

JIANDE INTERNATIONAL HOLDINGS LIMITED 建德國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock Code : 865
股票代號 : 865

2020

ANNUAL REPORT 年報



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Shie Tak Chung (*Chairman and Chief Executive Officer*)
Mr. Wu Zhisong
Mr. Lee Lit Mo Johnny

Independent Non-executive Directors

Mr. Ma Sai Yam
Mr. Zhang Senquan
Mr. Yang Quan

COMPANY SECRETARY

Mr. Wong Kin Tak (*ACCA, HKICPA*)

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
35/F, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISER

Loeb & Loeb LLP
2206–19 Jardine House
1 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard, Cricket Square
P.O. Box 902, Grand Cayman, KY1-1103
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1910, Fortress Tower
250 King's Road
Hong Kong

REGISTERED OFFICE

Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard, Cricket Square
P.O. Box 902, Grand Cayman, KY1-1103
Cayman Islands

STOCK CODE

Listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the stock code 00865

CORPORATE WEBSITE

www.jiande-intl.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Jiande International Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020.

INDUSTRY REVIEW

2020 is an extraordinary year for the whole world. The outbreak of the COVID-19 worldwide since the beginning of 2020 has created unprecedented challenges to domestic and global economies. As the Chinese government responded with timely measures which brought the local pandemic quickly under control, China's economy achieved a V-sharp recovery in the second quarter of 2020. China's GDP in 2020 reached its historical high at RMB101.6 trillion and expanded by 2.3% over the previous year, making it the only major economy in the world to produce positive economic results.

The property market in the PRC was basically stagnant in the first quarter of 2020. With the rapid response and effective control of the domestic COVID-19 pandemic, the previously suppressed rigid housing demand was quickly released since the second quarter. According to the National Bureau of Statistics, the PRC sales of commodity properties continued to grow and achieved RMB17.4 trillion in 2020, representing an increase of 8.7% over the preceding year, and the gross floor area of commodity properties sold amounted to 1.76 billion square meters, representing a year-on-year increase of 2.6%.

BUSINESS PERFORMANCE AND PROSPECT

The Group's business operation generated revenue of RMB480,024,000 during the year ended 31 December 2020, achieving an annual growth of 160.8%. Profit and total comprehensive income attributable to owners of the Company for the year ended 31 December 2020 rose by 198.3% year-on-year and reached RMB98,884,000. Basic earnings per share for the year ended 31 December 2020 were RMB1.69 cents.

During the year ended 31 December 2020, the Group focused on the development of its three new residential and commercial property projects located in Xinyang, Henan Province and Wugang, Hunan Province, namely Xixian Kangqiao Xueyuan, Wugang Kangqiao Xueyuan and Kangqiao International City, in addition to ongoing construction of the remaining part of The Cullinan Bay project in Yangzhou, Jiangsu Province.

Looking forward to 2021, the recovery of global economy is uncertain as the COVID-19 situations have not been effectively controlled in overseas. International trade and foreign investment activities will still be constrained due to the continuous pandemic and trade protectionism. It is expected that the Central government will continue to provide fiscal stimulus and accommodative monetary policy and promote urbanization in order to stabilise the domestic economic growth.

"Houses are for living in, not for speculation" has become the principal for the real estate sector in China, along with the implementation of "one city, one strategy" by regional governments to continuously optimise their local adjusting and controlling policies, promoting the balance between supply and demand and facilitating the long-term healthy development of property market. The Group is optimistic about the long-term prospect of the Chinese real estate industry which is expected to be maintained for steadily development with sustainable demand in the long run.

CHAIRMAN'S STATEMENT

In 2021, the Group will continue to develop the residential and commercial property projects in Yangzhou, Xinyang and Wugang, sell the completed properties of the existing Binjiang International project in Quanzhou, Fujian Province and The Cullinan Bay project, and pre-sell the properties of its projects under development.

The Group is dedicated to developing quality properties accompanied with a living community to customers, particularly in those cities in the PRC where the rigid demand for housing remains strong due to the continuous urbanization process. The Group will also aim at being customer-centred and innovating product functions to realise customers' pursuit for better lives.

As at 31 December 2020, the status of the Group's property development projects are as follows:

Location	Project Name	Address	Type	Site area ('000 sq.m)	Total gross floor area ('000 sq.m)	Properties held for sale					Actual/ expected time of whole project completion	Percentage interest attributable to the Group
						Properties for development (^{'000} sq.m)	Properties under development (^{'000} sq.m)	Properties completed but not delivered (^{'000} sq.m)	Properties held for investment (Note d) (^{'000} sq.m)	Properties completed and delivered (^{'000} sq.m)		
Quanzhou, Fujian Province	Binjiang International (濱江國際)	Southeast of Xibin Park (溪濱公園東南側), Luoyang Town, Huian County, Quanzhou	Residential (Note b)	83	346	0	0	13	17	316	2014	98.4%
Yangzhou, Jiangsu Province	The Cullinan Bay (天蠶灣)	East of Linjiang Road and north of Dingxing Road (臨江路東側、 鼎興路北側), Yangzhou	Residential (Note c)	82	236	0	36	56	3	141	2022	100%
Xinyang, Henan Province	Xixian Kangqiao Xueyuan (Note a) (息縣康橋學苑)	West of Shuyinggongda Road and north of Xirangda Road (淑穎公大道西側、 息壤大道北側), Xi County, Xinyang	Residential (Note c)	55	147	0	147	0	0	0	2023	80%
Wugang, Hunan Province	Wugang Kangqiao Xueyuan (Note a) (武岡康橋學苑)	South of Zhucheng Highway (竹城公路南側), Wugang	Residential (Note c)	34	124	124	0	0	0	0	2023	80%
Wugang, Hunan Province	Kangqiao International City (Note a) (康橋國際城)	South of Xindong Road and east of Futian Road (新東路南側、 富田路東側), Wugang	Residential and Commercial (Note c)	46	108	108	0	0	0	0	2024	80%
Total				300	961	232	183	69	20	457		

Notes:

