square meter 166.28**	per square meter 163.68	**nights per room 57.96**	nights per room 143.27	**per square meter 101.72**	N/A

In terms of water consumption, as the water for property management services and financial services is managed by the lessor, the actual water consumption data cannot be obtained. Our hotel advisory and exhibition services mainly provide domestic water for residents. All business water is provided by a third-party water supply company, thereby leaving no problem in seeking appropriate water source. In 2020, the hotel and Huafa Place produced 24,197[15] metric tons of sewage. The sewage produced by the residents is processed by a third-party company.

14 Includes only the water and energy consumption associated with the properties of the property management headquarters building.

15 Due to the impact of the COVID-19 epidemic, sewage produced by the hotels and Huafa Place decreased from 120,000 metric tons to 24,197 metric tons compared to that of 2019.

In terms of energy consumption, the energy consumption density of financial services in 2020 was not much different from that in 2019 (with a variation of approximately 1.6%). Energy consumption in hotel advisory and exhibition services decreased due to the impact of the COVID-19 epidemic. However, the Group's energy consumption still mainly came from hotel management and exhibition planning services, which included electricity, diesel and natural gas consumption.

Looking ahead, the Group will continue to monitor the use of its resources and improve data collection and monitoring.

Environment and Natural Resources

Despite the fact that the Group has insignificant impacts on the environment and seldom uses natural resources directly, we strive to improve the waste management mechanism. In order to reduce the damage on forests, our offices in Hong Kong use the Forest Stewardship Council (FSC)-certified paper and encourage double-sided printing of various types of documents. FSC tracks the entire process of wooden products from the forest to consumers, by developing standards for well managed forests and the standards of chain of custody for wood processing, so as to control the legal and sustainable source of the wood. The environment of our hotel and Huafa Place also has sufficient green areas to mitigate the impact of greenhouse gas emissions.

SOCIAL ASPECTS

Employment and Labour Practices

Employment

To stay competitive within the industry, the Group regards professional teams as its most valuable asset. There is a great demand for talents in our business. The Group has complied with the relevant laws and regulations in Hong Kong and Mainland China, including but not limited to the Employment Ordinance (Chapter 57), the Sex Discrimination Ordinance (Chapter 480), the Disability Discrimination Ordinance (Chapter 487), the Family Status Discrimination Ordinance (Chapter 527), the Race Discrimination Ordinance (Chapter 602), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Law of the People's Republic of China on Mediation and Arbitration of Labour Disputes (《中華人民共和國勞動爭議調解仲裁法》), the Employment Promotion Law of the People's Republic of China (《中華人民共和國勞動就業促進法》) and the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》). The Group adheres to its principles and strictly abide by regulations when it comes to recruitment, promotion and dismissal, work and rest hours, equal opportunities, cultural diversity and anti-discrimination. It also puts the principles into practice which include openness and fairness, staff matching, priority to internal staff and prevention of employment of relatives. Employees' working hours are set in strict compliance with relevant local laws and regulations of the place where the Company operates its business. The Group never employed minors or forced labours or paid a basic salary below the minimum level. During the Reporting Period, there was no material illegal or non-compliance issue that had a significant impact on the Group.

The Group's administration and human resources departments have formulated comprehensive human resource policies, and expressly stated the same in its Staff Manual/Staff Information, to allow the staff to understand the rules of human resources affairs. In addition to compliance with basic labour laws, the Group also provides benefits better than those required by laws when necessary to recruit, retain and develop a top-notch team.

Remuneration

We provide our staff with competitive remunerations, including salary, commission, bonus and other allowances, as well as the retirement benefit scheme. The Group determines staff remuneration packages according to common market practice, staff duties and the Group's financial results. The Group formulates salaries and salary review policies based on internal relativity which is established in line with a qualifications benchmark system among different rankings. Under the system, the Group determines the starting salary for individual entry rank with reference to the remuneration level of similar positions in the market, taking into account other factors related to the nature of the work.

Leaves and Welfare

The Group's staff welfare is better than those required in regulations. Our employees are entitled to not only annual leaves and leaves for long-term service, but also the types of leaves that exceed the requirements of regulations, such as paternity leave, breast feeding leave and birth control leave. We have set up a defined contribution plan for our Hong Kong staff in accordance with the Mandatory Provident Fund Schemes Ordinance, and have provided them with medical insurance. Employees in Mainland China are entitled to social insurance, housing provident fund, medical benefits, staff meals, staff quarters and subsidies for years of service.

Communication with Staff

To facilitate communication between the management and employees, the Group engages staff members in a variety of recreational activity to boost their morale. We are committed to enhancing the quality of life for our staff, their families and the community, and put the objective of work-life balance into practice while seeking to create a harmonious workplace and enhance staff loyalty. Such activities can also provide more opportunities for the management to reach out to average staff, and increase communication channels to increase mutual understanding. The Group usually adopts different types of communication channels, such as email, telephone, instant messaging software, conference and group lunch. Besides, in order to better understand the needs of staff as well as maintain a good relationship with each other and effectively solicit their opinions during the operation of Company, a range of different communication channels are arranged by business units of hotel advisory and exhibition services as follows:

(1) Staff opinion survey: Staff suggestions and views are solicited in writing or face-to-face interview with respect to business and management, to effectively solve the focal problems to the staff's concern;

(2) Staff meetings: Staff meetings are convened regularly, where leaders led the management personnel to communicate with employees on the strategic plans, policies and operation status of Huafa Place;

(3) Staff talks: to allow employees to give timely feedback to the management on various problems they have encountered during their work and to reach quick and effective discussion and solutions, the Company organise regular face-to– face talks between the management and employees;

(4) Employee bulletin board: the Company has set up the employee bulletin board at designated locations to post the information about staff activities, promotion and appointment training, notices, as well as announcements, rules and regulations or policies of Huafa Place;

(5) Free speech activities: to build a bridge of communication between employees and the management, the Company has set up an staff suggestion box, WeChat platform and QQ group for employees to propose their different opinions and suggestions on operation management, internal policies and working methods;

(6) Employee complaint procedure: for the purpose of making all employees' complaints to be resolved in a timely and fair manner and create a good working and personal development environment for employees and establishing a sense of belonging for them, the Company encourages employees to report their own experience to their superiors, management personnel, the human resources department and even the general manager of the Company on a level-by-level basis. When superiors are unable to solve the problems, they can report in the form of feedback to the management above them, and undergo an appeal procedure in the abovementioned order until the final decision can be made by the general manager.

Set out below is the number of staff in each business segment and the turnover rate of the Group as of 31 December 2020[16]:

		Financial Services	Hotel Advisory and Exhibition Services	Property Management Services
Headcount	**By Gender**			
	Male	24	268	3,640
	Female	24	268	2,682
	By Age Group			
	Below 30	8	232	1,974
	30-50	33	259	3,767
	Above 50	7	45	581
	By Employment Type			
	Full time	48	525	6,322
	Part time/Internship	0	11	0
	By Region			
	Hong Kong	48	2	3
	Mainland China	0	533	6,319
	Other regions	0	1	0
	Total	48	536	6,322
Annual Turnover Rate[17]	**By Gender**			
	Male	4.17%	24.25%	44.64%
	Female	8.33%	22.01%	35.57%
	By Employees' Age Group			
	Below 30	25.00%	28.02%	64.54%
	30–50	0.00%	18.53%	29.57%
	Above 50	14.29%	24.44%	32.87%
	By Region			
	Hong Kong	6.25%	0.00%	33.33%
	Mainland China	0.00%	23.08%	40.80%
	Other regions[18]	0.00%	100.00%	0.00%
	Total	6.25%	23.13%	40.79%

16 The data are presented by business due to the change in the scope of report for the year. As the data only cover major business segments, the number of employees may not be consistent with that in the annual report

17 Turnover rate = number of departures in the year/(number of departures in the year + headcount at the end of the year)

18 Other regions include Malaysia and Singapore

Health and Safety

The Group complies with health and safety-related regulations in accordance with the Occupational Safety and Health Ordinance of Hong Kong and similar regulations of Mainland China, and formulates provisions on environment control and hygiene for workplace. During the Reporting Period, there was no material illegal or non-compliance issue that had a significant impact on the Group.

Financial and Propety Management Service Business Segments

Offices are the environment where our staff stay for a long time and where poor indoor air quality can cause physical illnesses and poor health (such as headache, itchy eyes, breathing difficulties, skin allergies, fatigue or vomiting), which can even lead to high absence rates and low production efficiency. On the contrary, good indoor air quality can make them feel more comfortable and stay healthy.

The Group implemented a series of measures to improve indoor air quality, such as regular air quality testing, air cleaners, regular cleaning of ventilation systems, water-cooled air conditioning systems and enhancement of air circulation in offices. In order to reduce the chance of respiratory tract infections among the staff, we will issue an influenza notice when necessary and enhance preventive measures such as provision of hygiene masks and hand sanitisers for staff to use at any time.

In addition, the Group has carries out carpet cleaning and pest control and disinfection to allow members of staff to work in a clean environment which also helps improve their health. Besides, new office chairs are also purchased for those who need to replace seats, so that staff can work in a comfortable environment with fewer occurrences of accidents. As for workplace lighting, we arrange for weekly lamp inspections to ensure that staff can work with comfortable lighting. Furthermore, shade curtains are also installed in our windows to prevent sunrays from reflecting on staff computers and causing harm to their eyes.

The Group also ensures adequate and unlocked first-aid facilities in its workplace, with all emergency exits unimpeded and unlocked. Besides, staff members receive training on fire safety knowledge to raise their fire precaution awareness. Our business units held safe production inspections, fire safety knowledge training and fire drills on a regular basis.

In our property management services business segment, we are committed to maintaining a safe work environment and eliminating workplace hazards. We have implemented an occupational safety management system to prevent, manage, track and report workplace injuries and occupational diseases. Our occupational safety and health management system is also accredited with ISO 45001:2018.

Hotel Advisory and Exhibition Services Business Segment

Hotel Operation and Advisory

We are attentive to occupational safety and actively comply with relevant laws and regulations to ensure the safety of our employees in the workplace. Huafa Place strictly abides by the Measures for the Administration of National Occupational Health Standards (《國家職業衛生標準管理辦法》), the Measures for the Administration of Preventive Health Examinations (《預防性健康檢查管理辦法》), the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and the Regulations on the Labour Protection of Female Employees (《女職工勞動保護規定》). By taking into account the above regulations and their workplace conditions, Huafa Place has formulated the Regulations on the Administration of Occupational Health Examinations (《職業性健康檢查管理規定》) and the Regulations on the Forbidden Scope of Work for Female Employees (《女職工禁忌勞動範圍的規定》), which set out the definition of those who must undergo occupational health examinations and the explanations for circumstances where female employees should avoid in order to protect their physical and mental health as well as safety. We believe that our current policy can provide more considerate and appropriate health protection for our employees.

We also conscientiously implement the requirements of relevant laws and regulations, such as the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and the Administrative Measures for Emergency Plans for Work Safety Accidents (《生產安全事故應急預案管理辦法》), to prevent work safety accidents and ensure that rescue can take place quickly, effectively and orderly in the event of accidents, so as to control the situation, prevent the spread of accidents and ensure the personal and property safety of our employees.

We have formulated a series of relevant policies, including the Regulations on Work Safety Responsibilities (《安全生產職責規定》) and the Work Safety Meeting System (《安全生產會議制度》), which classifies safety production meetings as routine,quarterly and annual meetings that should incorporate the following contents:

- Communicate the documents, instructions and notices of the superior work safety management in the monthly meeting
- Check the completion of assignments from the regular meeting of the previous month, and listen to the safety production management of each company in that month
- Exchange work experience on safety production
- Arrange follow-up safety production tasks
- Check the rectification of potential safety hazards and put forward suggestions for further rectification of accidents and hazards
- Engage the participants to learn the laws, regulations and professional knowledge on safety production management

In order to comprehensively improve the employees' occupational safety awareness, we have formulated the Safety Production Education and Training System (《安全生產教育培訓制度》), and arranged the corresponding training for our employees in relation to the professional knowledge, technology, major hazard source management, occupational hazards and corresponding preventive measures, accident prevention, emergency management, rescue organisation and accident investigation and treatment in accordance with national safety production approaches, policies, laws, regulations and rules. As for the employees prone to accidents within the business scope, the Company has specially established the Management System for Special Operation Personnel (《特種作業人員管理制度》), which provides clear definitions for the safety production responsibilities and daily management requirements of special safety personnel, so that such personnel can also carry out daily work under clear guidance.

We have also formulated the Safety Facilities and Equipment Management System (《安全設施設備管理制度》), the Electricity Safety Management System (《用電安全管理制度》) and the Labour Protection Supplies Allocation and Management System (《勞動防護用品配備和管理制度》), so as to minimise the likelihood of employees encountering dangers when using the Company's facilities and equipment under clear guidance. In addition, the Company has also formulated a series of policies in terms of accident prevention and response, such as the Management System of Fire, Explosion and Toxin Prevention (《防火防爆防毒管理制度》), the Safety Production Inspection and Hazard Rectification (《安全生產檢查及隱患整改》), the Accident Reporting, Investigation and Handling System (《事故報告和調查處理制度》) and the Fire Safety Management System (《消防安全管理制度》), to enable the Company to protect staff safety in a better way and lower the possibility of workplace accidents and the impact of accidents on daily business operations.

Exhibition Services

In accordance with the laws and regulations on occupational safety in Mainland China and to protect the health of employees, we have prepared the Employee Safety Responsibility Statement of Zhuhai Hengqin New Area Huajin International Convention Services Company Limited (《珠海市橫琴新區華金國際會展服務有限公司員工安全責任書》) which sets out a series of measures to be followed by the person in charge of occupational safety and department heads to improve the employees' occupational safety awareness and self-protection ability, and provides guidance on the following aspects of occupational safety protection:

(1) Employees shall receive safety production and fire safety education and training to master the safety knowledge and emergency handling ability required in their own work;

(2) Check safety hazards in their own work space;

(3) Correctly use and maintain the office materials, facilities and equipment of their own posts;

(4) Employees must shut down all electrical equipment in their work space before leaving, to prevent short circuit of electrical wires;

(5) Employees are not allowed to operate against rules and risks, and have the responsibility of dissuading and stopping other people's violations;

(6) Employees may refuse to execute such commands that are against rules and report to the higher level;

(7) In case of any emergency that directly endangers personal safety, the employee has the right to stop the operation or withdraw from the operation site after taking possible emergency measures.

Below sets out the safety performance of each business segment of the Group as of 31 December 2020:

	Financial Services	Hotel Advisory and Exhibition Services	Property management services
Number and rate of casualties due to work relations	0	0	0
Days lost due to work injuries	0	25	63

Development and Training

The Group encourages its staff to pursue progress and continuous learning. In addition to on-the-job trainings provided at different departments, the Group has a policy of sponsoring its staff to further their study so as to improve their expertise. We also organise team activities, such as orienteering and problem-solving activities, to enhance the sense of belonging and responsibility among the staff. Through such activities, members of staff learn to accept and complement each other, and develop into a team with mutual trust and inspiration. Staff can also understand more about their merits and demerits in terms of personal growth.

In order to enable new employees to quickly adapt to the Company's environment and work positions and meet the needs of on-the-job employees, the hotel management and exhibition planning services business provides diversified types of training for both new and old employees. The new ones are provided with induction training and other orientation. More seasoned employees continue to receive on-the-job guidance and be arranged for general training, professional training and business training as required by their functions.

The Group provides different types of training, including internal, external and job rotation.

- Internal training: classroom explanation, seminars, online learning, on-the-job guidance and other training conducted in the office or designated locations.

- External training: employees are selected to participate in training organised by external organizations or visit other enterprises. The external training includes external open classes, visiting and studying in external enterprises, etc.

- Job rotation: employees are assigned to work in other units of the Group.

During the Reporting Period, a total of 6,126 employees of the Group participated in different types of training, which amounted to about 187,119 training hours. Staff training data in 2020 are detailed as follows:

		Financial Services	Hotel Advisory and Exhibition Services	Hotel Operation and Advisory Services
Percentage of employees trained[19]	**By Gender**			
	Male	100.00%	99.25%	88.60%
	Female	100.00%	95.52%	86.91%
	By Rank			
	Management	100.00%	100.00%	100.00%
	Manager	100.00%	93.33%	100.00%
	General staff	100.00%	97.60%	87.66%
	Overall	100.00%	97.39%	87.88%
Average Training Hours[20] **(hour/person)**	**By Gender**			
	Male	5.06	64.41	24.79
	Female	5.06	52.34	24.36
	By Rank			
	Management	5.06	21.68	20.42
	Manager	5.06	18.97	18.07
	Frontline staff	5.06	61.26	24.72
	Overall	5.06	58.38	24.61

Labour Standards

The Group has zero tolerance over the employment of minors or forced labour or forced imprisonment or labour bound by illegal contracts, and has complied with relevant laws and regulations, including the regulations in the Employment of Children Regulations under the Employment Ordinance, the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Labour Law of the People's Republic of China (《中華人民共和國勞動法》). Before recruitment, the applicant's original identity documents will be checked and copy of which will be filed to ensure that his/her age and identity allow him/her to work legally. In addition, the Group's mainland business units have also prepared internal procedures to regulate recruitment methods and strictly abide by the provisions of national and local labour regulations. During the Reporting Period, there was no forced labour or such incident within the Group.

19 The training ratio = the total number of the trainees for the year/the sum of the number of employees for the year.

20 Average training hours = Total training hours for the year/Total number of employees for the year.

Operating Practices

Supply Chain Management

All business suppliers of the Group are generally engaged in information technology and telecommunication, properties, laws, materials, services provision, consumer goods, food and other commercial services, as well as office supplies. The Group believes that such suppliers will not pose major environmental and social risks to its business. Therefore, this section primarily relates to the supply chain management in respect of individual business. Overall, our purchase decisions are made according to the pricing, suitability and general reputation of suppliers.

Hotel Advisory and Exhibition Services Business

In order to strengthen the overall management of suppliers and promote long-term stable supply of quality services and goods to the Company, we have formulated the Supplier Management System (《供應商管理制度》) and regulated the division of supplier management responsibilities of relevant departments within the Company. New suppliers are subject to a rigorous investigation and review process before their entry into the Company's qualified supplier list, which includes: (1) a preliminary review of supplier qualifications, such as checking supplier qualification documents, verifying their authenticity and meeting relevant laws and regulations; (2) supplier inspection: after passing the preliminary review, the suppliers will be assessed through multiple channels such as on-site inspection, telephone communication, online information query and supplier partners, with the final results presented in the form of a report. The inspection will score the suppliers according to the following aspects to ensure that they can provide quality materials or services to the Group: (1) the number and allocation of professionals; (2) service quality and supply capacity, (3) good financial and tax condition; (4) if the object of the inspection is food suppliers, the safety of food storage will be reviewed to ensure no expired food and hygiene; and (5) if the inspection object is materials suppliers, then their production process, quality control and workshop management will be assessed.

The Group will conduct an annual regular evaluation on all its supplier partners in the qualified supplier base, evaluate their quality, date, price, service of delivery through supplier questionnaires, on-site inspection and dynamic evaluation to understand the current situation, development planning, cooperation intention and daily transactions of the supplier company. If suppliers have significant problems in any of the above assessment areas, the Group will conduct irregular assessment to timely identify weaknesses and select good suppliers through management.

Unless there is no corresponding type of unit in the qualified supplier base for the procurement item or for special reasons, suppliers outside the base can be invited to participate in relevant selection procedures after being approved by the Company's leaders. In addition to business and competitive negotiation, at least three companies shall be selected from the qualified supplier base to bid for each purchase, and those who are evaluated as "excellent" in the supplier evaluation shall be selected preferentially and participate in the bidding only after the Company finishes its approval process. In addition, in order to realize the concept of green procurement, we will consider using renewable or biodegradable appliances when purchasing consumables, such as reducing plastic products and using paper straws and stirring rod.

During the Reporting Period, the hotel advisory and exhibition services business segment employed 401 suppliers, among whom 400 were from Mainland China and 1 was from the USA.

Property Management Services Business

The property management services business of the Group promotes fair and open competition and has established the Supplier Management Specification to regulate the selection process of suppliers and clarify the criteria for the introduction of suppliers in the procurement activities of the Company and to enhance the overall management of the supply chain. The decision to purchase materials and select suppliers is based solely on past compliance records, technology, capital, credit, safety and past service records. In selecting suppliers, the Group will go through many processes, such as site visits, performance surveys, verification of qualification documents and scoring. We will also conduct annual periodic assessments of suppliers we are already cooperated with, and the Procurement Department dispatch the supplier assessment results to the relevant departments for signature and confirmation and submit them to the supplier assessment panel for approval to ensure that the procurement activities were operated under normal procedures.

Service Quality

The Group endeavours to provide its target clients with premium services and offer them the best solutions at competitive prices, meeting their demands with excellent services beyond their expectation. In order to provide quality services to our clients, the Group has taken a series of measures in all aspects, including quality control of services, complaints handling and protection of client data. The Group complies with relevant laws and regulations, including Consumer Protection Legislations, the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Consumer Council Ordinance (Chapter 216 of the Laws of Hong Kong) and the Securities and Futures Ordinance. During the Reporting Period, there was no material illegal or non-compliance issue that had a significant impact on the Group.

Financial Services

We strictly comply with the Securities and Futures Ordinance, the Code of Conduct for Persons Registered with the Securities and Futures Commission, and the Personal Data (Privacy) Ordinance through the establishment of internal control and operation codes. The Group strongly promotes electronic trading services on an on-going basis, such as rolling out the electronic application function for subscription of new shares and forms for electric account opening, so as to enhance our service efficiency and quality. During the Reporting Period, we received no complaint.

Protection of Client Data and Intellectual Property Rights

We have the information confidentiality system, the code of conduct for staff and confidentiality agreements in place to safeguard and preserve our clients' personal data. Besides, client data is duly stored in the confidential document cabinet to which only a few authorised officers can have access for inspection. We have also simplified the online trading platform and introduced the dual certification service to enhance online transaction security for our clients and reduce the risks of hacking. We take measures to prevent copyright infringement, including prohibiting the purchase of pirated products and the use of photographs without authorisation of third parties.

Hotel Advisory and Exhibition Services Business

Service quality is a key component to successful hotel management and exhibition planning services business. We are committed to improving customer satisfaction, ensuring and improving service quality, reducing service complaints, increasing staff awareness of quality and hotels, and creating excellent service, which comprise the core competitiveness of hotel operation. We have established a quality management system for the operation of Huafa Place. Our exhibition unit has formulated a management system and measures for the marketing department to improve the standard procedures for brand management and business gifts management for clients, so as to provide high quality marketing services to clients.

Hospitality Service Quality Management and Complaints Handling

We have set up a hospitality quality management inspection team to regularly review and inspect the hospitality service quality and to supervise the hospitality service improvement to meet our hospitality service quality standards. To comprehensively ensure that our hotel can maintain good service quality, the inspection team evaluated and conducted categorised analysis in the following areas: staff working image and attitude, service standards and personal competencies, product quality, hotel environment, safety issues, internal management and staff discipline, and then proposed control objectives and methods for reference and improvement by each hotel department. During the Reporting Period, the hotel received a total of 67 complaints mainly in relation to restaurants, services, prices, hygiene and facilities. Such complaints were handled according to the internal client complaint handling procedures and the complaints were reviewed for continuous improvement.

Guest Safety

We attach great importance to the safety of our guests, as one of the three gold standards of hospitality service quality states that "everything provided to guests must be safe and effective". As guests of our hotel, their personal and property safety is the top priority under our protection whether in daily life or in extraordinary times in our hotel. As staff of our hotel, they must understand their responsibilities in emergency, and stay alert to fire fighting and life-saving procedures. In addition, the hotel security department will also arrange night shift inspection and check safety of the hotel at night and report it in the form of a quality inspection daily report on the next day.

Protection of Client Data and Intellectual Property Rights

The business unit of both hotel advisory and exhibition services has formulated the Confidentiality Agreement, which requires the company representatives and employees to sign and confirm when they are employed. It clearly defines the content to be kept confidential, including all commercial secrets and information for which the Company undertakes confidentiality obligations to third parties. In case of any divulging, oral warning, written warning, demerit recording and dismissal will be given depending on the severity; in case of any loss to the Company caused by the divulging of confidential information to a third party or the use of the Company's confidential information, the Company may seek corresponding compensation from the staff; in case of any malicious divulging of the Company's confidential information to a third party, the Company has the right to hold the leaker and the third party liable for tort in accordance with the law, and claim compensation from the leaker and the third party for the losses suffered by the Company.

Property Management Services Business

Our property management services are known for stringent quality control to maximize the positive experience of our guests. We have established service quality assessment standards, ranging from appearance to renovation management, and have clearly established a series of guidelines for staff and good service to match the development of high-end residential properties in China. In order to maintain a good working pattern, we have also established a series of reminder signs, inspection, self-inspection, interview and problem rectification guidelines to control the service quality from internal departments. On the other hand, we have formulated the "Complaints Handling Practice Guideline" (《投訴處理作業指導書》) to regulate the complaint handling work to ensure that all kinds of client complaints can be resolved in a timely and reasonable manner. Upon receiving a complaint from a client in person or by telephone, the corresponding staff shall immediately make a detailed record in the "Resident Complaint Handling and Return Visit Form" (《住戶投訴處理及回訪表》), reply to the competent department and the relevant owner in a timely manner after a serious analysis of the cause of the complaint, take immediate measures to stop the damage caused to the resident. And the return visit will be conducted in accordance with the "Guests Visit Practice Guideline" (《客戶訪問作業指導書》), and the process from receipt to completion will normally take no more than ten days. We also evaluated the goods from procurement to identify unqualified products. And all personnel involved in the service delivery process are responsible for promptly correcting service irregularities that occur. Management offices have been set up at each location to identify customer complaints and address non-conforming services as reported by customers during consultation activities. It is the responsibility of the respective department heads to follow up and monitor the improvement of the non-conforming services. The Quality Management Department is also responsible for identifying non-conforming services identified during service regulation, management inspections and internal audits.

Anti-corruption

The Group maintains a high standard of business integrity throughout the operation and tolerates no corruption or bribery in any form. We effectively implement a comprehensive internal control system and stringent policies against corruption and fraud. We have complied with the relevant laws and regulations in Hong Kong and Mainland China, including but not limited to the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), the Anti-Money Laundering and CounterTerrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong), the Contract Law of the People's Republic of China (《中華人民共和國合同法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正競爭法》) and the Interim Provisions on Banning Commercial Briberies (《關於禁止商業賄賂行為的暫行規定》). During the Reporting Period, there was no material illegal or non-compliance issue that had a significant impact on the Group.

Financial Services

In response to international trends and supervision requirements on global anti-money laundering and counter-terrorist financing, we have formulated the Anti-Money Laundering Procedures Manual (《反洗錢程序手冊》). We continue to deepen the anti-money laundering system by adopting "risk-based" evaluation methods. Related standard operating procedures have been incorporated into self-inspection and internal audit items, with the confirmation of customer identities and continuous monitoring measures strengthened for high risk situations. Before establishing any business relationship, we need to fully complete due diligence for all customers to identify their identities, including collecting, updating and maintaining customer information. In addition, we invite legal experts and Independent Commission Against Corruption from time to time to provide anti-corruption trainings for our employees.

Hotel Advisory and Exhibition Services Business

Staff shall also sign the Honesty, Integrity and Self-discipline Assurance Statement (《廉潔自律承諾書》) before executing the procurement projects, which states that the signatories shall not accept invitations to banquets and entertainment activities and gifts from companies or individuals that may affect the fairness of bidding/tendering and shall not seek illegitimate benefits by taking advantages of his/her position. On the other hand, signatories are not allowed to pay cash, donate valuable securities or other gifts except reasonable payments to the bid evaluation experts, or organise bid evaluation experts to participate in activities that may affect objective and fair supervision. Except for the above companies, no signatory shall treat bidding supervisors, offer gifts to them or organise other activities that may affect objective and fair supervision.

As for the Company and the supplier, both parties will sign the Transparent Procurement Agreement (《陽光採購協議》) to undertake that both parties shall comply with the requirements of relevant regulations voluntarily, including: the staff of the Company shall not ask for or accept suppliers' cash, kickbacks, gifts or other items; the personnel of the Company shall not accept any high-consumption entertainment from suppliers or use the materials, supporting equipment provided by suppliers by improper means, or take the materials and equipment as their own property or for sale. Nor shall the personnel take advantage of their position and work to seek improper benefits for themselves and their relatives, to regulate the staff's conduct in all aspects and eliminate any possibility of damage to the Company's interests or fraud.

Property Management Services Business

The Group's property management services business department has established the "Rules for Reporting Management and Disposition for Letters and Calls" (《信訪舉報線索管理處置辦法》), "Rules for the Administration of Gifts and Cash" (《禮品禮金上交管理辦法》), "Discipline and Inspection System" (《紀檢工作制度》) and related risk control measures, and signed the "Integrity Commitment" (《廉潔從業承諾書》) to guide our staff to conscientiously implement the deployment of the integrity construction responsibility system and abide by the professional ethical standards. We ensure that we will not use our authority or work to commit fraud, falsify, seek improper benefits for our spouse, children's relatives and others, or engage in personal loan relationships with external business associates or seek personal benefits in all aspects of daily operation and management. In addition, we have established accountability for anti-corruption personnel, and our staff above the level of deputy director are responsible for the integrity system establishment and the integrity practice establishing if they are accused of corruption. We promise that our staff will never ask for or accept kickbacks, gifts, valuable securities, payment certificates, or valuables from relevant units and personnel. We will not send gifts, valuable securities, payment certificates, or valuables to leaders at higher levels. Our employees will work together to promote the righteousness of the Company with the theme of integrity.

Community

Community Investment

Over the years, the Group has been philanthropic and strived to be a good corporate citizen to help create a harmonious society. We have also encouraged our staff to actively participate in social service and care for the people in need. We will select donation recipients according to the operating philosophy and the activities of community organisations. Our past beneficiaries include The Community Chest, Tung Wah Group of Hospitals and Yan Oi Tong.

The Group's management encourages the staff to take part in community service and motivate them to join in various volunteer activities. Our colleagues are more than ready to participate and even form their own teams in joining volunteer activities whenever available. We help the needy through donations and participation in charitable activities such as blood donation activities, elderly care activities and charity cutting activities, etc. for the year. In addition, We are also doing our part in the area of public health. We hope to make contribution to the fight against the epidemic and our society by cooperating, participating and assisting in the prevention and control of the COVID-19 pandemic.

As an influential company in the society, we will continue to participate in social construction and help the underprivileged to give back to the society. The breakdown of our awards and related community investments is set out as follows:

Name of Award/Achievement	Issuer
Financial service	
• Hong Kong Awards Environmental Excellence	The Environmental Campaign Committee in Hong Kong
• Hong Kong Green Organisation（香港綠色機構）	The Environmental Protection Department of Hong Kong
• Good Employers of "Friendly" "Homes" – "Good Employer Charter"	the Labour Department of Hong Kong
• Energy Saving Charter（節能約章）	The Environmental Protection Department of Hong Kong
• Good MPF Employer	The Mandatory Provident Fund Schemes Authority of Hong Kong and Manufacturers Life（宏利人壽）
• e-Contribution Award	
• MPF Support Award	
Hotel advisory and exhibition services	
• Innovative Hotel Management Company 2020	China Hotel Brand Summit Organizing Committee 2020

	Unit	2020
Total number of participants	Person	**231**
Total hours of volunteering	Hour	**1,302**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT INDEX OF HONG KONG STOCK EXCHANGE

Subject Areas/Aspects/Key Performance Indicators (KPIs)		**Section/ Statement**
Subject Area 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 wastes	Emissions
KPI A1.1	The types of emissions and respective emissions data	Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions
KPI A1.5	Description of measures to mitigate emissions and results achieved	Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Emissions

Subject Areas/Aspects/Key Performance Indicators (KPIs)		Section/ Statement
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (000' kWh) and intensity (e.g. per meal)	Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Use of Resources
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Use of Resources
KPI A2.5	Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit of production	N/A: The Group has no packaging materials
Aspect A3: Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Environment and Natural Resources

Subject Areas/Aspects/Key Performance Indicators (KPIs)		Section/ Statement
Subject Area B – *Social*		
Employment and Labour Practices		
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, antidiscrimination, and other benefits and welfar.	Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
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.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	No fatality
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety

Subject Areas/Aspects/Key Performance Indicators (KPIs)		Section/ Statement
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
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.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such noncompliance practices when discovered.	No non-compliance
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management

Subject Areas/Aspects/Key Performance Indicators (KPIs)		Section/ Statement
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	Service Quality As the Group is not engaged in product manufacturing, the issues of product health and safety, advertising and labelling has no significant impact on its business
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	N/A: The Group has no product
KPI B6.2	Number of products and service related complaints received and how they are dealt with	Service Quality
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Service Quality
KPI B6.4	Description of quality assurance process and recall procedures	Service Quality
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	Service Quality

Subject Areas/Aspects/Key Performance Indicators (KPIs)		Section/ Statement
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 bribery, extortion, fraud and money laundering	Anti-corruption
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	No related case
KPI B7.2	Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored	Anti-corruption
Community		
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 Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus areas	Community Investment

REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report, along with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in (i) the provision of property management services in Mainland China, and (ii) hotel advisory and exhibition services in Mainland China. The Group also engaged in (i) hotel operation services in Mainland China, (ii) financial services in Hong Kong, and (iii) financial printing services in Hong Kong during the reporting period.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year and up to the date of this report, and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 10 to 16 of this report. In addition, discussions on the Group's environmental policies, relationships with its stakeholders, and compliance with relevant laws and regulations which have a significant impact on the Group are also included in the Management Discussion and Analysis, Corporate Governance Report and Environmental, Social and Governance Report of this report. The review forms part of this Report of the Directors.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2020 are set out in the Consolidated Statement of Comprehensive Income on page 88 of this report. The Board does not recommend payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting to be held on Friday, 28 May 2021 ("AGM"), all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 May 2021.

FIXED ASSETS

Details of the movements in property, plant and equipment of the Group during the year are set out in note 14(a) in the financial statements.

SHARE CAPITAL

Details of movements of the share capital of the Company during the year are set out in note 29 in the financial statements.

DISTRIBUTABLE RESERVES

There is no distributable reserves as at 31 December 2020 (2019: Nil).

FIVE YEAR SUMMARY

A summary of the Group's results for each of the five years ended 31 December 2020 and the Group's assets and liabilities as at 31 December 2016, 2017, 2018, 2019 and 2020 is set out on page 5 of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws (the "Bye-Laws"), or under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Li Guangning *(Chairman)*
Xie Wei *(Chief Executive Officer)*
Guo Jin
Tze Kan Fat

Non-executive Directors:

Ms. Zhang Kuihong (Resigned with effect from 28 September 2020)
Ms. Zhou Youfen (Appointed with effect from 28 September 2020)
Mr. Shong Hugo

Independent Non-executive Directors:

Dr. Chen Jieping
Dr. Sun Mingchun (Resigned with effect from 1 June 2020)
Mr. Pu Yonghao (Appointed with effect from 1 June 2020)
Mr. Tse Yung Hoi (Retired with effect from 21 July 2020)
Mr. Guo Shihai (Appointed with effect from 21 July 2020)

In accordance with bye-law 87 of the Bye-Laws, Mr. Xie Wei, Ms. Guo Jin and Dr. Chen Jieping will retire at the forthcoming AGM by rotation. All of the above Directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

Dr. Sun Mingchun had tendered his resignation as an independent non-executive Director with effect from 1 June 2020. Dr. Sun Mingchun has confirmed that he has no disagreement with the Board and there are no matters that need to be brought to the attention of the shareholders of the Company in respect of his resignation as an independent non-executive Director. The Board would like to take this opportunity to express its gratitude to Dr. Sun Mingchun for his contribution to the Company during his term of services as an independent non-executive Director.

Mr. Tse Yung Hoi had retired as an independent non-executive Director with effect from 21 July 2020. Mr. Tse Yung Hoi has confirmed that he has no disagreement with the Board and there are no matters that need to be brought to the attention of the shareholders of the Company in respect of his retirement as an independent non-executive Director. The Board would like to take this opportunity to express its gratitude to Mr. Tse Yung Hoi for his contribution to the Company during his term of services as an independent non-executive Director.

Ms. Zhang Kuihong had tendered her resignation as a non-executive Director with effect from 28 September 2020. Ms. Zhang Kuihong has confirmed that she has no disagreement with the Board and there are no matters that need to be brought to the attention of the shareholders of the Company in respect of her resignation as a non-executive Director. The Board would like to take this opportunity to express its gratitude to Ms. Zhang Kuihong for her contribution to the Company during her term of services as a non-executive Director.

Mr. Li Guangning, Chairman and executive Director, entered into his service contract with the Company in 2014. His appointment was for an initial term of three years commencing on 21 July 2014 and was renewed for a further period of three years with effect from 1 April 2017 and 1 April 2020 respectively. During his three-year employment period, he has been entitled to a Director's fee of HK$120,000 per year effective from 1 April 2020 plus discretionary bonus, which is determined by his roles, experience and responsibilities in the Company.

Mr. Xie Wei, Chief Executive Officer and executive Director, entered into his service contract with the Company in 2014. His appointment was for an initial term of three years commencing on 21 July 2014 and was renewed for a further period of three years with effect from 1 April 2017 and 1 April 2020 respectively. During his three-year employment period, he has been entitled to a Director's fee of HK$120,000 per year effective from 1 April 2020 plus discretionary bonus, which is determined by his roles, experience and responsibilities in the Company.

Ms. Guo Jin, executive Director, entered into her service contract with the Company for an initial term of three years commencing from 18 April 2018 and the term has been renewed for a further period of three years with effect from 18 April 2021. During her three-year employment period, she has been entitled to an annual Director's fee of HK$120,000 effective from 18 April 2021 plus discretionary bonus, which is determined by her roles, experience and responsibilities in the Company.

Mr. Tze Kan Fat, executive Director, entered into his service contract with the Company for an initial term of three years commencing from 28 June 2019. During his three-year employment period, he is entitled to an annual Director's fee of HK$1 effective from 28 June 2019, with discretionary bonus, and his remuneration can be adjusted by the Board with reference to his duties and responsibilities and prevailing market conditions.

Ms. Zhou Youfen, non-executive Director, entered into her letter of appointment with the Company in 2020. Her appointment was for an initial term of three years commencing on 28 September 2020, subject to termination at any time by either party giving to the other 3 months' notice in writing. Ms. Zhou Youfen would not receive any remuneration from the Company.

Mr. Shong Hugo, non-executive Director, entered into a letter of appointment with the Company for an initial term of three years commencing from 15 September 2017 and the term has been renewed for a further period of three years with effect from 14 September 2020. Mr. Shong would not receive any remuneration from the Company.

Three independent non-executive Directors, namely, Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai, entered into their letters of appointment with the Company for an initial term of three years commencing on 21 July 2014, 1 June 2020 and 21 July 2020 respectively. The letter of appointment between Dr. Chen Jieping and the Company was renewed for a further period of three years with effect on 21 July 2017 and 21 July 2020 respectively, subject to termination at any time by either party giving to the other 2 months' notice in writing. Pursuant to the terms of the letters of appointment, each of the independent non-executive Directors is entitled to a Director's fee of HK$100,000 per year which is determined with reference to their duties and responsibilities within the Company.

Apart from the above, none of the Directors had a service contract with the Group which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

The remuneration of the executive Directors and the Directors' fees of the independent non-executive Directors are mutually agreed between the Board and each of the executive Directors and independent non-executive Directors with reference to the prevailing market conditions and determined by the Board based on the anticipated time, efforts and expertise to be exercised by each of them on the Company's affairs. Such emoluments are subject to review by the Board from time to time, pursuant to the power conferred on it in the annual general meeting of the Company.

CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 17 to 20 of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2020, none of the Directors or the chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have been taken under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules.

INTEREST OF SUBSTANTIAL SHAREHOLDERS

As far as was known to the Directors, as at 31 December 2020, the interests or short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long position in ordinary shares of HK$0.00025 each of the Company

Name of Substantial Shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of interested shares to the issued share capital of the Company (%)
Zhuhai Huafa (Note 1)	Interest in controlled corporations	3,710,750,000	36.88
Ho Chi Sing (Note 2)	Interest in controlled corporations	860,920,000	8.56
IDG Light Solutions Limited (Note 2)	Beneficial owner	860,920,000	8.56

Notes:

1. Zhuhai Huafa holds 100% of the issued share capital of Hong Kong Huafa Investment Holdings Limited ("Huafa HK") which in turn holds 100% of the issued share capital of Huajin Investment Company Limited ("Huajin Investment"). Since Huajin Investment holds 3,710,750,000 shares of the Company, Zhuhai Huafa is deemed to be interested in 3,710,750,000 shares of the Company by virtue of its shareholding in Huajin Investment.

2. Mr. Ho Chi Sing directly holds 100% of the issued share capital of IDG Light Solutions Limited (incorporated in the British Virgin Islands), which holds 860,920,000 shares of the Company.

   Therefore, Mr. Ho Chi Sing is deemed to be interested in a total of 860,920,000 shares of the Company by virtue of his shareholding in IDG Light Solutions Limited.

Save as disclosed above, as at 31 December 2020, no person had any interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or otherwise notified to the Company and the Stock Exchange.

SHARE OPTIONS

There is no share option scheme during the year ended 31 December 2020 and up to the date of this report.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

At no time during the year was the Company, or any of its holding company, fellow subsidiaries and subsidiaries, a party to any arrangement enabling the Directors or their respective spouses or children (natural or adopted) under the age of 18 years, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Equity-linked Agreements

The Group has not entered into any equity-linked agreements during the year ended 31 December 2020.

Permitted Indemnity Provision

Pursuant to the Bye-Laws, every Director 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 he/she shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his/her duty, or supposed duty, in his/her respective offices or trusts.

There is appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

MAJOR CUSTOMERS AND SUPPLIERS/SUBCONTRACTORS

The percentage of sales and cost of services provided for the year attributable to the Group's major customers and suppliers/subcontractors were as follows:

Sales	
– the largest customer	38%
– five largest customers	55%
Cost provided	
– the largest supplier/subcontractor	2%
– five largest suppliers/subcontractors	6%

Among the five largest customers, the sales value to Zhuhai Huafa's subsidiaries accounted for 38% of the total sales value for the year.

Mr. Li Guangning, Mr. Xie Wei and Ms. Zhou Youfen act as Zhuhai Huafa's directors during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the date of this report, and pursuant to the Listing Rules, none of the Directors is considered to have interests in any business which causes, or may cause, significant competition with the business of the Group.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

In addition to the related party transactions disclosed in note 33 to the audited consolidated financial statements, details of connected transactions and continuing connected transactions of the Group as defined under the Listing Rules, details of which are required to be disclosed in accordance with the requirements of Appendix 16 and Chapter 14A of the Listing Rules, are summarised below:

Connected Transactions

The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with Chapter 14A of the Listing Rules.

Asset Transfer Agreement and Sale and Purchase Agreement

On 20 December 2019, the Company entered into (i) the asset transfer agreement with Huafa HK and (ii) the sale and purchase agreement with Huafa HK and Huafa Property Management Services (Hong Kong) Limited (formerly known as Concord Bright Holdings Limited) ("HK Huafa Property Management") pursuant to which the Company as the purchaser agreed to acquire and Huafa HK as the seller agreed to sell 100% issued ordinary shares of HK Huafa Property Management at the consideration of RMB733,780,000 (the "Acquisition") and HK Huafa Property Management as the guarantor in relation to the Acquisition.

As Huafa HK is the controlling shareholder of the Company and hence is a connected person of the Company, the Acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. The highest applicable percentage ratio calculated pursuant to Chapter 14 of the Listing Rules in respect of the Acquisition exceeds 100%. The Listing Committee resolved that the Acquisition is an extreme transaction and the reverse takeover rules do not apply. As such, the Acquisition was subject to the reporting, announcement, circular and independent shareholders' approval requirements as set out in Chapter 14 and Chapter 14A of the Listing Rules. The Company is required to prepare a transaction circular under an enhanced disclosure comparable to prospectus standard and Anglo Chinese Corporate Finance, Limited has been appointed as the financial adviser of the Company to conduct due diligence on the Acquisition. The asset transfer agreement supplemented by the sale and purchase agreement, and the Acquisition have been approved by the independent shareholders of the Company on 14 January 2020. All the conditions precedent as set out in the sale and purchase agreement have been fulfilled and completion took place on 17 January 2020. As disclosed in the announcement of the Company dated 29 January 2020, all the necessary procedures in Hong Kong for the transfer of the entire issued shares of HK Huafa Property Management to the Company had been completed. For details, please refer to the announcements of the Company dated 25 August 2019, 20 December 2019, 17 January 2020 and 29 January 2020; and the circular of the Company dated 27 December 2019.

Products Purchase Agreements

On 8 June 2020, Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited (Sheraton Hotel)*（珠海市橫琴新區華金國際酒店管理有限公司喜來登酒店）("Management Company (Sheraton Hotel)") entered into products purchase agreement-1 with the labour union committee of Zhuhai Huafa ("Zhuhai Huafa Labour Union Committee"), pursuant to which Zhuhai Huafa Labour Union Committee agreed to purchase from the Management Company (Sheraton Hotel) festival gift boxes for a total aggregated amount not exceeding RMB765,000 (service charge and tax inclusive) (equivalent to approximately HKD832,789). On the same day, Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited (Huafa Place)*（珠海市橫琴新區華金國際酒店管理有限公司會展行政公寓）("Management Company (Huafa Place)") entered into products purchase agreement-2 with the labour union committee of Huafa Industrial Share Company Limited*（珠海華發實業股份有限公司）, a non-wholly owned direct subsidiary of Zhuhai Huafa, ("Huafa Industrial Share Labour Union Committee"), pursuant to which Huafa Industrial Share Labour Union Committee agreed to purchase from the Management Company (Huafa Place) festival gift boxes for an aggregated amount not exceeding RMB441,000 (service charge and tax inclusive) (equivalent to approximately HKD479,981) (the "Products Purchase Agreements").

Prior to the Products Purchase Agreements, on 6 December 2019, the Management Company (Sheraton Hotel) entered into customer thankful month cooperation agreement-1 with Zhuhai Huajun Property Development Company Limited（珠海華郡房產開發有限公司）("Huajun Property Development") and the customer thankful month cooperation agreement-2 with Zhuhai Aohua Corporate Management Consultancy Company Limited（珠海奧華企業管理諮詢有限公司）("Zhuhai Aohua"), respectively. Pursuant to the customer thankful month cooperation agreement-1 and customer thankful month cooperation agreement-2 (collectively the "Customer Thankful Month Cooperation Agreements"), Huajun Property Development and Zhuhai Aohua (collectively the "Service Recipients") shall purchase from Management Company (Sheraton Hotel) vouchers of accommodation and catering services to be used by 31 December 2019, for a total amount of RMB678,000 (service charge and tax inclusive) (equivalent to approximately HK$755,263) and RMB922,000 (service charge and tax inclusive) (equivalent to approximately HK$1,027,069), respectively. 17 previous arrangements (the "Previous Arrangements") were entered into between each of the hotels managed by Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited* （珠海市橫琴新區華金國際酒店管理有限公司）(the "Management Company") as service providers with certain members of Zhuhai Huafa and its subsidiaries (the "Huafa Group") prior to entering into the Customer Thankful Month Cooperation Agreements. Upon Management Company (Sheraton Hotel) entering into the Customer Thankful Month Cooperation Agreements, the service fees receivable by the Management Company when aggregated with the service fees received or receivable by the Group as a whole under the Previous Arrangements during the 12-month period prior to entering into the Customer Thankful Month Cooperation Agreements, would be in excess of HKD3,000,000.

Following the entering into the Customer Thankful Month Cooperation Agreements and prior to entering into the Products Purchase Agreements, each of the hotels managed by the Management Company as service providers provided certain accommodation, catering services and related services to certain members of the Huafa Group (excluding the Group) under 16 previous de minimis arrangements between each of the hotels managed by the Management Company as service providers with certain members of Huafa Group for the provision of accommodation, catering services and other services (the "Previous De Minimis Arrangements"). The total aggregated consideration for the Previous De Minimis Arrangements was RMB2,140,628 (equivalent to approximately HKD2,329,887).

* *for identification purpose only*

As each of the Service Recipients under the Previous De Minimis Arrangements is a member of the Huafa Group (excluding the Group) and each of the purchasers under the Products Purchase Agreements is labour union committee of Zhuhai Huafa and an indirect subsidiary of Zhuhai Huafa, an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company, each of the Service Recipients and purchasers is a connected person of the Company pursuant to Chapter 14A of the Listing Rules and all transactions contemplated by each of the Previous De Minimis Arrangements and the Products Purchase Agreements constitute connected transactions of the Company.

As each of the applicable percentage ratio of the Previous De Minimis Arrangements (in aggregate) is less than 5% and the total consideration is less than HK$3,000,000, they constitute de minimis transactions pursuant to Rule 14A.76(1)(c) of the Listing Rules and are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. However, upon the entering into the Products Purchase Agreements, the purchase prices of products received or receivable by each hotel managed by the Management Company when aggregated with the service fees received or receivable by the Group as a whole under the Previous De Minimis Arrangements will be in excess of HKD3,000,000.

The Previous Arrangements, the Customer Thankful Month Cooperation Agreements, the Previous De Minimis Arrangements and the Products Purchase Agreements are of a similar nature, i.e. in relation to provision of accommodation, catering services and other related services. As a result, the Previous Arrangements, the Customer Thankful Month Cooperation Agreements, the Previous De Minimis Arrangements and the Products Purchase Agreements shall be aggregated as if they were one transaction pursuant to Rule 14A.81 of the Listing Rules.

Since all applicable percentage ratios in respect of the Previous Arrangements, the Customer Thankful Month Cooperation Agreements, the Previous De Minimis Arrangements and the Products Purchase Agreements in aggregate are less than 25% and the aggregate service fees and purchase prices are less than HKD10,000,000, the entering into of the Products Purchase Agreements is subject to the reporting and announcements requirements but is exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules. For details including the pricing policies, please refer to the announcements of the Company dated 6 December 2019 and 8 June 2020 respectively.

Disposal

On 23 September 2020, the Company and Huajin Financial Holdings Company Limited (the "Purchaser"), which was directly wholly-owned by Huafa HK and indirectly wholly-owned by Zhuhai Huafa, entered into the sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire issued share capital of each member of collectively, Huajin Financial (International) Holdings Limited, Huajin International Investment Management Limited, WAG Worldsec Corporate Finance Limited, Huajin International China Investment Limited, Huajin International Hong Kong Management Limited, Huajin International Investment (Cayman) Limited, Huajin International Investment (Cayman) LP Limited and Huajin International (BVI) Limited at the consideration of approximately HK$123.4 million (the "Disposal").

As one or more of the applicable percentage ratios in respect of the Disposal exceed 5% but all are less than 25%, the Disposal constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules. However, the Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules by virtue of being an indirect wholly-owned subsidiary of Zhuhai Huafa, and a direct wholly-owned subsidiary of Huafa HK, which together with Zhuhai Huafa are controlling shareholders of the Company. Accordingly, the Disposal constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The independent board committee comprising all the independent non-executive Directors has been established to advise the independent shareholders on the terms of the sale and purchase agreement and the transactions contemplated thereunder. Somerley Capital has been appointed by the Company as the independent financial adviser to advise the independent board committee and the independent shareholders. The sale and purchase agreement and the transactions contemplated thereunder have been approved by the independent shareholders on 30 November 2020. For details including the pricing policies, please refer to the announcements of the Company dated 23 September 2020 and 24 December 2020, respectively and the circular of the Company dated 16 October 2020.

During the year under review, the Company has complied with the relevant disclosure requirements in respect of the connected transactions of the Group in accordance with Chapter 14A of the Listing Rules.

Continuing Connected Transactions

Office Sharing Agreement

On 10 July 2018, the Company and Huafa HK entered into an office sharing agreement pursuant to which Huafa HK has agreed to grant the Company the non-exclusive right to use an office space for the term up to 31 December 2020 in consideration of the sharing fees payable by the Company.

The office sharing agreement was subsequently renewed on 31 December 2020. The renewed term commencing from 1 January 2021 and ending on 30 November 2023 (both days inclusive).

Huafa HK is an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company. Therefore, Huafa HK is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the renewed office sharing agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules and since all the applicable percentage ratios (other than the profit ratio) in respect of the proposed annual caps under the renewed office sharing agreement are more than 0.1% but less than 5%, the transactions contemplated under the renewed office sharing agreement are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements, and are only subject to the annual review, reporting and announcement requirements. For details, please refer to the announcements of the Company dated 10 July 2018 and 31 December 2020.

The annual cap in respect of the office sharing agreement for the year under review was HK$4,000,000 and the actual sharing fees paid by the Company pursuant to the office sharing agreement for the year ended 31 December 2020 did not exceed the annual cap.

Financial Services Master Agreement

On 10 July 2018, the Company and Zhuhai Huafa entered into a financial services master agreement, pursuant to which the Company has agreed to procure the Group to provide financial services (the "Financial Services") to members of Zhuhai Huafa, its subsidiaries and its associates ("Zhuhai Huafa Group"). Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company. Therefore, Zhuhai Huafa and members of the Zhuhai Huafa Group are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the financial services master agreement and the Financial Services to be provided contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (other than the profit ratio) in respect of the proposed annual caps under the financial services master agreement whether stand alone or aggregated with the amount received and receivable by the Company pursuant to the consultancy agreement, the financial adviser agreement and the fee agreement as disclosed in the Company's announcement dated 26 December 2017 exceeds 25%, the financial services master agreement and the Financial Services to be provided contemplated thereunder are subject to the annual review, reporting, announcement, circular (including independent financial advice) and independent shareholders' approval requirements. The price and the terms of the above transactions have been determined in accordance with the pricing policies and guideline set out in the announcement and circular of the Company dated 10 July 2018 and 15 August 2018 respectively. The financial services master agreement and the transactions contemplated thereunder have been approved by the independent shareholders of the Company on 31 August 2018.

The annual cap in respect of the service fees of each of the category I (Type 1 – dealing in securities), category II (Type 4 – advising on securities) and category III (Type 6 – advising on corporate finance) financial services pursuant to the financial services master agreement for the year under review as disclosed in the announcement was HK$10,000,000, HK$19,000,000 and HK$11,000,000, respectively. The actual service fees received by the Group for each of the category I (Type 1 – dealing in securities), category II (Type 4 – advising on securities) and category III (Type 6 – advising on corporate finance) financial services for the year ended 31 December 2020 did not exceed the relevant annual cap.

Property Lease Framework Agreement

On 19 March 2019, Zhuhai SZM CBD Construction Holding Co. Ltd.（珠海十字門中央商務區建設控股有限公司）(the "Lessor") and an indirect wholly-owned subsidiary of the Company namely Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited*（珠海市橫琴新區華金國際酒店管理有限公司）entered into the property lease framework agreement for the target term that does not exceed three years, including a fixed term of twelve (12) months commencing from 1 September 2019, being the date immediately after the effectiveness of the property lease framework agreement. Pursuant to the property lease framework agreement, the Lessor agreed to lease and the Lessee agreed to rent Huafa Place（華發行政公寓）and Sheraton Zhuhai Hotel（珠海華發喜來登酒店）(collectively the "Target Property"). The Lessee has the right to use and operate the Target Property in accordance with the property lease framework agreement.

As Lessor is an indirect subsidiary of Zhuhai Huafa, an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company, Lessor is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the property lease framework agreement constitutes a continuing connected transaction of the Company and since various applicable percentage ratios in respect of the property lease framework agreement are over 5% and the annual rent payable by the Lessee is greater than HK$10,000,000, the property lease framework agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The property lease framework agreement and the transactions contemplated thereunder have been approved by the independent shareholders of the Company on 28 June 2019. For details including the pricing policies, please refer to the announcements of the Company dated 21 February 2019 and 19 March 2019 respectively and the circular of the Company dated 13 June 2019.

The annual cap in respect of the rent payable by Lessee pursuant to the property lease framework agreement for the year under review was RMB52,500,000 and the actual rent paid by Lessee for the year ended 31 December 2020 did not exceed the annual cap.

Cost Sharing Framework Agreement

After entering into the property lease framework agreement on 19 March 2019, an indirect wholly-owned subsidiary of the Company namely Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited*（珠海市橫琴新區華金國際酒店管理有限公司）(the "Management Company") and Zhuhai Huafa International Hotel Management Company Limited*（珠海華發國際酒店管理有限公司）("Huafa Hotel") entered into the cost sharing framework agreement on 18 April 2019, with a term from 1 September 2019, being the commencement date of the cost sharing framework agreement, to 31 December 2021, pursuant to which the Management Company and Huafa Hotel agreed to share general costs incurred for the daily normal operation of the Sheraton Zhuhai Hotel and St. Regis Zhuhai (the "Hotels") including category 1 (shared staff costs), category 2 (shared laundry costs), category 3 (shared staff canteen costs), category 4 (shared bakery food costs), category 5 (shared general administration department cleaning product costs), category 6 (shared general administration department temporary worker costs), category 7 (shared boiler room costs) and category 8 (shared public area energy and maintenance and repairs costs) (collectively the "Operation Costs").

Huafa Hotel is an indirect subsidiary of Zhuhai Huafa, an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company, Huafa Hotel is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the cost sharing framework agreement constitutes a continuing connected transaction of the Company and since various applicable percentage ratios in respect of the cost sharing framework agreement are over 5% and the annual payment by Huafa Hotel receivable by the Management Company is greater than HK$10,000,000, the entering into of the cost sharing framework agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The cost sharing framework agreement and the transactions contemplated thereunder have been approved by the independent shareholders of the Company on 28 June 2019. For details including the pricing policies, please refer to the announcements of the Company dated 19 March 2019 and 18 April 2019; and the circular of the Company dated 13 June 2019.

* *for identification purpose only*

The annual cap in respect of the sharing of the Operation Costs was RMB23,170,000 and the annual cap in respect of the payment of the interests which the Management Company is entitled to charge Huafa Hotel regarding any unpaid Operation Costs of St. Regis Zhuhai was RMB120,000 and the total annual cap pursuant to the terms of the cost sharing framework agreement for the year under review was RMB23,290,000. The actual Operation Costs shared and the actual interests paid by Huafa Hotel for the year ended 31 December 2020 did not exceed the relevant annual cap.

Hotel Consultancy Services Framework Agreement

On 29 April 2019, an indirect wholly-owned subsidiary of the Company namely Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited*（珠海市橫琴新區華金國際酒店管理有限公司）(the "Management Company") and Zhuhai Huafa entered into the hotel consultancy services framework agreement, for a term not exceeding three years commencing from the fulfilment of all the conditions precedent, pursuant to which Zhuhai Huafa agreed to retain and the Management Company agreed to provide the management services to consultancy hotels (the "Type 1") and consultation services to target hotels (the "Type 2") in return for the services fees.

As Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company, Zhuhai Huafa is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the entering into the hotel consultancy services framework agreement constitutes a continuing connected transaction of the Company and since various applicable percentage ratios in respect of the hotel consultancy services framework agreement are over 5% and the annual service fees receivable by the Management Company is greater than HK$10,000,000, the entering into of the hotel consultancy services framework agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The hotel consultancy services framework agreement and the transactions contemplated thereunder have been approved by the independent shareholders of the Company on 19 July 2019. For details including the pricing policies, please refer to the announcements of the Company dated 2 December 2018 and 29 April 2019; and the circular of the Company dated 2 July 2019.

The annual caps in respect of the service fees of each of the Type 1 and Type 2 services pursuant to the hotel consultancy services framework agreement for the year under review were RMB7,360,000 and RMB7,200,000. respectively, and the total annual cap in respect of the service fees pursuant to the hotel consultancy services framework agreement for the year under review was RMB14,560,000. The actual amount received by Management Company for each of Type 1 and Type 2 services for the year ended 31 December 2020 did not exceed the relevant annual cap.

Convention & Exhibition Business Cooperation Framework Agreement

On 18 July 2019, an indirect wholly-owned subsidiary of the Company namely Zhuhai Hengqin New Area Huajin International Convention Services Company Limited*（珠海市橫琴新區華金國際會展服務有限公司）(the "Consultant Company") and Zhuhai Huafa entered into the convention & exhibition business cooperation framework agreement, pursuant to which the Consultant Company agreed to cooperate, and Zhuhai Huafa agreed to retain the Consultant Company for the convention & exhibition services for a term not exceeding three years commencing from the fulfilment of all the conditions precedent.

* *for identification purpose only*

As Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company, Zhuhai Huafa is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the convention & exhibition business cooperation framework agreement constitutes a continuing connected transaction of the Company and since various applicable percentage ratios in respect of the convention & exhibition business cooperation framework agreement are over 5% and the annual cooperation fees receivable by the Consultant Company is greater than HK$10,000,000, the entering into of the convention & exhibition business cooperation framework agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The convention & exhibition business cooperation framework agreement and the transactions contemplated thereunder have been approved by the independent shareholders of the Company on 17 September 2019. For details including the pricing policies, please refer to the announcement and circular of the Company dated 18 July 2019 and 27 August 2019 respectively.

The annual cap in respect of the cooperation fees pursuant to the convention & exhibition business cooperation framework agreement for the year under review was RMB68,310,000 and the actual amount received by Consultancy Company for the year ended 31 December 2020 did not exceed the annual cap.

Framework Agreements

On 20 December 2019, Zhuhai Huafa Property Management entered into the property management services cooperation framework agreement and the procurement cooperation framework agreement (the "Framework Agreements") with Zhuhai Huafa, with a term from 17 January 2020 to 31 December 2022, pursuant to which upon the completion of the acquisition of HK Huafa by the Company, Zhuhai Huafa Property Management will provide property management services to and procure products and services from Zhuhai Huafa and its subsidiaries and associates (excluding Zhuhai Huafa Property Management and its three subsidiaries, Zhuhai Huafa Municipal Comprehensive Services Co., Ltd.*（珠海華發市政綜合服務有限公司）, Zhuhai Huafa Building Elevator Engineering Co., Ltd.*（珠海華發樓宇電梯工程有限公司）and Zhuhai Huafa Jones Lang LaSalle Property Management Services Company, Limited*（珠海華發仲量聯行物業服務有限公司）(collectively "Huafa Property Management Group")) ("Zhuhai Huafa Group") in relation to the operation of HK Huafa Property Management and its subsidiaries.

Pursuant to the property management services cooperation framework agreement, Zhuhai Huafa Property Management shall provide (i) property management services to property sales centres, sample flats, etc. held by Zhuhai Huafa Group ("Category I Property Management Services"), and (ii) property management services including but not limited to security, cleaning, greening and gardening, repair and maintenance services as well as other value added services to the properties developed by Zhuhai Huafa Group ("Category II Property Management Services"). Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company, Zhuhai Huafa is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the entering into of each of (i) the property management services cooperation framework agreement and (ii) the procurement cooperation framework agreement constitutes a continuing connected transaction of the Company.

Since one or more of the applicable percentage ratios (other than the profit ratio) in respect of the annual caps under the property management services cooperation framework agreement is more than 5% and the annual service fees to be received by Zhuhai Huafa Property Management is greater than HK$10,000,000, the entering into of the property management services cooperation framework agreement is subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The property management services cooperation framework agreement and the transactions contemplated thereunder have been approved by the independent shareholders of the Company on 14 January 2020.

Since all applicable percentage ratios (other than the profit ratio) in respect of the proposed annual caps under the procurement cooperation framework agreement are more than 0.1% but less than 5%, the transactions contemplated under the procurement cooperation framework agreement are exempt from the independent shareholders' approval requirements, and are subject to the reporting, annual review and announcement requirements.

For details including the pricing policies, please refer to the announcement and circular of the Company dated 20 December 2019 and 27 December 2019.

The annual caps in respect of the service fees payable by Zhuhai Huafa Group of each of the Category I Property Management Services and Category II Property Management Services pursuant to the property management services cooperation framework agreement for the year under review were RMB297,060,000 and RMB77,420,000, respectively, and the total annual cap in respect of the service fees payable by Zhuhai Huafa Group pursuant to the property management services cooperation framework agreement was RMB374,480,000. The annual cap in respect of the procurement price payable by Huafa Property Management Group under the procurement cooperation framework agreement for the year under review was RMB7,860,000. The actual amount for the year ended 31 December 2020 did not exceed the relevant annual cap.

During the year under review, the Company has complied with the relevant disclosure requirements in respect of the continuing connected transactions of the Group in accordance with Chapter 14A of the Listing Rules. The aforesaid continuing connected transactions as contemplated under the office sharing agreement, financial services master agreement, property lease framework agreement, cost sharing framework agreement, hotel consultancy services framework agreement, convention & exhibition business cooperation framework agreement and Framework Agreements have been reviewed by independent non-executive Directors. The independent non-executive Directors confirmed that the aforesaid continuing connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor, PricewaterhouseCoopers, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A. 56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Details of the related party transactions of the Group for the year ended 31 December 2020 are set out in note 33 to the audited consolidated financial statements. With regard to the related party transactions which constitute continuing connected transactions, the Company has complied with the annual review and disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, or any of its holding company, fellow subsidiaries, subsidiaries and controlling shareholder or any of its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year under review.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

During the year under review, the Company, in the opinion of the Directors, has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries, all Directors have confirmed that they have complied with the Model Code during the year under review and up to the date of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

REMUNERATION POLICY

The remuneration policy of the Group for its employees and Directors is based on their performance, duties and responsibilities, comparable market rates and the performance of the Group. Remuneration packages typically comprise salary, housing allowances, contribution to pension schemes and bonuses relating to the profit of the relevant company. The Remuneration Committee regularly reviews and makes recommendations to the Board on the specific remuneration and compensation of the Directors and senior management of the Group.

DONATIONS

During the year ended 31 December 2020, the Group made charitable donations amounting to approximately HK$233,159 (2019: HK$278,500).

AUDIT COMMITTEE

The Group established an Audit Committee consisting of three independent non-executive Directors, namely, Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai. Dr. Chen Jieping is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and effectiveness of the risk management and internal control systems of the Group. The Audit Committee has reviewed the Group's final results for the year ended 31 December 2020.

AUDITOR

The consolidated financial statements for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers, who will retire at the forthcoming AGM and being eligible, offer themselves for re-appointment.

On behalf of the Board

Li Guangning
Chairman

Hong Kong, 23 March 2021

CORPORATE GOVERNANCE PRACTICES

The Board of the Group has committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, to enhance corporate value and accountability, to formulate its business strategies and policies, and to enhance its transparency and accountability.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code contained in Appendix 14 of the Listing Rules. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Company has applied the code provisions as set out in the CG Code contained in Appendix 14 of the Listing Rules.

In the opinion of the Directors, throughout the year under review, the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year under review.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by senior management or other staff who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Board currently comprises nine members, consisting of four executive Directors, two non-executive Directors and three independent non-executive Directors. The executive Directors, non-executive Directors and independent non-executive Directors during the year were as follows:

Executive Directors:

Mr. Li Guangning *(Chairman of the Board)*
Mr. Xie Wei *(Chief Executive Officer and member of the Remuneration Committee)*
Ms. Guo Jin *(member of the Remuneration Committee)*
Mr. Tze Kan Fat

Non-executive Directors:

Ms. Zhang Kuihong (resigned with effect from 28 September 2020)
Ms. Zhou Youfen (appointed with effect from 28 September 2020)
Mr. Shong Hugo

Independent Non-executive Directors:

Dr. Chen Jieping *(Chairman of the Audit Committee and member of the Nomination Committee and Remuneration Committee)*
Dr. Sun Mingchun *(Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee, resigned with effect from 1 June 2020)*
Mr. Pu Yonghao *(Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee, appointed with effect from 1 June 2020)*
Mr. Tse Yung Hoi *(Chairman of the Nomination Committee and member of the Audit Committee and Remuneration Committee, retired with effect from 21 July 2020)*
Mr. Guo Shihai *(Chairman of the Nomination Committee and member of the Audit Committee and Remuneration Committee, appointed with effect from 21 July 2020)*

The biographical information of the Directors are set out in the section headed "Biographical details of Directors and Senior Management" on pages 17 to 21 of this report.

None of the members of the Board is related to one another.

Chairman and chief executive officer

The positions of the Chairman and the Chief Executive Officer are held by Mr. Li Guangning and Mr. Xie Wei respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent non-executive directors

During the year ended 31 December 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Non-executive directors and directors' re-election

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 of the CG code states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

According to the Bye-Laws, one-third of the directors are currently required (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) to retire from office by rotation at each annual general meeting of the Company, provided that every director is subject to retirement at least once every three years. The retiring directors are eligible to offer themselves for re-election.

Details of the Directors' Service Contracts are set out in the section headed "Directors and Directors' Service Contracts" in the Report of the Directors on pages 53 to 55 of this report.

The Nomination Committee recommended that Mr. Xie Wei, Ms. Guo Jin and Dr. Chen Jieping, who will retire by rotation at the forthcoming AGM, be eligible to offer themselves for re-election.

In accordance with the Bye-Laws, all Directors are subject to retirement by rotation at least once every three years. Any Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Directors appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. As Mr. Pu Yonghao, Mr. Guo Shihai and Ms. Zhou Youfen were appointed by the Board as an independent non-executive Director on 1 June 2020, an independent non-executive Director on 21 July 2020 and a non-executive Director on 28 September 2020, respectively, each of the above Directors has, in accordance with the bye-law 86(2) of the Bye-Laws, retired and offered themselves for re-election at the following general meeting of the Company after his/her appointment. Mr. Pu Yonghao, Mr. Guo Shihai and Ms. Zhou Youfen were re-elected as an independent non-executive Director, an independent non-executive Director and a non-executive Director, respectively at the special general meeting held on 30 November 2020.

Responsibilities, accountabilities and contributions of the board and management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous professional development of directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2020, the following Directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills:

Directors	Topic Notes
Executive Directors	
Mr. Li Guangning	1,2,4
Mr. Xie Wei	1,2,4
Ms. Guo Jin	1,2,4
Mr. Tze Kan Fat	1,2,4
Non-executive Directors	
Ms. Zhang Kuihong (resigned on 28 September 2020)	1,2,4
Mr. Shong Hugo	1,2,4
Ms. Zhou Youfen (appointed on 28 September 2020)	1,2,4
Independent Non-executive Directors	
Dr. Chen Jieping	1,2,3,4
Dr. Sun Mingchun (resigned on 1 June 2020)	1,2,3,4
Mr. Pu Yonghao (appointed on 1 June 2020)	1,2,3,4
Mr. Tse Yung Hoi (retired on 21 July 2020)	1,2,3,4
Mr. Guo Shihai (appointed on 21 July 2020)	1,2,3,4

Notes:

1. Corporate governance
2. Regulatory updates
3. Finance and accounting
4. Industry updates

In addition, relevant reading materials including legal and regulatory update seminar handouts have been provided to the Directors for their reference and studying.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference and are of no less exacting terms than those set out in the CG Code. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 4 of this report.

Audit committee

The Audit Committee currently comprises three members, namely Dr. Chen Jieping (chairman), Mr. Pu Yonghao and Mr. Guo Shihai (including one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise), all are independent non-executive Directors. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures, risk management and internal control systems, audit plan and relationship with external auditor, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held two meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2020 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and re-appointment of external auditor and arrangements for employees to raise concerns about possible improprieties. The attendance records of the Audit Committee are set out under "Attendance Records of Directors and Committee Members" of this report.

The Audit Committee also met with the external auditor twice a year and at least once a year the Audit Committee shall meet with the external auditor without the presence of the executive Directors.

Remuneration committee

The Remuneration Committee currently comprises five members, namely, Mr. Pu Yonghao (chairman), Dr. Chen Jieping and Mr. Guo Shihai (independent non-executive Directors), Mr. Xie Wei and Ms. Guo Jin (executive Directors).

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors, non-executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held four meetings to determine, review and make recommendations to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters. The attendance records of the Remuneration Committee are set out under "Attendance Records of Directors and Committee Members" of this report.

Details of the remuneration of the senior management by band for the year ended 31 December 2020 are set out in note 9 in the Notes to the Consolidated Financial Statements on page 133 of this Report.

Nomination committee

The Nomination Committee currently comprises three members, namely, Mr. Guo Shihai (chairman), Dr. Chen Jieping and Mr. Pu Yonghao, all are independent non-executive Directors.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for consideration and approval.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee held four meetings to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for election at the annual general meeting of the Company. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board has been maintained. The attendance records of the Nomination Committee are set out under "Attendance Records of Directors and Committee Members" of this report.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge and industry and regional experience and length of service.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives 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 Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

As at the date of this report, the Board's composition can be summarised by the following main diversity perspectives:

Board Members

	Number of Directors
Gender	
Female	2
Male	7
Ethnicity	
Chinese	8
American	1
Age	
41-50	6
51-60	0
61-70	3
Length of Service	
Less than 1 year	3
1-3 years	3
4-6 years	3

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;

- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional qualification, skills, knowledge and industry and regional experience and length of service;

- Requirements of independent non-executive directors on the Board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and

- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new directors and re-election of directors at general meetings. During the year ended 31 December 2020, the Board approved the resignation of Dr. Sun Mingchun as independent non-executive Director and appointment of Mr. Pu Yonghao as independent non-executive Director with effect from 1 June 2020; the retirement of Mr. Tse Yung Hoi as independent non-executive Director and appointment of Mr. Guo Shihai as independent non-executive Director with effect from 21 July 2020 and the resignation of Ms. Zhang Kuihong as non-executive Director and appointment of Ms. Zhou Youfen as non-executive Director with effect from 28 September 2020 after taking into consideration of the recommendation from the Nomination Committee.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate governance functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

The attendance records of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 December 2020 are set out in the table below:

	Attendance/Number of Meetings					
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting	Special General Meeting
Li Guangning	8/8	–	–	–	1/1	2/2
Xie Wei	8/8	–	4/4	–	1/1	2/2
Guo Jin	8/8	–	4/4	–	1/1	2/2
Tze Kan Fat	8/8	–	–	–	1/1	2/2
Zhou Youfen (appointed on 28 September 2020)	–	–	–	–	–	1/1
Shong Hugo	8/8	–	–	–	1/1	2/2
Zhang Kuihong (resigned on 28 September 2020)	8/8	–	–	–	1/1	1/1
Chen Jieping	8/8	4/4	4/4	2/2	1/1	2/2
Pu Yonghao (appointed on 1 June 2020)	4/4	2/2	2/2	1/1	–	1/1
Sun Mingchun (resigned on 1 June 2020)	4/4	2/2	2/2	1/1	1/1	1/1
Guo Shihai (appointed on 21 July 2020)	4/4	2/2	2/2	1/1	–	1/1
Tse Yung Hoi (retired on 21 July 2020)	4/4	2/2	2/2	1/1	1/1	1/1

Apart from regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors during the year.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 83 to 87.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditor.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid or payable to the external auditor of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended 31 December 2020 is set out below:

Service Category	Fees Paid/ Payable HK$
Audit Services	2,500,000
Non-audit Services	
– Tax related services	22,000
– Consultancy services	2,300,000
	4,822,000

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board and the Audit Committee

The Board acknowledges its responsibility for maintaining sound and effective risk management and internal control systems and reviewing their effectiveness. The Board regularly monitors and updates the Group's risk profile and exposure, and evaluates the effectiveness of the risk management and internal control systems at least annually. During the year, a review of the effectiveness of the risk management and internal control systems was conducted. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

Risk Management and Internal Control Systems

The Group's risk management and internal control systems are designed to manage and mitigate risks, rather than eliminate risks, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group has employed a bottom-up approach for identification, assessment and mitigation of risk at business unit level and across functional areas.

Main Features of Risk Management and Internal Control Systems

The key elements of the Group's risk management and internal control systems to ensure their effectiveness include the establishment of a Risk Register to track and document identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the on-going testing of internal control procedures.

An on-going risk assessment approach is adopted by the Group for identifying and assessing the key inherent risks that affect the achievement of its objectives. A risk matrix is adopted to determine risk rating (L=low risk, M=medium risk, H=high risk) after evaluation of the risk by the likelihood and the impact of the risk event. The risk ratings reflect the level of management attention and risk treatment effort required.

Process Used to Identify, Evaluate and Manage Significant Risks

During the process of risk assessment, each of the risk owner of departments and major subsidiaries is required to capture and identify the key inherent risks that affect the achievement of its objectives. Each inherent risk is evaluated according to the risk matrix. After taking into consideration the risk responses, such as control measures in place to mitigate the risk, the residual risk of each inherent risk is evaluated again. The Risk Register with the risk responses and residual risks is reported to the Audit Committee. The Audit Committee, acting on behalf of the Board, evaluates the effectiveness of the systems. The highest category of residual risks is subject to the Board's oversight.

Procedures and Internal Controls for Handling and Dissemination of Inside Information

Regarding the procedures and internal controls for the handling and dissemination of inside information, the Group is aware of its obligations under the SFO, the Listing Rules and the overriding principle. The Group conducts its affairs with close regard to the applicable laws and regulations prevailing in Hong Kong. The Group regulates the handling and dissemination of inside information to ensure inside information remains confidential until the disclosure of such information is appropriately approved and the dissemination of such information is efficiently and consistently made. Meanwhile, the Group has also implemented procedures to guard against possible mishandling of inside information within the Group, including but not limited to, pre-clearance on dealing in the securities of the Company by designated members of the management and notification of regular blackout period and securities dealing restrictions to Directors and relevant employees.

Process Used to Review the Effectiveness of the Risk Management & Internal Control Systems and to Resolve Material Internal Control Defects

In view of the Company's business and scale of operations, and in order to adopt the most cost-effective method of conducting periodic reviews of the Company's internal controls, the Board has outsourced the internal audit function to an independent consulting firm (the "Internal Auditor"). The Internal Auditor has conducted a review of the effectiveness of the Company's risk management and internal control systems according to the scope of review agreed and approved by the Audit Committee.

The Internal Auditor reported directly to the Audit Committee and the Audit Committee is satisfied that there has been no major deficiency noted in the areas of the Company's risk management and internal control systems being reviewed after implementation of recommendations of the internal control defects reported by the Internal Auditor. The management has also confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems. Accordingly, the Board as supported by the Audit Committee, as well as the management report and the internal audit findings, reviewed and considered the risk management and internal control systems to be effective.

COMPANY SECRETARY

Mr. Liang Liang, the executive vice president and the general manager of the company secretary department of the Company has been appointed as joint company secretary of the Company with effect from 22 January 2021. Ms. Chan Sau Ling of Tricor Services Limited, external service provider, has continued to act as the other joint company secretary of the Company. The primary contact person of Ms. Chan Sau Ling at the Company is Mr. Liang Liang, joint company secretary of the Company. For the year ended 31 December 2020, Ms. Chan Sau Ling has undertaken not less than 15 hours of relevant professional trainings to update the skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Hong Kong Exchanges and Clearing Limited after each general meeting.

Shareholders' rights

i. ***Procedure for shareholders to convene a special general meeting:***

Shareholder(s) 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 secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such a requisition. This meeting shall be held within two months after the deposit of the requisition. If, within 21 days of the deposit, the Board fails to proceed to convene such a meeting, the requisitionist(s) himself (themselves) may do so in accordance with Section 74(3) of the Companies Act 1981 of Bermuda.

ii. ***Procedure for shareholders to propose a person for election as a director at a general meeting:***

If a shareholder wishes to propose a person (the "Candidate") for election as a director at a general meeting, he/she shall deposit a written notice (the "Notice") at the Company's head office in Hong Kong at Room 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong. The Notice (a) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (b) must be signed by the shareholder concerned, including the information/documents to verify the identity of the shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data. The period for lodgement of the Notice shall commence no earlier than the date after the dispatch of the notice of the general meeting and end no later than seven days prior to the date of such a general meeting. To ensure the Company's shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a director, without adjourning the general meeting, shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for the election.

Putting forward enquiries to the board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Room 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong (For the attention of the Board)
Fax:	(852) 3465 5333
Email:	ir982@huafagroup.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at (852) 3465 5300 for any assistance.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

During the year ended 31 December 2020, an annual general meeting was held on 29 May 2020 and two special general meetings were held on 14 January 2020 and 30 November 2020 respectively. The notices of annual general meeting and special general meetings were sent to shareholders at least 20 and 10 clear business days before the annual general meeting and special general meetings respectively.

To promote effective communication, the Company maintains a website at www.huafapropertyservices.com where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

During the year under review, the Company has not made any changes to its Memorandum of Association and Bye-Laws. An up-to-date version of the Company's Memorandum of Association and Bye-Laws is also available on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

Policy relating to Shareholders

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval. Such details have been disclosed in the annual report of the Company.

羅兵咸永道

To the Shareholders of Huafa Property Services Group Company Limited
(Formerly known as HJ Capital (International) Holdings Company Limited)
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Huafa Property Services Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 88 to 168, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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.

Key audit matter identified in our audit is summarised as follows:

- **Impairment assessment of trade receivables – Property Management Services**

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables – Property Management Services	
Refer to Note 4(a) "Critical accounting estimates and assumptions" and Note 20 "Trade receivables" to the consolidated financial statements. As of 31 December 2020, the Group had gross trade receivables of HK$227,421,000, which are mainly arisen from property management services income from properties managed under lump sum basis and value-added services. Management has assessed the expected credit losses ("ECL") of trade receivables and the Group has recognised loss allowance on these trade receivables of HK$42,375,000 as of 31 December 2020. The Group applied the HKFRS 9 simplified approach to measure lifetime ECL allowance for trade receivables.	We have performed the following procedures to address this key audit matter: 1) Obtained an understanding of management's impairment assessment process over ECL of trade receivables. We discussed with management to understand the ECL impairment model, key assumptions and estimates as they adopted for determining the ECL rates; 2) Understood, evaluated and tested the key controls, on sample basis, in place over management's assessment on the ECL and ageing analysis review of trade receivables; 3) Assessed the inherent risk of material misstatement of ECL of trade receivables by considering the degree of estimation uncertainty and level of other inherent risk factors; 4) Evaluated the outcome of prior period assessment of provision for ECL of trade receivables to assess the effectiveness of management's estimation process by comparing the ECL as estimated in the prior year against the actual collection performance of the debtors in the current year;

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables – Property Management Services (Continued) Management estimated the ECL rates of trade receivables collectively by grouping the trade receivables based on shared credit risk characteristics and ageing periods, and considering the market conditions, their knowledge about the customers group (including their reputation, financial capability and payment histories), and the current and forward-looking information on macroeconomic factors that might affect the ability of the customers to settle the related receivables. We identified the impairment assessment of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of estimation uncertainty in relation to the ECL assessment.	5) Evaluated management's estimation on the ECL by considering the reputation and financial capability of the customers against the publicly available information, and the cash collection performance against the historical payment records; 6) Evaluated the appropriateness of the current and forward-looking macroeconomic factors as adopted by management in the ECL assessment by reference to our industry knowledge and relevant published macroeconomic data that might affect the ability of customers to settle the receivables in the future; 7) Tested, on a sample basis, the accuracy of ageing analysis of trade receivables prepared by management to the sales invoice, demand notes and other related supporting documents; and 8) Checked the mathematical accuracy of the ECL calculation for the loss allowance on trade receivables. Based on the above, we considered that the significant judgements and estimates made by management in relation to the impairment assessment of trade receivables were supportable by the evidence obtained and procedures performed.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND AUDIT COMMITTEE 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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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 judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

- 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 Au, Chi Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2021

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000 (Restated) (Notes 2.1(c), (d))
Continuing operations			
Revenue	5	**1,086,434**	952,337
Cost of sales	7	**(783,331)**	(722,337)
Gross profit		**303,103**	230,000
Other income and other gains/(losses), net	6	**12,605**	(1,157)
Administrative expenses	7	**(131,160)**	(96,364)
Net impairment losses on financial assets	20 & 22	**(7,792)**	(12,364)
Operating profit		**176,756**	120,115
Finance expenses, net	10	**(34,053)**	(1,963)
Share of results of associates	16	**585**	(163)
Share of results of a joint venture		**801**	–
Profit before income tax		**144,089**	117,989
Income tax expense	11	**(48,734)**	(38,044)
Profit from continuing operations		**95,355**	79,945
Discontinued operations			
(Loss)/profit from discontinued operations	32	**(71,246)**	16,858
Profit for the year		**24,109**	96,803
Profit/(loss) attributable to:			
Owners of the Company		**36,789**	95,020
Non-controlling interests		**(12,680)**	1,783
		24,109	96,803
Profit/(loss) for the year attributable to owners of the Company arising from:			
Continuing operations		**95,355**	79,945
Discontinued operations		**(58,566)**	15,075
		36,789	95,020
Earnings per share for profit from continuing operations attributable to owners of the Company (HK cent):			
– Basic and diluted	12	**0.9478**	0.7946
Earnings per share for profit attributable to owners of the Company (HK cent)			
– Basic and diluted	12	**0.3657**	0.9444

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2020

	2020 HK$'000	2019 HK$'000 (Restated) (Notes 2.1(c), (d))
Profit for the year	**24,109**	96,803
Other comprehensive income for the year, net of tax		
Item that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**24,603**	(3,128)
Total comprehensive income for the year	**48,712**	93,675
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**61,392**	91,892
Non-controlling interests	**(12,680)**	1,783
	48,712	93,675
Total comprehensive income/(loss) for the year attributable to owners of the Company arising from:		
Continuing operations	**116,814**	77,889
Discontinued operations	**(55,422)**	14,003
	61,392	91,892

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020 HK$'000	2019 HK$'000 (Restated) (Notes 2.1(c), (d))
Non-current assets			
Property, plant and equipment	14(a)	**22,107**	30,019
Right-of-use assets	14(b)	**19,536**	76,599
Intangible assets	15	**4,683**	13,649
Deferred tax assets	28	**24,113**	17,521
Interests in associates	16	**39,907**	39,322
Interest in a joint venture		**1,136**	335
Financial asset at fair value through profit or loss	18	**7,988**	8,213
Other receivables, deposits and prepayments	22	**–**	12,920
		119,470	198,578
Current assets			
Inventories		**2,507**	1,263
Contract assets	19	**–**	4,801
Trade receivables	20	**209,214**	261,241
Margin loans receivable	21	**–**	5,784
Other receivables, deposits and prepayments	22	**33,860**	73,037
Client trust bank balances	23	**–**	27,677
Restricted bank balances	24	**896**	1,652
Cash and cash equivalents	24	**664,864**	600,112
		911,341	975,567
Total assets		**1,030,811**	1,174,145

	Note	2020 HK$'000	2019 HK$'000 (Restated) (Notes 2.1(c), (d))
(Deficit)/equity			
Share capital	29	**2,515**	2,515
(Deficit)/reserves		**(363,675)**	402,959
Total (deficit)/equity attributable to owners of the Company		**(361,160)**	405,474
Non-controlling interests		**–**	12,680
Total (deficit)/equity		**(361,160)**	418,154
Non-current liabilities			
Lease liabilities	14(b)	**327**	29,738
Deferred tax liabilities	28	**–**	52
		327	29,790
Current liabilities			
Trade payables	25	**60,787**	173,852
Contract liabilities	19	**57,747**	71,316
Other payables and accruals	26	**326,818**	282,994
Bank borrowings	27	**519,000**	150,000
Amount due to a related party	33(c)	**416,690**	–
Lease liabilities	14(b)	**1,218**	29,324
Income tax payable		**9,384**	18,715
		1,391,644	726,201
Total liabilities		**1,391,971**	755,991
Total equity and liabilities		**1,030,811**	1,174,145

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 88 to 168 were approved by the Board of directors on 23 March 2021 and were signed on its behalf.

XIE Wei,
Director

LI Guangning,
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2020

	Capital and reserves attributable to owners of the Company										
	Share Capital HK$'000	Share premium HK$'000	Special reserve (Note a) HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Merger reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 31 December 2018 (Audited)	2,515	169,105	4,451	–	(534)	–	(283)	102,612	277,866	34,951	312,817
Business combination under common control (Note 2.1(d))	–	–	–	15,343	–	7,109	7	136,717	159,176	–	159,176
At 1 January 2019 (Restated)	2,515	169,105	4,451	15,343	(534)	7,109	(276)	239,329	437,042	34,951	471,993
Capital contribution from previous shareholders of subsidiaries acquired through business combination under common control	–	–	–	–	–	55,179	–	–	55,179	–	55,179
Dividend to previous shareholders of subsidiaries acquired through business combination under common control	–	–	–	–	–	–	–	(78,610)	(78,610)	–	(78,610)
Appropriation to statutory reserves	–	–	–	9,843	–	–	–	(9,843)	–	–	–
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	95,020	95,020	1,783	96,803
Other comprehensive loss											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(3,128)	–	(3,128)	–	(3,128)
Total comprehensive income/(loss)	–	–	–	–	–	–	(3,128)	95,020	91,892	1,783	93,675
Deemed distribution	–	–	–	–	–	–	–	(100,029)	(100,029)	(24,054)	(124,083)
At 31 December 2019 (Restated)	2,515	169,105	4,451	25,186	(534)	62,288	(3,404)	145,867	405,474	12,680	418,154
At 31 December 2019 (Audited)	2,515	169,105	4,451	–	(534)	–	(1,008)	6,848	181,377	12,680	194,057
Business combination under common control (Note 2.1(d))	–	–	–	25,186	–	62,288	(2,396)	139,019	224,097	–	224,097
At 1 January 2020 (Restated)	2,515	169,105	4,451	25,186	(534)	62,288	(3,404)	145,867	405,474	12,680	418,154
Acquisition of subsidiaries through business combination under common control (Note 1)	–	–	–	–	–	(828,026)	–	–	(828,026)	–	(828,026)
Appropriation to statutory reserves	–	–	–	10,871	–	–	–	(10,871)	–	–	–
Comprehensive income/(loss)											
Profit for the year	–	–	–	–	–	–	–	36,789	36,789	(12,680)	24,109
Other comprehensive income											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	24,603	–	24,603	–	24,603
Total comprehensive income/(loss)	–	–	–	–	–	–	24,603	36,789	61,392	(12,680)	48,712
At 31 December 2020	2,515	169,105	4,451	36,057	(534)	(765,738)	21,199	171,785	(361,160)	–	(361,160)

Note a:

Special reserve represents the difference between the aggregate amount of the share capital and share premium of the subsidiaries acquired and the nominal value of the shares issued by the Company for the acquisition pursuant to the group reorganisation which was to rationalise the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000 (Restated) (Notes 2.1(c), (d))
Cash flows from operating activities			
Cash generated from continuing operations	31	**191,361**	147,756
Income tax paid		**(64,170)**	(73,283)
Net cash generated from operating activities from continuing operations		**127,191**	74,473
Net cash used in from operating activities from discontinued operations		**(38,231)**	(22,891)
		88,960	51,582
Cash flows from investing activities			
Interest received		**3,731**	1,738
Acquisition of a subsidiary	33(c)(xi)	**(432,609)**	–
Disposal of subsidiaries	32	**64,936**	–
Investment in a joint venture		**–**	(336)
Proceeds from disposal of property, plant and equipment		**–**	16
Purchase of property, plant and equipment		**(5,432)**	(6,188)
Purchase of intangible assets		**(2,659)**	(2,040)
Net cash used in from investing activities from continuing operations		**(372,033)**	(6,810)
Net cash generated from/(used in) investing activities from discontinued operations		**1,453**	(4,672)
		(370,580)	(11,482)

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000 (Restated) (Notes 2.1(c), (d))
Cash flows from financing activities			
Interest paid		**(16,725)**	(3,616)
Capital contribution from the previous shareholder		**–**	51,183
Dividend paid to previous shareholder		**–**	(78,610)
Proceeds from bank borrowings		**532,000**	44,000
Repayments of bank borrowings		**(107,000)**	–
Proceeds from reorganisation		**–**	3,996
Decrease/(increase) in restricted bank balances		**756**	(1,642)
Principal and interest element of lease payment		**(1,832)**	(1,905)
Net cash generated from financing activities from continuing operations		**407,199**	13,406
Net cash (used in)/generated from financing activities from discontinued operations		**(78,639)**	32,377
		328,560	45,783
Net increase in cash and cash equivalents		**46,940**	85,883
Cash and cash equivalents at beginning of the year		**600,112**	518,876
Effect of foreign exchange rate changes, net		**17,812**	(4,647)
Cash and cash equivalents at end of the year	24	**664,864**	600,112

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION OF THE GROUP

Huafa Property Services Group Company Limited (the "Company") is a limited liability company incorporated in Bermuda. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at Room 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in (i) the provision of property management services in Mainland China, (ii) hotel advisory and exhibition services in Mainland China. The Group also engaged in (i) hotel operation services in Mainland China, (ii) financial services in Hong Kong, and (iii) financial printing services in Hong Kong during the reporting period.

The Company has its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These financial statements are presented in Hong Kong dollars (HK$) unless otherwise stated.

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period.

On 17 January 2020 (the "Completion Date"), the Group completed the acquisition ("Acquisition") of the entire equity interest in Huafa Property Management Services (Hong Kong) Limited (formerly known as Concord Bright Holdings Limited), an investment holding company holding various subsidiaries ("Property Management Business") from Hong Kong Huafa Investment Holdings Limited ("Huafa HK"), an indirect controlling shareholder of the Company at a consideration of RMB733,780,000 (equivalent to approximately HK$828,026,000). Property Management Business is principally engaged in the provision of the property management services and related value-added services, including household assistance service and other services in Mainland China (Note 2.1 (d)).

On 22 June 2020, the Group completed the disposal of the entire 100% equity interest in Miracle View Group Ltd. ("Miracle View") to a third party at a total consideration of HK$12,000,000. Miracle View is an investing holding company and through its operating subsidiaries, Rising Win Limited and its subsidiaries, is principally engaged in the provision of financial printing services ("Financial Printing Business") in Hong Kong. Rising Win Limited is a direct 60% owned subsidiary of Miracle View.

On 24 December 2020, the Group completed the disposal of the entire 100% equity interests of 18 subsidiaries at a total consideration of HK$123,394,000 to Huajin Financial Holdings Company Limited, a related company of the Group. These 18 subsidiaries were mainly engaged in the provision of financial services, including financial advisory, securities underwriting and consultancy, securities and futures brokerage, asset management, equity research and financial consultancy, and money lending in Hong Kong ("Financial Services Business").

In addition, after negotiation with Zhuhai SZM CBD Construction Holding Co., Ltd. ("Zhuhai SZM"), the property owner of Sheraton Zhuhai Hotel and Huafa Place ("Two Hotels") as well as a related company of the Group, the Group did not renew the property lease framework agreement (the "Property Lease Framework Agreement") in relation to the lease of the Two Hotels after the expiration of the leasing term on 31 August 2020. Accordingly, the Group did not carry on hotel operation business ("Hotel Operation Business") since 1 September 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost convention, except for financial asset at fair value through profit or loss ("FVTPL") which is carried at fair value.

(c) Discontinued operations

As mentioned in Note 1, during the year ended 31 December 2020, the Group disposed of Financial Printing Business, Financial Services Business and discontinued Hotel Operation Business.

For the presentation of the consolidated financial statements, these three operations were regarded as discontinued operations and certain comparative figures have been restated (Note 32).

(d) Merger accounting for business combination under common control

The consolidated financial statements have been prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as if the Acquisition had been completed at the beginning of the earliest period presented or combining entities first came under the control of the controlling party because the Acquisition was regarded as a business combination under common control of Zhuhai Huafa Group Company Limited ("Zhuhai Huafa") before and after the Completion Date.

Following the Acquisition on 17 January 2020, since each of the Company and Property Management Business were controlled by Zhuhai Huafa, the ultimate controlling shareholder of the Company, before and after the Acquisition, the Acquisition is regarded as "Common Control Combination". Accordingly, the Group has applied merger accounting to account for the Acquisition in respect of Property Management Business in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG5") issued by the HKICPA. The consolidated financial statements have been prepared in accordance with AG5 as if the Acquisition had been completed at the beginning of the earliest period presented or combining entities first came under the control of the controlling party.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(d) Merger accounting for business combination under common control (Continued)

Accordingly, the acquired Property Management Business was included in the consolidated financial statements from the beginning of the earliest period presented as if the Property Management Business had always been part of the Group. As a result, the Group has restated certain 2019 comparative amounts of the consolidated financial statements by including the operating results of Property Management Business, as if the Acquisition had been completed on the earliest date of periods being presented, i.e. 1 January 2019. The consolidated statement of financial position of the Group as at 31 December 2019 was restated to include the assets and liabilities of the Property Management Business.

The following is a reconciliation of the effect arising from the common control combination on the consolidated statement of financial position and consolidated statement of comprehensive income in connection with the Acquisition.

	As at 31 December 2019		
	The Group HK$'000 (As previously reported)	Property Management Business HK$'000	The Group HK$'000 (Restated)
Financial position			
Non-current assets	136,424	62,154	198,578
Current assets	502,964	472,603	975,567
Total assets	639,388	534,757	1,174,145
Non-current liabilities	29,556	234	29,790
Current liabilities	415,775	310,426	726,201
Total liabilities	445,331	310,660	755,991
Total equity	194,057	224,097	418,154

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(d) Merger accounting for business combination under common control (Continued)

	For the year ended 31 December 2019			
	The Group HK$'000 (As previously reported)	Restatement due to discontinued operations HK$'000	Property Management Business HK$'000	The Group HK$'000 (Restated)
Results of operations				
Revenue	527,067	(527,067)	–	–
Operating profit	36,801	(36,801)	–	–
Continuing operations				
Revenue	–	87,450	864,887	952,337
Operating profit	–	2,497	117,618	120,115
(Loss)/profit for the year from continuing operations	–	(10,810)	90,755	79,945
Discontinued operations				
Profit for the year from discontinued operations	–	16,858	–	16,858
Profit for the year	6,048	–	90,755	96,803
Profit attributable to:				
Owners of the Company	4,265	–	90,755	95,020
Non-controlling interests	1,783	–	–	1,783
	6,048	–	90,755	96,803
Profit/(loss) attributable to owners of the Company arising from:				
Continuing operations	–	(10,810)	90,755	79,945
Discontinued operations	–	15,075	–	15,075
	–	4,265	90,755	95,020
Basic and diluted earnings per share attributable to owners of the Company (HK cent):	0.0424			0.9444

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(e) Going concern basis

As at 31 December 2020, the Group's total liabilities exceeded its total assets by HK$361,160,000. At the same date, its current liabilities exceeded its current assets by HK$480,303,000. Included in the current liabilities there were bank borrowings and consideration and relevant interest payable to Huafa HK for the acquisition of Property Management Business (Note 1) of HK$519,000,000 (Note 27) and HK$416,387,000 (Note 33(c)) respectively.

In view of the financial position of the Group, a number of measures have been put in place by the Directors during the year and up to the date of the financial statements, including:

(i) In January 2021, the Group successfully obtained a bank loan of HK$416,800,000 for a term of one year to finance its settlement of the consideration payable to Huafa HK for the acquisition of Property Management Business and the relevant interest up to the date of settlement. The short-term bank loan will be due for repayment in January 2022 and bearing interest at Hibor+1.5% p.a.;

(ii) Subsequent to the year end date, the Group successfully obtained a new banking facility with a limit of HK$100,000,000, which can be drawn down by the Group before 1 May 2021. Moreover, the Group successfully renewed a bank loan of HK$200,000,000 for another term of one year in January 2021. Management of the Group maintains regular communication with its banks and is confident that the existing bank loans can be renewed upon their maturities;

(iii) The Group is actively assessing and looking for other sources of financing including other debt or equity financing to enhance the capital structure and reduce the overall finance expenses;

(iv) Zhuhai Huafa, the ultimate controlling shareholder, had issued a letter of financial support to the Company for a period of twelve months from the approval date of these consolidated financial statements to enable the Group to meet liabilities as they fall due and carry on business without a significant curtailment of operations.

The Directors of the Company have reviewed the Group's cash flows projections prepared by management, which cover a period of not less than twelve months from 31 December 2020. The Directors are of the opinion that, taking into account the anticipated cash flows generated from the Group's operations, the possible changes in its operating performance, the continued availability of the Group's banking facilities, the Group will have sufficient financial resources to fulfill its financial obligations as and when they fall due in the coming twelve months from 31 December 2020. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(f) New standards, amendments to existing standards and interpretations adopted by the Group

The Group has applied the following new standards, amendments to existing standards and interpretations for the first time for their reporting period commencing 1 January 2020:

Standards	Subject of amendment
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

There are no other new standards, amendments to existing standards and interpretations that are effective for the first time for this reporting period that could be expected to have a material impact on the Group.

(g) New standards, amendments to existing standards and interpretations not yet adopted

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for 31 December 2020 reporting period and have not been early adopted by the Group:

Standards	Subject of amendment	Effective for annual years beginning on or after
Amendments to HKFRS 16	COVID-19-related Rent Concessions	1 June 2020
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds Before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contract – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements Project	Annual Improvements to HKFRSs 2018 – 2020	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
Amendments to HKAS 1	Presentation of Financial Statements on Classification of Liability	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting

(a) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

(i) fair values of the assets transferred

(ii) liabilities incurred to the former owners of the acquired business

(iii) equity interests issued by the Group

(iv) fair value of any asset or liability resulting from a contingent consideration arrangement, and

(v) fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

(i) consideration transferred,

(ii) amount of any non-controlling interest in the acquired entity, and

(iii) acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

(b) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(c) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (e) below), after initially being recognised at cost.

(d) Joint arrangement

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Interests in joint ventures are accounted for using the equity method (see (e) below), after initially being recognised at cost in the consolidated balance sheet.

(e) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

(e) Equity accounting (Continued)

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.8.

(f) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

(g) Merger accounting for common control combination

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

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

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

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

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

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

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "Other income and other gains/(losses), net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets such as equities classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Leasehold improvements	Over the unexpired periods of the leases and their expected useful lives of 2 to 5 years, whichever is shorter
Office equipment	2 to 5 years
Furniture and fixtures	2 to 5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.7 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.2(a). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs"), for the purpose of impairment testing. The allocation is made to those CGUs or group of CGUs that are expected to benefit from the business combination in which the goodwill arose. The CGUs or groups of CGUs are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets (Continued)

(b) Trading rights

The acquisition costs for trading rights at The Hong Kong Stock Exchange Limited and Hong Kong Futures Exchange Limited ("trading rights") are recognised as intangible assets in the consolidated statement of financial position. They have indefinite useful lives and are tested annually for impairment and carried at cost less accumulated impairment losses.

(c) Computer softwares

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (10 years).

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Discontinued operation

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investments and other financial assets

(a) *Classification*

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

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

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

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

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

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) *Measurement*

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Debts instruments

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains, net in the period in which it arises.

Equity Instruments

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

Changes in the fair value of financial assets at fair value through profit or loss are recognised in "other income and other gains, net" in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(d) Impairment

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

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investments and other financial assets (Continued)

(d) Impairment (Continued)

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

For margin loans receivables and other receivables, a summary of the assumptions underpinning the Group's expected credit loss model is as follows:

- Stage 1, if it was not credit-impaired upon origination, and there has not been a significant increase in its credit risk. Stage 1 expected credit losses are measured as the credit loss that is expected to result from a default occurring within the next 12 months;

- Stage 2, if it was not credit-impaired upon origination but has since experienced a significant increase in credit risk. Stage 2 expected credit losses are measured as the credit loss that is expected over the expected remaining life of the financial asset.

- Stage 3, if it has been credit-impaired with objective evidence of default. Stage 3 expected credit losses are also measured as the credit loss that is expected over the expected remaining life of the financial asset.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is measured by using specific identification of their individual costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 20 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.14 Margin loans receivable

Margin loans receivable are amounts due from margin clients for margin financing services rendered in the ordinary course of business. These amounts are bearing interest at commercial rates, secured by the underlying pledged listed securities and are repayable on demand.

2.15 Contract assets and contract liabilities

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due. The impairment of contract assets is measured, presented and disclosed on the basis set out in Note 3.1. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration.

2.16 Client trust bank balances

The Group has classified in the consolidated statement of financial position the clients' deposits as client trust bank balances in the current assets section and recognised a corresponding trade payable to the respective clients under the current liabilities section.

2.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of pledged deposits.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Trade and other payables

Trade and other payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers and the payable arising from the client trust bank balances as mentioned in Note 2.16. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

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

2.20 Borrowings

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

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

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of comprehensive income as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries and branches operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.23 Provisions

Provisions for legal claims and service warranties are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition

The Group provides various services including property management services, financial printing and translation services, securities underwriting services, securities and futures brokerage services, financial consultancy and advisory services, hotel operation, hotel advisory services and exhibition services and hotel operation services. Revenue from providing services is recognised in the accounting period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group's performance when the Group performs.

(i) For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognise as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal, the Group entitles to revenue at the value of property management services fee received or receivable. For property management service income from properties managed under commission basis, where the Group acts as an agent of the property owner, the Group entitles revenue at a pre-determined percentage or amount of the property management fee received or receivable by the properties.

For value-added services, revenue is recognised when the related community value-added services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

The Group normally can complete the provision of services within 12 months in a fiscal year. For financial printing and translation services, which may last over 12 months, progress towards complete satisfaction of the performance obligation ("Progress") is determined based on direct measurements of the value transferred to the customers, by reference to services performed to date as a percentage of total services estimated to be performed for each project.

Estimates of revenues, cost of sales or extent of Progress are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs of sales are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

For financial services, underwriting and placement commission income is recognised upon the completion of the individual performance obligation. Revenue from advisory advices relating to corporate finance and underwriting activities is recognised when the performance obligation is satisfied and the entity has an enforceable right to payment for performance completed to date.

Hotel accommodation revenue and other ancillary services are recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition (Continued)

(ii) Interest income is recognised on a time basis on the principal outstanding at the applicable interest rate.

(iii) Dividend income is recognised when the rights to receive payment is established.

2.25 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(b) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(c) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the People's Republic of China ("PRC"), the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Employee benefits (Continued)

(d) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(e) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(f) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.26 Lease

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

Leases are recognised as a right-of-use asset and a corresponding liability on the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Lease (Continued)

- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.28 Government grants

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the combined statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to combined statements of comprehensive income on a straight-line basis over the expected lives of the related assets.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The Group's risk management is predominantly controlled by a central treasury department ("Group treasury") under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk, and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Hong Kong and Mainland China and is exposed to foreign exchange risk from various currency exposures, primarily with respect to Chinese Renminbi ("RMB") and United States dollar ("USD").

Management has a policy to require group companies to manage their foreign exchange risks against their respective functional currencies. It mainly includes managing the exposures arisen from sales and purchases made by relevant group companies in currencies other than their own functional currencies. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. The Group has not used any hedging arrangement to hedge its foreign exchange risk exposure.

As the assets and liabilities of each company within the Group are mainly denominated in the respective company's functional currency, the directors are of the opinion that the Group's volatility of its profits against changes in exchange rates of foreign currencies would not be significant.

(ii) Cash flow and fair value interest rate risk

The Group's significant interest bearing assets are margin loans receivable, cash at bank and bank deposits, where the interest rate is low in the current environment. Amount due to a related party obtained at fixed rate expose the Group to fair value interest rate risk.

As at 31 December 2020, if interest rates on cash at bank and bank deposits (2019: margin loans receivable and cash at bank and bank deposits), had been 50 basis points (2019: 50 basis points) higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$2,560,000 higher/lower (2019 restated: Post-tax profit would have been HK$1,189,000 higher/lower).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

The Group's interest rate risk also arises from short-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During the year ended 31 December 2020, the Group's short-term borrowings at variable rate were denominated in the HK$.

At 31 December 2020, if interest rates on Hong Kong dollar-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$2,167,000 (2019: HK$626,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) Price risk

The financial assets at fair value through profit or loss represents 2.25% of equity interest in Hong Kong Johnson Holdings Co., Ltd. ("Hong Kong Johnson"), which is traded in an active market.

If the price of the financial assets had been 10% higher/lower, the post-tax profit for the year would have been HK$799,000 (2019: HK$821,000) higher/lower.

(b) Credit risk

Credit risk arises from bank balances, deposits, client trust bank balances, margin loans receivable, trade and other receivables as well as contract assets.

(i) Risk Management

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk at the reporting date is the carrying value of each class and category of financial assets mentioned above. The carrying amount of these balances in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

Majority of the Group's bank balances and deposits are placed in those banks and financial institutions which are independently rated with high credit ratings. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

As at year ended, the collaterals furnished by the margin clients for security of their loans and advances from the Group are listed securities which are listed in Hong Kong.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

Trade receivables, other receivables and contract assets

Trade receivables, other receivables and contract assets of the Group are subject to the expected credit loss model. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables and contract assets.

To measure the expected credit losses, trade receivables, other receivables and contract assets have been grouped based in the nature of customer accounts, shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 or 31 December 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

In respect of trade receivables, other receivables and contract assets, the loss allowance as at 31 December 2020 and 31 December 2019 was determined as follows:

31 December 2020

	Within 1 year HK$'000	1-2 years HK$'000	2-3 years HK$'000	3-4 years HK$'000	Over 4 years HK$'000	Total HK$'000
Gross carrying amount – Trade receivables	184,335	29,344	11,537	6,503	20,003	251,722
Loss allowance	(9,082)	(5,062)	(4,472)	(3,889)	(20,003)	(42,508)
Gross carrying amount – Other receivables	23,308	577	665	39	480	25,069
Loss allowance	(749)	(115)	(266)	(24)	(480)	(1,634)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables, other receivables and contract assets (Continued)

31 December 2019

	Within 1 year HK$'000	1-2 years HK$'000	2-3 years HK$'000	3-4 years HK$'000	Over 4 years HK$'000	Total HK$'000 (Restated)
Gross carrying amount – Trade receivables						
– Continuing operations	141,247	20,749	8,211	6,135	16,283	192,625
– Discontinued operations (excluding amounts due from stockbrokers, clearing houses and stockbroking clients)	78,468	4,085	1,964	4,654	500	89,671
	219,715	24,834	10,175	10,789	16,783	282,296
Loss allowance						
– Continuing operations	(5,842)	(4,147)	(3,284)	(3,680)	(16,283)	(33,236)
– Discontinued operations	(3,282)	(2,409)	(1,637)	(3,879)	(417)	(11,624)
	(9,124)	(6,556)	(4,921)	(7,559)	(16,700)	(44,860)
Gross carrying amount – Other receivables	53,233	629	38	263	190	54,353
Loss allowance	(373)	(125)	(16)	(158)	(190)	(862)
Gross carrying amount – Contract assets	4,803	–	–	–	–	4,803
Loss allowance	(2)	–	–	–	–	(2)

As at 31 December 2019, a receivable of HK$18,000,000 included in "Other receivables, deposits and prepayments" was arisen from disposal of margin loans receivable, in which loss allowance of HK$180,000 was provided.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Margin loans receivable

For margin loans receivable, please refer to summary of assessment model with details in Note 2.10(d) and Note 21.

Other financial assets at amortised costs

Other financial assets at amortised cost include other receivables excluding prepayments. The credit quality of other financial assets at amortised cost has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties.

While cash and cash equivalents, client trust bank balances, restricted bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The Group continues to maintain a healthy net cash position by keeping credit lines available and to maintain flexibility in future funding.

The Group's primary cash requirements are payments for trade and other payables and operating expenses. The Group mainly finances its working capital requirements through internal resources.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long-term.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2020			
	Current or less than 12 months HK$'000	**1 to 5 Years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade payables	**60,787**	**–**	**–**	**60,787**
Financial liabilities included in other payables and accruals	**148,112**	**–**	**–**	**148,112**
Bank borrowings (including interest payment)	**523,416**	**–**	**–**	**523,416**
Lease liabilities (including interest payment)	**1,261**	**337**	**–**	**1,598**
Amount due to a related party (including interest payment)	**417,476**	**–**	**–**	**417,476**
	1,151,052	**337**	**–**	**1,151,389**

	As at 31 December 2019			
	Current or less than 12 months HK$'000	1 to 5 Years HK$'000	Over 5 years HK$'000	Total HK$'000 (Restated)
Trade payables	173,852	–	–	173,852
Financial liabilities included in other payables and accruals	128,460	–	–	128,460
Bank borrowings (including interest payment)	157,184	–	–	157,184
Lease liabilities (including interest payment)	31,285	30,776	–	62,061
	490,781	30,776	–	521,557

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

The Group monitors capital on the basis of the asset-liability ratio. This ratio is calculated as total liabilities divided by total assets.

	2020 **HK$'000**	2019 HK$'000 (Restated)
Total liabilities	**1,391,971**	755,991
Total assets	**1,030,811**	1,174,145
Asset-liability ratio	**135%**	64%

3.3 Fair value estimation

The Group's financial instruments carried at fair value, by valuation method. The difference levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2020 and 31 December 2019, respectively.

As at 31 December 2020

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Listed equity investment	**7,988**	**–**	**–**	**7,988**

As at 31 December 2019

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Listed equity investment	8,213	–	–	8,213

Transfers between level 1 and 3

The Group transferred the financial asset at fair value through profit or loss from level 3 into level 1 as Hong Kong Johnson is listed on Main Board for the year ended 31 December 2019. This resulted in the change of the fair value classification as the listed equity investment is traded in active market and under Level 1 category. There were no transfer of financial assets in the fair value hierarchy classifications for the year ended 31 December 2020.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Allowance on doubtful receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables and other receivables and doubtful debt expenses in the periods in which such estimate has been changed.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(a) Allowance on doubtful receivables (Continued)

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the companies engaged in the Group. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

(b) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company (the "Executive Directors"). The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group's operating businesses are structured and managed separately according to the nature of the operations. Each of the Group's reportable segments represents a strategic business unit that is subject to risks and returns that are different from other reportable operating segments.

The Group is principally engaged in the following:

- Property management – Provision of property management services and related value-added services, including municipal supporting services and other services; and

- Hotel advisory and exhibition services – provision of hotel advisory services and exhibition planning and organisation services.

The Executive Directors consider all assets and revenue relating to the operations are primarily located in Hong Kong and Mainland China.

Segment assets mainly exclude interests in associates, interest in a joint venture, deferred tax assets and other assets that are managed on a central basis.

Segment liabilities mainly exclude income tax payable, deferred tax liabilities, bank borrowings, amount due to a related party and other liabilities that are managed on a central basis.

During the year ended 31 December 2020, revenues from continuing operations of approximately HK$415,116,000 (2019 restated: HK$411,948,000) are derived from Zhuhai Huafa and its subsidiaries ("Zhuhai Huafa Group").

The Executive Directors assess the performance of the operating segments based on their underlying profit, which is measured by profit before income tax, excluding income and expenses that are managed on a central basis.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Property management		Hotel advisory and exhibition services		Total	
	2020 HK$'000	2019 HK$'000 (Restated)	**2020 HK$'000**	2019 HK$'000 (Restated)	**2020 HK$'000**	2019 HK$'000 (Restated)
Revenue from external customers	**1,024,940**	864,887	**61,494**	87,450	**1,086,434**	952,337
Segment results	**178,218**	117,535	**21,685**	26,475	**199,903**	144,010
Unallocated income					**7,966**	2,241
Unallocated expenses					**(65,166)**	(28,099)
Share of results of associates					**585**	(163)
Share of results of a joint venture					**801**	–
Income tax expense					**(48,734)**	(38,044)
Profit for the year from continuing operations					**95,355**	79,945
Segment assets	**779,210**	517,538	**153,882**	117,879	**933,092**	635,417
Discontinued operations					**–**	467,236
Unallocated assets					**97,719**	71,492
Total assets					**1,030,811**	1,174,145
Segment liabilities	**413,686**	301,622	**28,915**	15,790	**442,601**	317,412
Discontinued operations					**–**	324,447
Unallocated liabilities					**949,370**	114,132
Total liabilities					**1,391,971**	755,991
Other segment information:						
Additions to non-current assets	**6,898**	4,600	**502**	2,120	**7,400**	6,720
Cost of sales	**(757,604)**	(679,360)	**(25,727)**	(42,977)	**(783,331)**	(722,337)
Depreciation of property, plant and equipment	**(7,203)**	(7,458)	**(166)**	(40)	**(7,369)**	(7,498)
Depreciation of right-of-use assets	**(2,781)**	(1,841)	**–**	–	**(2,781)**	(1,841)
Amortisation of intangible assets	**(258)**	(71)	**–**	–	**(258)**	(71)
Net impairment losses on financial assets	**(7,659)**	(12,364)	**(133)**	–	**(7,792)**	(12,364)
Fair value losses on financial asset at fair value through profit or loss	**–**	–	**(225)**	(5,851)	**(225)**	(5,851)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

The Group's revenue by geographical location is determined by the location of services rendered and the geographical location of non-current assets is determined by where the assets are located and are detailed below:

	Revenue from external customers recognised over-time	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Continuing operations		
– Mainland China	**1,086,434**	952,337

	Non-current assets (Note)	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Continuing operations		
– Mainland China	**46,326**	45,510
– Hong Kong	**–**	111
Discontinued operations	**–**	87,566
	46,326	133,187

Note: Non-current assets exclude interests in associates, interest in a joint venture, financial asset at fair value through profit or loss and deferred tax assets.

6 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	2020	2019
	HK$'000	HK$'000
		(Restated)
Fair value losses on financial asset at fair value through profit or loss (Note 18)	**(225)**	(5,851)
Foreign exchange gain, net	**4,235**	450
Government grants	**5,961**	1,975
Others	**2,634**	2,269
	12,605	(1,157)

7 EXPENSES BY NATURE

Expenses included in cost of sales and administrative expenses are analysed as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Employee benefit expenses, including directors' emoluments (Note 8)	**631,633**	551,468
Expenses related to short-term and low value lease payments	**7,113**	5,623
Depreciation of property, plant and equipment	**7,369**	7,498
Depreciation of right-of-use assets	**2,781**	1,841
Amortisation of intangible assets	**258**	71
Auditor's professional service fee	**4,822**	1,550
Legal and professional fee	**14,820**	22,493
Greening and cleaning expenses	**101,454**	81,526
Utilities	**22,318**	23,314
Maintenance cost	**28,180**	27,098
Others	**93,743**	96,219
Total cost of sales and administrative expenses	**914,491**	818,701

8 EMPLOYEE BENEFIT EXPENSES

	2020 HK$'000	2019 HK$'000 (Restated)
Salaries, commissions, bonuses and other allowances	**541,543**	454,875
Contribution to retirement benefit schemes	**37,321**	48,755
Other employee expenses	**52,769**	47,838
	631,633	551,468

9 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The emoluments of every director and the chief executive of the Company during the years ended 31 December 2020 and 2019 which were included in the employee benefit expenses as disclosed in Note 8 are as follows:

For the year ended 31 December 2020:

Name	Fees	Salary	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors							
Li Guangning	120	–	–	–	–	–	120
Xie Wei	120	–	–	–	–	–	120
Guo Jin	120	–	–	–	–	–	120
Tze Kan Fat	–	3,000	1,800	19	18	–	4,837
Non-executive directors							
Zhang Kuihong (Note a)	–	–	–	–	–	–	–
Shong Hugo	–	–	–	–	–	–	–
Zhou Youfen (Note b)	–	–	–	–	–	–	–
Independent non-executive directors							
Chen Jieping	100	–	–	–	–	–	100
Sun Mingchun (Note c)	42	–	–	–	–	–	42
Tse Yung Hoi (Note d)	55	–	–	–	–	–	55
Pu Yonghao (Note e)	58	–	–	–	–	–	58
Guo Shihai (Note f)	45	–	–	–	–	–	45
Total	660	3,000	1,800	19	18	–	5,497

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2019:

Name	Fees	Salary	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors							
Li Guangning	120	–	–	–	–	–	120
Xie Wei	120	–	–	–	–	–	120
Guo Jin	120	–	–	–	–	–	120
Tze Kan Fat	–	3,019	1,580	19	18	–	4,636
Non-executive directors							
Zhang Kuihong	–	–	–	–	–	–	–
Shong Hugo	–	–	–	–	–	–	–
Independent non-executive directors							
Chen Jieping	100	–	–	–	–	–	100
Sun Mingchun	100	–	–	–	–	–	100
Tse Yung Hoi	100	–	–	–	–	–	100
Total	660	3,019	1,580	19	18	–	5,296

Note a: Zhang Kuihong resigned on 28 September 2020.
Note b: Zhou Youfen was appointed on 28 September 2020.
Note c: Sun Mingchun resigned on 1 June 2020.
Note d: Tse Yung Hoi retired on 21 July 2020.
Note e: Pu Yonghao was appointed on 1 June 2020.
Note f: Guo Shihai was appointed on 21 July 2020.

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

	Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertakings HK$'000	Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertakings HK$'000	Total HK$'000
For the year ended 31 December 2020	**660**	**4,837**	**5,497**
For the year ended 31 December 2019	660	4,636	5,296

(b) Five highest-paid employees

Out of the five employees with the highest emoluments in the Group, one of them (2019: one) was director of the Company whose emolument is included in Note 9 (a) above. The emoluments of the four (2019: four) individuals were as follows:

	2020 HK$'000	2019 HK$'000
Salaries, commissions and other allowances	**16,729**	26,422
Retirement benefits scheme contributions	**72**	72
	16,801	26,494

The emoluments fell within the following bands:

	No. of employees	
	2020	2019
HK$2,000,001 – HK$3,000,000	**1**	–
HK$3,000,001 – HK$4,000,000	**1**	–
HK$4,000,001 – HK$5,000,000	**1**	1
HK$5,000,001 – HK$6,000,000	**–**	1
HK$6,000,001 – HK$7,000,000	**1**	1
HK$10,000,001 – HK$11,000,000	**–**	1

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(c) Directors' retirement benefits

None of the directors received or will receive any retirement benefits from a defined benefit pension plan during the year (2019: HK$nil).

(d) Directors' retirement benefit

None of the directors received any retirement benefits during the year (2019: HK$nil).

(e) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2019: HK$nil).

(f) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2020, the Company did not pay consideration to any third parties for making available directors' services (2019: HK$nil).

(g) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2020, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2019: HK$nil).

(h) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: HK$nil).

10 FINANCE EXPENSES, NET

	2020 HK$'000	2019 HK$'000 (Restated)
Interest expense:		
– Bank borrowings	**(16,725)**	(3,617)
– Amount due to a related party	**(20,970)**	–
– Lease liabilities (Note 14(b))	**(89)**	(84)
	(37,784)	(3,701)
Interest income:		
– Bank deposits	**3,731**	1,738
Finance expenses, net	**(34,053)**	(1,963)

11 INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profit during the year.

PRC corporate income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2020 and 2019 based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group entities located in the PRC is 25% or 15%.

Pursuant to the PRC tax law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. 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 China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those foreign invested subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

The Group does not have any plan in the foreseeable future to require its subsidiaries in the PRC to distribute its retained earnings and intends to retain them to operate and expand its business in Mainland China. Accordingly, no deferred income tax liability related to withholding tax on undistributed earnings was accrued as of the end of each reporting period.

11 INCOME TAX EXPENSE (CONTINUED)

The amount of income tax expense in the consolidated statement of comprehensive income represents:

	2020 HK$'000	2019 HK$'000 (Restated)
Current tax	**55,719**	42,672
Over provision in prior years	**(1,133)**	–
Deferred tax (Note 28)	**(5,852)**	(4,628)
Income tax expense	**48,734**	38,044

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to results of the consolidated companies as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Profit before income tax expense	**144,089**	117,989
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**34,003**	29,701
Tax effects of:		
– Expenses not deductible for tax purpose	**17,226**	8,777
– Income not subject to income tax	**(1,265)**	(461)
– Associates' results reported net of tax	**(97)**	27
– Over provision in prior years	**(1,133)**	–
Income tax expense	**48,734**	38,044

12 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year arising from continuing operations and loss for the year arising from discontinued operations attributable to owners of the Company of approximately HK$95,355,000 and HK$58,566,000 (2019 restated: profit of approximately HK$79,945,000 and HK$15,075,000 respectively) and the weighted average number of ordinary shares in issue during the year of 10,060,920,000 (Note 29) (2019: 10,060,920,000).

	2020 HK$'000	2019 HK$'000 (Restated)
Profit attributable to owners of the Company arising from continuing operations	**95,355**	79,945
(Loss)/profit attributable to owners of the Company arising from discontinued operations	**(58,566)**	15,075
	36,789	95,020
Shares		
Weighted average number of ordinary shares in issue ('000)	**10,060,920**	10,060,920

	2020 HK cent	2019 HK cent (Restated)
Basic and diluted earnings/(loss) per share		
From continuing operations	**0.9478**	0.7946
From discontinued operations	**(0.5821)**	0.1498
	0.3657	0.9444

Diluted earnings/(loss) per share equals to basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2020 and 2019, respectively.

13 DIVIDENDS

No dividend has been paid or declared by the Company for the years ended 31 December 2020 and 2019.

14(a) PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000 (Restated)
Year ended 31 December 2019					
Opening net book amount	1,530	3,011	1,504	963	7,008
Business combination under common control (Note 2.1(d))	159	4,707	3,906	17,344	26,116
Opening net book amount (Restated)	1,689	7,718	5,410	18,307	33,124
Additions	4,747	2,038	2,366	2,710	11,861
Depreciation	(514)	(3,689)	(508)	(4,762)	(9,473)
Disposals	(1,093)	(1,196)	(2,574)	(212)	(5,075)
Exchange differences	(5)	(55)	(77)	(281)	(418)
Closing net book amount	4,824	4,816	4,617	15,762	30,019
At 31 December 2019					
Cost	18,398	23,183	18,255	32,659	92,495
Accumulated depreciation	(13,574)	(18,367)	(13,638)	(16,897)	(62,476)
Net book amount	4,824	4,816	4,617	15,762	30,019
Year ended 31 December 2020					
Opening net book amount	**4,824**	**4,816**	**4,617**	**15,762**	**30,019**
Additions	**6**	**1,698**	**1,880**	**2,108**	**5,692**
Disposal	**–**	**(41)**	**(40)**	**(27)**	**(108)**
Depreciation	**(617)**	**(1,682)**	**(2,020)**	**(4,630)**	**(8,949)**
Disposal of discontinued operations	**(4,209)**	**(1,487)**	**(127)**	**(29)**	**(5,852)**
Exchange differences	**–**	**176**	**271**	**858**	**1,305**
Closing net book amount	**4**	**3,480**	**4,581**	**14,042**	**22,107**
At 31 December 2020					
Cost	**1,040**	**12,771**	**15,512**	**34,429**	**63,752**
Accumulated depreciation	**(1,036)**	**(9,291)**	**(10,931)**	**(20,387)**	**(41,645)**
Net book amount	**4**	**3,480**	**4,581**	**14,042**	**22,107**

14(a) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2020 HK$'000	2019 HK$'000 (Restated)
Depreciation of property, plant and equipment		
Continuing operations		
Cost of sales	**(6,252)**	(6,643)
Administrative expenses	**(1,117)**	(855)
	(7,369)	(7,498)
Discontinued operations	**(1,580)**	(1,975)
	(8,949)	(9,473)

14(b) LEASES

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2020 HK$'000	2019 HK$'000 (Restated)
Right-of-use assets		
Office premises	**18,481**	75,019
Office equipment	**1,055**	1,580
Total right-of-use assets	**19,536**	76,599
Lease liabilities		
Current	**1,218**	29,324
Non-current	**327**	29,738
Total lease liabilities	**1,545**	59,062

Additions to the right-of-use assets during the year ended 31 December 2020 were HK$1,968,000 (2019 restated: HK$37,543,000).

14(b) LEASES (CONTINUED)

(ii) Amounts recognised in the consolidated statement of profit or loss

	2020 HK$'000	2019 HK$'000 (Restated)
Depreciation of right-of-use assets		
Continuing operations – Cost of sales		
Office premises	**1,472**	456
Office equipment	**1,309**	1,385
	2,781	1,841
Discontinued operations	**20,598**	27,157
	23,379	28,998

	2020 HK$'000	2019 HK$'000 (Restated)
Interest expense of lease liabilities		
Continuing operations (Note 10)	**89**	84
Discontinued operations	**1,380**	9,196
	1,469	9,280

The total cash payment for leases during the year ended 31 December 2020 was HK$29,901,000 (2019 restated: HK$40,255,000).

15 INTANGIBLE ASSETS

	2020 HK$'000	2019 HK$'000 (Restated)
Goodwill (Note)	–	10,628
Trading rights	–	1,000
Computer softwares	**4,683**	2,021
At 31 December	**4,683**	13,649

Note:

Goodwill arose from the acquisition of WAG Worldsec Corporate Finance Limited ("WAG") in 2016. WAG is one of the subsidiaries of Financial Services Business, which has been disposed by the Group in 2020.

16 INTERESTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
At 1 January	**39,322**	39,485
Share of profit/(loss)	**585**	(163)
At 31 December	**39,907**	39,322

The particulars of the associates are:

Name	Place of incorporation	Principal activities and place of operation	Effective interest held 2020	Effective interest held 2019	Measurement method
Dreamy City Limited	British Virgin Islands ("BVI")	Investment holding in Hong Kong	**30%**	30%	Equity accounting
Cheer Chain Limited#	Hong Kong	Engage in the development of children's online educational content and related products in the PRC and Hong Kong	**30%**	30%	Equity accounting
廣州益貝兒信息科技有限公司#	PRC, limited liability company	Engage in software and information technology in the PRC	**30%**	30%	Equity accounting
珠海益貝兒資訊科技有限公司#	PRC, limited liability company	Engage in software and information technology in the PRC	**30%**	–	Equity accounting

These entities are all wholly-owned subsidiaries of Dreamy City Limited.

There are no contingent liabilities relating to the Group's interests in the associates.

17 PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2020 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued and paid up capital	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares directly held by the Group (%)
珠海華發物業管理服務有限公司	PRC, limited liability company	Provision of property management services and related value-added service	RMB50,000,000	–	100%
Huajin International Bay Area High-end Services Holdings Company Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$1,230,000	100%	100%
珠海市橫琴新區華金國際酒店管理有限公司	PRC, limited liability company	Provision of hotel advisory services in PRC	RMB50,500,000	–	100%
珠海市橫琴新區華金國際會展服務有限公司	PRC, limited liability company	Provision of exhibition services in PRC	RMB500,000	–	100%

18 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset at fair value through profit or loss include the following:

	2020 HK$'000	2019 HK$'000
Listed equity investment in Hong Kong	**7,988**	8,213

Movement in the financial asset at fair value through profit or loss is as follows:

	2020 HK$'000	2019 HK$'000
As at 1 January	**8,213**	14,064
Fair value losses charged to profit or loss (Note 6)	**(225)**	(5,851)
At 31 December	**7,988**	8,213

Note:

(a) The balance represented fair value of the Group's 2.25% equity interest in Hong Kong Johnson and was denominated in HK$.

(b) Valuation of financial asset at fair value through profit or loss

Fair value of listed equity investment

Hong Kong Johnson is listed on Hong Kong Main Board. The fair value of financial asset at fair value through profit or loss traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for the listed equity investment held by the Group is the current bid price.

19 CONTRACT ASSETS AND CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000 (Restated)
Contract assets relating to discontinued operations	**–**	4,803
Less: loss allowance	**–**	(2)
	–	4,801
Contract liabilities relating to discontinued operations	**–**	27,577
Contract liabilities relating to property management services	**57,747**	43,739
	57,747	71,316

20 TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000 (Restated)
Trade receivables in relation to provision of property management services (Note (a))	**227,421**	161,515
Trade receivables in relation to provision of hotel advisory and exhibition services (Note (b))	**24,301**	31,110
Trade receivables in relation to discontinued operations	**–**	89,671
Gross trade receivables (Note (c))	**251,722**	282,296
Due from stockbrokers and clearing houses (Note (d))	**–**	20,064
Due from stockbroking clients (Note (d))	**–**	3,741
	251,722	306,101
Less: loss allowance (Note (e))		
– Property management services	**(42,375)**	(33,138)
– Hotel advisory and exhibition services	**(133)**	(98)
– Discontinued operations	**–**	(11,624)
	(42,508)	(44,860)
Trade receivables, net	**209,214**	261,241

Note:

(a) As at 31 December 2020 and 2019, the trade receivables in relation to provision of property management services arisen from Zhuhai Huafa's Group amounted to HK$43,770,000 (2019: HK$34,020,000).

(b) As at 31 December 2020 and 2019, the trade receivables in relation to provision of hotel advisory and exhibition services arisen from Zhuhai Huafa's Group amounted to HK$23,856,000 (2019: HK$16,171,000).

(c) As at 31 December 2020, the ageing analysis of trade receivables excluding amounts due from stockbrokers, clearing houses and stockbroking clients based on invoice date was as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Within 1 year	**184,335**	219,715
1 to 2 years	**29,344**	24,834
2 to 3 years	**11,537**	10,175
3 to 4 years	**6,503**	10,789
Over 4 years	**20,003**	16,783
	251,722	282,296

20 TRADE RECEIVABLES (CONTINUED)

Note: (Continued)

(d) The settlement terms of trade receivables attributable to the securities trading and stockbroking business, which is part of Financial Services Business, are two days after the trade date, and those of trade receivables attributable to the futures broking business are one day after the trade date. No ageing analysis is disclosed for amounts due from stockbrokers, clearing houses and stockbroking clients as at 31 December 2019.

(e) Movement in the loss allowance for trade receivables were as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Beginning of year	**44,860**	29,994
Provision recognised – Continuing operations	**6,931**	12,072
Provision recognised – Discontinued operations	**–**	5,155
Receivables written off during the year as uncollectible	**–**	(1,733)
Disposal of discontinued operations	**(11,624)**	–
Exchange differences	**2,341**	(628)
End of year	**42,508**	44,860

(f) As at 31 December 2020 and 2019, the carrying amounts of trade receivables approximated their fair values.

Trade receivables were denominated in the following currencies:

	2020 HK$'000	2019 HK$'000 (Restated)
RMB	**209,214**	159,851
HK$	**–**	97,963
USD	**–**	3,427
	209,214	261,241

The maximum exposure to credit risk as at the end of reporting period is the carrying values of the trade receivables.

21 MARGIN LOANS RECEIVABLE

Margin loans to third parties, which is part of Financial Services Business, are bearing interest at commercial rates, secured by the underlying pledged securities and are repayable on demand. No ageing analysis is disclosed as at 31 December 2019 as, in the opinion of the directors, an ageing analysis is not meaningful in view of the nature of the business of securities margin financing.

As at 31 December 2019, the carrying amount of margin loans receivables approximated its fair values and was denominated in HK$.

22 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK$'000	2019 HK$'000 (Restated)
Other receivables	**25,069**	54,353
Less: loss allowance (Note (b))	**(1,634)**	(862)
Other receivables – net	**23,435**	53,491
Deposits and prepayments (Note (a))	**10,425**	32,466
Other receivables, deposits and prepayments	**33,860**	85,957
Less: non-current portion	**–**	(12,920)
	33,860	73,037

Note:

(a) The balance mainly represents rental deposits, other deposits and other miscellaneous prepayments.

(b) Movement in the loss allowance for other receivables were as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Beginning of year	**862**	510
Provision recognised – Continuing operations	**861**	292
Provision recognised – Discontinued operations	**–**	180
Receivables written off during the year as uncollectible	**–**	(108)
Disposal of discontinued operations	**(180)**	–
Exchange differences	**91**	(12)
End of year	**1,634**	862

(c) Other receivables, deposits and prepayments were denominated in the following currencies:

	2020 HK$'000	2019 HK$'000 (Restated)
HK$	**1,249**	40,487
RMB	**32,611**	45,470
	33,860	85,957

As at 31 December 2020 and 2019, the carrying amounts of other receivables, deposits and prepayments approximated their fair values.

23 CLIENT TRUST BANK BALANCES

Client trust bank balances, which related to Financial Services Business, were denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
HK$	–	27,646
RMB	–	31
	–	27,677

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group has classified in the consolidated statement of financial position the clients' deposits as client trust bank balances in the current assets section and recognised the corresponding trade payables to the respective clients in the current liabilities section, on the grounds that the Group is liable for any misappropriation of the respective clients' deposits as stipulated under the Hong Kong Securities and Futures Ordinance ("SFO"). The Group is not allowed to use the clients' monies to settle its own obligations under the SFO. As such, these monies are not included in cash and cash equivalents of the Group for cash flow purposes in the consolidated statement of cash flows.

24 CASH AND BANK BALANCES

	2020 HK$'000	2019 HK$'000 (Restated)
Cash and cash equivalents	**664,864**	600,112
Restricted bank balances	**896**	1,652
Cash and bank balances	**665,760**	601,764

Cash and bank balances were denominated in the following currencies:

	2020 HK$'000	2019 HK$'000 (Restated)
HK$	**6,678**	106,558
RMB	**642,773**	491,029
USD	**16,309**	4,177
	665,760	601,764

The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amount of cash and bank balances approximate their fair value.

25 TRADE PAYABLES

	2020 HK$'000	2019 HK$'000 (Restated)
Due to stockbrokers and dealers (Note (a))	**–**	2,399
Due to stockbroking clients (Note (b))	**–**	47,922
Trade payables (Note (c))	**60,787**	123,531
	60,787	173,852

Note:

(a) The settlement terms of amounts due to stockbrokers and dealers are 2 days after the trade date. No ageing analysis is disclosed for amounts due to stockbrokers and dealers as in the opinion of directors, it does not give additional value in view of the nature of these businesses.

(b) The majority of the trade payables to stockbroking clients are on demand except where certain trade payables to stockbroking clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

The amounts due to stockbroking clients are placed in trust and segregated accounts with authorised institutions. No ageing analysis is disclosed for amounts due to stockbroking clients as in the opinion of directors, it does not give additional value in view of the nature of these businesses.

(c) The average credit period from the Group's trade creditors is 30 to 60 days (2019: 30 to 60), and the amounts are non-interest bearing.

The ageing analysis of other trade payables based on the invoice date was as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Up to 90 days	**52,319**	93,809
91-180 days	**2,179**	15,360
Over 181 days	**6,289**	14,362
	60,787	123,531

25 TRADE PAYABLES (CONTINUED)

Note: (Continued)

(d) Trade payables were denominated in the following currencies and approximated their fair values due to short term maturities.

	2020 HK$'000	2019 HK$'000 (Restated)
HK$	–	84,876
RMB	**60,787**	88,976
	60,787	173,852

26 OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000 (Restated)
Deposits paid by property owners	**43,343**	32,854
Accrued payroll	**171,173**	145,638
Other tax payables	**7,533**	8,896
Other payables	**104,769**	95,606
	326,818	282,994

The carrying amounts of other payables and accruals were mainly denominated in the following currencies and approximated their fair values due to short term maturities.

	2020 HK$'000	2019 HK$'000 (Restated)
RMB	**321,618**	248,911
HK$	**5,200**	34,083
	326,818	282,994

27 BANK BORROWINGS

	2020 HK$'000	2019 HK$'000
Current		
Bank loans – secured (Note a)	–	150,000
Bank loans – unsecured (Note b)	**519,000**	–
	519,000	150,000

As at 31 December 2020 and 2019, the Group's bank borrowings were repayable as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**519,000**	150,000

Note:

(a) As at 31 December 2019, the bank borrowings were secured by cross corporate guarantee executed by the Company and its subsidiary, Huajin Financial (International) Company Limited.

(b) As at 31 December 2020, there is no pledged assets and guarantee executed by the Group.

(c) Bank borrowings bear effective interest rate from 2.61% to 3.85% per annum (2019: from 4.20% to 4.90% per annum).

(d) The carrying amounts of the Group's bank borrowings were denominated in HK$ and the fair value of bank borrowings approximates their carrying amounts.

28 DEFERRED TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**(24,113)**	(17,521)
Deferred tax liabilities:		
– Deferred tax liability to be settled after more than 12 months	–	5
– Deferred tax liability to be settled within 12 months	–	47
	–	52
Deferred tax assets, net	**(24,113)**	(17,469)

28 DEFERRED TAX (CONTINUED)

The movements in deferred tax during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets:

	Decelerated tax depreciation HK$'000	Unused tax losses HK$'000	Lease liabilities HK$'000	Allowance on doubtful debts HK$'000	Accrued expenses HK$'000	Total HK$'000 (Restated)
At 1 January 2019 (As previously reported)	(888)	(1,280)	–	–	–	(2,168)
Business combination under common control (Note 2.1(d))	–	–	–	(5,657)	(6,887)	(12,544)
At 1 January 2019 (Restated)	(888)	(1,280)	–	(5,657)	(6,887)	(14,712)
Charged/(credited) to profit or loss						
– Continuing operations	–	–	(6)	(2,939)	(1,683)	(4,628)
– Discontinued operations	332	1,280	(9,542)	–	–	(7,930)
Exchange differences	–	–	–	141	146	287
At 31 December 2019	(556)	–	(9,548)	(8,455)	(8,424)	(26,983)
Charged/(credited) to profit or loss						
– Continuing operations	–	–	(2)	(1,915)	(3,935)	(5,852)
– Discontinued operations	(222)	–	9,542	–	–	9,320
Disposal of discontinued operations	778	–	–	–	–	778
Exchange differences	–	–	–	(632)	(744)	(1,376)
At 31 December 2020	–	–	(8)	(11,002)	(13,103)	(24,113)

Deferred income tax liabilities:

	Accelerated tax depreciation HK$'000	Right-of-use assets HK$'000	Total HK$'000
At 1 January 2019	103	–	103
(Credited)/charged to profit or loss			
– Discontinued operations	(59)	9,470	9,411
At 31 December 2019	44	9,470	9,514
Credited to profit or loss			
– Discontinued operations	–	(9,470)	(9,470)
Disposal of discontinued operations	(44)	–	(44)
At 31 December 2020	–	–	–

28 DEFERRED TAX (CONTINUED)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$773,000 (2019: HK$10,328,000) in respect of losses amounting to HK$4,687,000 (2019 restated: HK$62,594,000) that can be carried forward against future taxable income.

Deferred income tax liabilities of HK$33,195,000 (2019 restated: HK$20,503,000) have not been recognised for withholding tax that would be payable on the undistributed retained profits amounting to HK$331,951,000 (2019 restated: HK$205,034,000) of the Company's subsidiaries in the Mainland China earned after 1 January 2008. Such amounts are not intended to be distributed in the foreseeable future to the group companies outside of the Mainland China.

29 SHARE CAPITAL

	2020 **HK$'000**	2019 HK$'000
Authorised:		
12,000,000,000 ordinary shares of HK$0.00025 each	**3,000**	3,000
Issued and fully paid:		
10,060,920,000 ordinary shares of HK$0.00025 each		
(2019: 10,060,920,000 ordinary shares of HK$0.00025 each)	**2,515**	2,515

30 CAPITAL COMMITMENT

There is no capital commitment as at 31 December 2020 and 2019.

31 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before income tax to cash generated from continuing operations

	2020 HK$'000	2019 HK$'000 (Restated)
Cash flows from operating activities from continuing operation		
Profit before income tax	**144,089**	117,989
Adjustments for:		
Share of results of associates	**(585)**	163
Share of results of a joint venture	**(801)**	–
Interest expense	**37,784**	3,701
Interest income	**(3,731)**	(1,738)
Amortisation of intangible assets	**258**	71
Depreciation of property, plant and equipment	**7,369**	7,498
Loss on disposal of property, plant and equipment	**107**	77
Depreciation of right-of-use assets	**2,781**	1,841
Net impairment losses on financial assets	**7,792**	12,364
Fair value losses on financial asset at fair value through profit or loss	**225**	5,851
Operating profit before working capital changes	**195,288**	147,817
Change in working capital:		
Trade receivables	**(69,501)**	4,483
Other receivables, deposits and prepayments	**1,824**	(6,488)
Amount due to a related party	**303**	–
Inventories	**(1,599)**	(139)
Trade payables	**(27,408)**	30,059
Contract liabilities	**13,759**	9,933
Other payables and accruals	**78,695**	(37,909)
Cash generated from continuing operations	**191,361**	147,756

31 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Liabilities from financing activities

	Bank borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000 (Restated)
At 1 January 2019	55,000	273,785	328,785
Non-cash movement	–	(180,091)	(180,091)
Cash flows – Continuing operations	44,000	(1,905)	42,095
Cash flows – Discontinuing operations	51,000	(32,727)	18,273
At 31 December 2019	150,000	59,062	209,062
Non-cash movement	–	2,145	2,145
Cash flows – Continuing operations	425,000	(1,832)	423,168
Disposal of discontinued operations	(56,000)	(57,830)	(113,830)
At 31 December 2020	**519,000**	**1,545**	**520,545**

32 DISCONTINUED OPERATIONS

	2020 HK$'000	2019 HK$'000
Net (loss)/profit from discontinued operations		
– Financial Printing Business (Note (a))	**(33,120)**	(6,367)
– Financial Services Business (Note (b))	**(25,270)**	(11,860)
– Hotel Operation Business (Note (c))	**(12,856)**	35,085
(Loss)/profit for the year from discontinued operations	**(71,246)**	16,858

32 DISCONTINUED OPERATIONS (CONTINUED)

Note:

(a) Financial Printing Business

	From 1 January 2020 to 22 June 2020 HK$'000	Year ended 31 December 2019 HK$'000
Loss after tax from discontinued operations (Note (i))	**(35,310)**	(6,367)
Gain on disposal (Note (ii))	**2,190**	–
Net loss from discontinued operations	**(33,120)**	(6,367)
Loss from discontinued operations attributable to:		
Owners of the Company	**(20,391)**	(4,343)
Non-controlling interests	**(12,729)**	(2,024)
	(33,120)	(6,367)

Note:

(i) Analysis of the results of the discontinued operations are presented below:

	From 1 January 2020 to 22 June 2020 HK$'000	Year ended 31 December 2019 HK$'000
Revenue	**60,823**	127,669
Operating loss	**(34,602)**	(5,967)
Loss for the period/year	**(35,310)**	(6,367)
Other comprehensive income	**–**	–

(ii) Analysis of gain on disposal is as follows:

	HK$'000
Cash consideration received	12,000
Net assets disposed of	(8,920)
Transaction cost	(890)
Gain on disposal	2,190

32 DISCONTINUED OPERATIONS (CONTINUED)

Note: (Continued)

(a) Financial Printing Business (Continued)

Note: (Continued)

(iii) Analysis of net cash outflows arising from the disposal:

	HK$'000
Consideration received	12,000
Cash and cash equivalents disposed of	(17,049)
Transaction cost paid in cash	(890)
Net cash outflows on disposal of subsidiaries	(5,939)

(iv) Analysis of cash inflows/(outflows) are detailed as follows:

	From 1 January 2020 to 22 June 2020 HK$'000	Year ended 31 December 2019 HK$'000
Net operating cash inflows	**1.306**	2,619
Net investing cash outflows	**(250)**	(5,159)
Net financing cash outflows	**(7,097)**	(5,230)
Net total cash outflows	**(6,041)**	(7,770)

(b) Financial Services Business

	From 1 January 2020 to 24 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Loss after tax from discontinued operations (Note (i))	**(21,580)**	(11,860)
Loss on disposal (Note (ii))	**(3,690)**	–
Net loss from discontinued operations attributable to owners of the Company	**(25,270)**	(11,860)

32 DISCONTINUED OPERATIONS (CONTINUED)

Note: (Continued)

(b) Financial Services Business (Continued)

Note:

(i) Analysis of the results of the discontinued operations are presented below:

	From 1 January 2020 to 24 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Revenue	**83,987**	58,552
Operating loss	**(19,804)**	(8,789)
Loss for the period/year	**(21,580)**	(11,860)
Other comprehensive income/(loss) – exchange translation reserve on translation of foreign operations	**272**	(104)

(ii) Analysis of loss on disposal is as follows:

	HK$'000
Cash consideration received	123,394
Net assets disposed of	(124,438)
Transaction cost	(2,646)
Loss on disposal	(3,690)

(iii) Analysis of net cash inflows arising from the disposal:

	HK$'000
Consideration received	123,394
Cash and cash equivalents disposed of	(49,873)
Transaction cost paid in cash	(2,646)
Net cash inflows on disposal of subsidiaries	70,875

32 DISCONTINUED OPERATIONS (CONTINUED)

Note: (Continued)

(b) Financial Services Business (Continued)

Note: (Continued)

(iv) Analysis of cash inflows/(outflows) are detailed as follows:

	From 1 January 2020 to 24 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Net operating cash (outflows)/inflows	**(42,158)**	5,440
Net investing cash inflows	**1,633**	384
Net financing cash (outflows)/inflows	**(71,542)**	51,245
Net total cash (outflows)/inflows	**(112,067)**	57,069

(c) Hotel Operation Business

	From 1 January 2020 to 31 August 2020 HK$'000	Year ended 31 December 2019 HK$'000
(Loss)/profit after tax from discontinued operations (Note (i))	**(12,856)**	35,085
(Loss)/profit from discontinued operations attributable to:		
Owners of the Company	**(12,905)**	31,278
Non-controlling interests	**49**	3,807
	(12,856)	35,085

32 DISCONTINUED OPERATIONS (CONTINUED)

Note: (Continued)

(c) Hotel Operation Business (Continued)

Note:

(i) Analysis of the results of the discontinued operations are presented below:

	From 1 January 2020 to 31 August 2020 HK$'000	Year ended 31 December 2019 HK$'000
Revenue	**65,207**	253,396
Operating (loss)/profit	**(12,974)**	49,058
(Loss)/profit for the period/year	**(12,856)**	35,085
Other comprehensive income/(loss) – exchange translation reserve on translation of foreign operations	**2,872**	(968)

(ii) Analysis of cash inflows/(outflows) are detailed as follows:

	From 1 January 2020 to 31 August 2020 HK$'000	Year ended 31 December 2019 HK$'000
Net operating cash inflows/(outflows)	**2,621**	(30,950)
Net investing cash inflows	**70**	103
Net financing cash outflows	**–**	(13,638)
Net total cash inflows/(outflows)	**2,691**	(44,485)

The consolidated statement of comprehensive income and consolidated statement of cash flows distinguish the discontinued operations from continuing operations. Comparative figures have been restated.

33 RELATED PARTY TRANSACTIONS

In addition to those disclosed in elsewhere in these consolidated financial statements, the following transactions were entered into terms and prices mutually agreed between the relevant parties.

(a) Rendering of services

	2020 HK$'000	2019 HK$'000 (Restated)
Property management services and related value-added services income received from Zhuhai Huafa Group		
– Property management services income	**360,035**	332,464
Hotel advisory and exhibition services income received from Zhuhai Huafa Group		
– 2020 Advisory income (Note i)	**5,663**	–
– 2020 Event planning income I (Note ii)	**7,537**	–
– 2020 Event planning income II (Note iii)	**3,184**	–
– 2020 Event planning income III (Note iv)	**33,191**	–
– 2020 Event planning income IV (Note v)	**2,243**	–
– 2020 Event planning income V (Note vi)	**2,223**	–
– 2020 Market research services	**1,040**	–
– Hotel management income	**–**	4,241
– 2019 Advisory income I	**–**	4,773
– 2019 Advisory income II	**–**	3,468
– 2019 Corporate video production income	**–**	6,958
– 2019 Event planning income I	**–**	17,807
– 2019 Event planning income II	**–**	17,696
– 2019 Event planning income III	**–**	9,098
– 2019 Event planning income IV	**–**	5,912
– 2019 Event planning income V	**–**	4,873
– 2019 Event planning income VI	**–**	2,517
– 2019 Exhibition advisory income I	**–**	2,141
	55,081	79,484

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Rendering of services (Continued)

	2020 HK$'000	2019 HK$'000 (Restated)
Discontinued operations		
Consultancy and financial advisory services income received from Zhuhai Huafa Group		
– 2020 Consultancy income (Note vii)	**13,900**	–
– 2020 Financial advisory income I	**1,000**	–
– Other Financial advisory income	**3,047**	–
– 2019 Consultancy income I	**–**	2,500
– 2019 Consultancy income II	**–**	10,639
– 2019 Consultancy income III	**–**	18,978
– 2019 Consultancy income IV	**–**	1,200
– 2019 Consultancy income V	**–**	1,000
– 2019 Financial advisory income I	**–**	2,200
– 2019 Financial advisory income II	**–**	3,500
– 2019 Financial advisory income III	**–**	176
	17,947	40,193
Hotel operation income received from Zhuhai Huafa Group		
– Hotel operating income (Note viii)	**7,587**	15,041
Underwriting commission income received from Zhuhai Huafa Group		
– 2019 Underwriting commission income I	**–**	1,778
– 2019 Underwriting commission income II	**–**	780
– 2019 Underwriting commission income III	**–**	200
	–	2,758
Printing and translation services income received from Zhuhai Huafa Group	**–**	2,850

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other related party transactions

	2020 HK$'000	2019 HK$'000 (Restated)
Continuing operations		
Recharge of administrative expenses from Huafa HK	**(3,771)**	(3,783)
Interest expense to a related party (Note xi)	**(20,970)**	–
Rental expenses to Zhuhai Huafa Group	**1,826**	980
Purchase of goods and services from subsidiaries under Zhuhai Huafa Group	**7,024**	7,983
Interest income from Zhuhai Huafa Group	**2,145**	986
Discontinued operations		
Recharge of administrative expenses to Huafa HK (Note ix)	**4,225**	4,250
Rental expenses to the property owner of Two Hotels (Note x)	**(11,163)**	(31,648)
Interest income from Zhuhai Huafa Group	**12**	18

(c) Year end balances

In addition to those disclosed in elsewhere in these financial statements, particulars of the balances with related parties are as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Amount due to a related party – Huafa HK		
– Consideration payable and related interest (Note xi)	**(416,387)**	–
– Others	**(303)**	–
	(416,690)	–
Balances included in trade receivables		
– Zhuhai Huafa Group	**67,626**	55,345
Balances included in cash and cash equivalents		
– Zhuhai Huafa Group (Note xii)	**150**	152,407
Balances included in other receivables, deposits and prepayments		
– Zhuhai Huafa Group	**2,299**	25,495
Balances included in trade payables		
– Zhuhai Huafa Group	**(4,077)**	(24,494)
Balances included in other payables and accruals		
– Zhuhai Huafa Group	**(31,230)**	(25,176)
Balances included in contract liabilities		
– Zhuhai Huafa Group	**(330)**	(1,042)

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the year are as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Short-term benefits	**15,623**	16,582
Post-employment benefits	**336**	338
	15,959	16,920

The remuneration of directors and key management is determined having regard to the performance of individuals and market trends.

Note:

(i) Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited ("Huajin Hotel") entered into various advisory agreements (collectively, "2020 Advisory Agreements") with five subsidiaries of Zhuhai Huafa, respectively, in relation to provision of advisory, research and feasibility research services for six hotels development projects ("2020 Advisory Services"). Pursuant to the 2020 Advisory Agreements, 2020 Advisory Services included but were not limited to:

- performing market and financial feasibility research;
- providing support for selecting international hotel management companies and hotel brands, contract negotiation with the hotel management companies;
- introducing and assisting in selection of qualified consultant for hotel design and other specific areas;
- providing design management and construction consultancy services; and
- providing support for preparing for the openings of the hotels.

During the year end 31 December 2020, aggregate fees for the 2020 Advisory Services amounted to RMB5,033,000 (equivalent to approximately HK$5,663,000), which was mutually agreed by all parties.

The total services fee of HK$5,663,000 has all been settled up to March 2021.

33 RELATED PARTY TRANSACTIONS (CONTINUED)

Note: (Continued)

(ii) In June 2020, Zhuhai Hengqin New Area Huajin International Convention Services Company Limited ("Huajin Convention") entered into certain event planning agreements (collectively, "2020 Event Planning Agreements I") with five subsidiaries of Zhuhai Huafa, respectively.

Pursuant to the 2020 Event Planning Agreements I, Huajin Convention would provide advertising and promotional services in relation to brand promotion through planning and coordination, brand promotion, on-site advertisement and media and brand demonstration ("2020 Event Planning Services I").

According to the 2020 Event Planning Agreements I, the fees for 2020 Event Planning Services I amounted to RMB6,698,000 (equivalent to approximately HK$7,537,000), which were mutually agreed by contracted parties.

The total service fees of HK$7,537,000 were settled in 2020.

(iii) In June 2020, Huajin Convention entered into certain event planning agreements (collectively, "2020 Event Planning Agreements II") with three subsidiaries of Zhuhai Huafa, respectively.

Pursuant to the 2020 Event Planning Agreements II, Huajin Convention would provide services in a seminar held in Zhuhai in 2020. The services included but not limited to guest invitation and accommodation, on-site execution, venue set up and decoration, advertising and promotional activities and other miscellaneous office services ("2020 Event Planning Services II").

According to the 2020 Event Planning Agreements II, the fees for 2020 Event Planning Services II amounted to RMB2,830,000 (equivalent to approximately HK$3,184,000), which were mutually agreed by contracted parties.

The total service fees of HK$3,184,000 were settled in 2020.

(iv) In November and December 2020, Huajin Convention entered into certain event planning agreements (collectively, "2020 Event Planning Agreements III") with four subsidiaries of Zhuhai Huafa, respectively.

Pursuant to the 2020 Event Planning Agreements III, Huajin Convention would provide services in relation to two seminars held in Zhuhai City in 2020 respectively. The services included but not limited to guest invitation and accommodation, on-site execution, exhibition proposal design, venue set up, advertising and promotional activities, preparation for competition or other miscellaneous services ("2020 Event Planning Services III").

According to the 2020 Event Planning Agreements III, the aggregate fees for 2020 Event Planning Services III amounted to RMB29,499,000 (equivalent to approximately HK$33,191,000), which was mutually agreed by contracted parties.

The aggregate service fees of HK$33,191,000 has all been settled up to January 2021.

33 RELATED PARTY TRANSACTIONS (CONTINUED)

Note: (Continued)

(v) In October and November 2020, Huajin Convention entered into certain event planning agreements (collectively, "2020 Event Planning Agreements IV") with Zhuhai Huafa and its two subsidiaries, respectively.

Pursuant to the 2020 Event Planning Agreements IV, Huajin Convention would provide advertising and promotional services in relation to two seminars held in Zhuhai City in 2020. The services included but not limited to brand promotion through brochures, on-site advertisement and media, brand illustration or brand demonstration in exhibition areas ("2020 Event Planning Services IV").

According to the 2020 Event Planning Agreements IV, the aggregate fees for 2020 Event Planning Services IV amounted to RMB1,993,000 (equivalent to approximately HK$2,243,000), which was mutually agreed by contracted parties.

The aggregate service fees of HK$2,243,000 were settled in 2020.

(vi) In October, November and December 2020, Huajin Convention entered into certain event planning agreements (collectively, "2020 Event Planning Agreements V") with four subsidiaries of Zhuhai Huafa, respectively.

Pursuant to the 2020 Event Planning Agreements V, Huajin Convention would provide services in relation to five seminars held in Zhuhai City in 2020. The services included but not limited to on-site execution, exhibition proposal design, venue and atmosphere set up, advertising and promotional activities, security etiquette or miscellaneous services ("2020 Event Planning Services V").

According to the 2020 Event Planning Agreements V, the aggregate fees for 2020 Event Planning Services V amounted to RMB1,976,000 (equivalent to approximately HK$2,223,000), which was mutually agreed by contracted parties.

The aggregate service fees of HK$2,223,000 has all been settled up to January 2021.

(vii) In June 2020, Huajin Financial entered into various consultancy agreements (collectively, "2020 Consultancy Agreements I") with Zhuhai Huafa and its fifteen subsidiaries respectively. Pursuant to the 2020 Consultancy Agreements I, Huajin Financial would provide consultancy services ("2020 Consultancy Services I") in relation to various researches on different industries and cities in Mainland China and/or other specific matters.

According to the 2020 Consultancy Agreements I, aggregate fees for the 2020 Consultancy Services I amounted to HK$13,900,000, which was agreed by the parties.

The service fees of HK$13,900,000 were settled in 2020.

33 RELATED PARTY TRANSACTIONS (CONTINUED)

Note: (Continued)

(viii) The amounts represented the hotel operating income generated from accommodation and food and beverages services rendered to Zhuhai Huafa and its subsidiaries. The services are rendered at prices and terms that are mutually agreed.

(ix) In January 2020, Huajin Financial and Huafa HK entered into an agreement, pursuant to which Huafa HK would share certain administrative costs as Huafa HK would use certain of Huajin Financial's office space and office equipment. The administrative costs shared by Huafa HK for the year ended 2020 was approximately HK$4,225,000. This was mutually agreed by both parties, the basis of which was determined by reference to:

- Estimated administrative costs incurred by Huajin Financial in 2020;
- Estimated office area jointly-shared by Huafa HK; and
- Estimated percentage of usage of shared facilities by Huafa HK.

Huafa HK settled the shared costs in the amount of HK$4,225,000 in 2020.

(x) The rental expenses paid to the property owner of Two Hotels for the lease of Two Hotels for the year ended 31 December 2020 amounted to RMB9,921,000 (equivalent to approximately HK$11,163,000).

(xi) During the year ended 31 December 2020, the Group settled part of consideration payable to Huafa HK in the amount of HK$432,609,000 regarding the Acquisition of Property Management Business (Note 1). The amount due to a related party refers to remaining consideration payable to Huafa HK in the amount of HK$395,417,000 and accrued interest in the amount of HK$20,970,000.

The consideration payable is with interest bearing at the rate of 4.35% per annum. The consideration and accrued interest were fully repaid in January 2021.

(xii) As at 31 December 2020, part of the Property Management Business's (2019: Property Management Business and Hotel Advisory and Exhibition Business's) bank balances were deposited in a state-owned financial institution. The directors are of opinion that such transactions were conducted in the ordinary course of business and in accordance with normal commercial terms.

33 RELATED PARTY TRANSACTIONS (CONTINUED)

Note: (Continued)

(xiii) Transactions and balances with other state-owned enterprises in the PRC

In accordance with HKAS 24 "Related Party Disclosures", state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government ("state-owned enterprises") are regarded as related parties of the Group. The Group's PRC entities operate in an economic environment predominated by state-owned enterprises. During the years ended 31 December 2020 and 31 December 2019, the Group had transactions with state-owned enterprises including, but not limited to, providing property management services and value-added services and hotel advisory services and exhibition planning and organisation services. For the purpose of related party transactions disclosure, the Group had in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. However, many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatization programs. Nevertheless, the directors of the Group consider that transactions with other state-owned enterprises are activities in the ordinary course of the business, and that the dealings of the Group have not been significantly or unduly affected by the facts that the Group and other state-owned enterprises are ultimately controlled or owned by the PRC Government. The Group had also established pricing policies for the products and services, and such pricing policies do not depend on whether or not the customers are state-owned enterprises. Having due regard to the substance of the relationships, the directors of the Group are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2020 HK$'000	2019 HK$'000
Non-current assets		
Property, plant and equipment	**449**	111
Investments in subsidiaries	**869,256**	204,455
Loan to a subsidiary	**–**	55,305
Financial asset at fair value through profit or loss	**7,988**	8,213
	877,693	268,084
Current assets		
Other receivables, deposits and prepayments	**1,249**	4,573
Loans to subsidiaries	**59,408**	6,686
Amount due from subsidiaries	**7,833**	5,095
Cash and cash equivalents	**22,878**	2,052
	91,368	18,406
Total assets	**969,061**	286,490
EQUITY		
Share capital	**2,515**	2,515
Reserves (Note b)	**26,560**	127,081
Total equity	**29,075**	129,596
Current liabilities		
Other payables and accruals	**4,296**	6,152
Loan from a subsidiary	**–**	56,000
Amounts due to subsidiaries	**–**	742
Amounts due to related party	**416,690**	–
Bank borrowings	**519,000**	94,000
Total liabilities	**939,986**	156,894
Total equity and liabilities	**969,061**	286,490

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserves movement of the Company

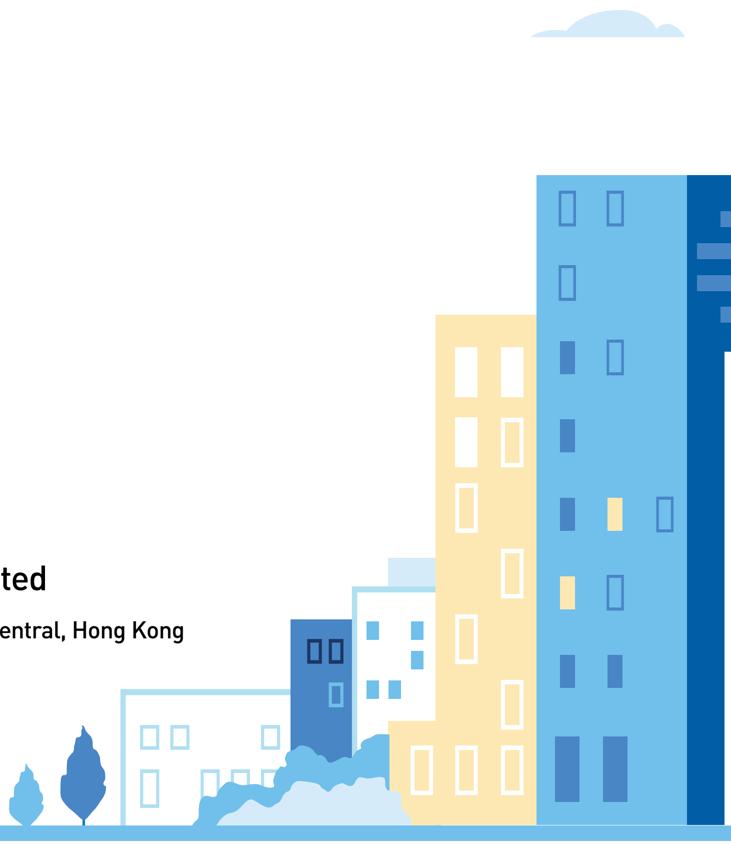
	Share premium HK$'000	Contributed surplus (Note a) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2019	168,947	65,305	(88,354)	145,898
Comprehensive loss				
Loss for the year	–	–	(18,817)	(18,817)
Total comprehensive loss	–	–	(18,817)	(18,817)
At 31 December 2019 and 1 January 2020	168,947	65,305	(107,171)	127,081
Comprehensive loss				
Loss for the year	–	–	(100,521)	(100,521)
Total comprehensive loss	–	–	(100,521)	(100,521)
At 31 December 2020	168,947	65,305	(207,692)	26,560

Note a:

Contributed surplus of the Company represents the difference between the consolidated net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of the reorganisation.

35 EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 15 March 2021, the change of the official registered English name of the Company from "HJ Capital (International) Holdings Company Limited" to "Huafa Property Services Group Company Limited" and adoption of the Chinese name of "華發物業服務集團有限公司" as the secondary name of the Company in replacement of its former name in Chinese of "華金國際資本控股有限公司" which was used for identification purpose, has become effective, and the Company's stock short name, logo and website were updated accordingly.



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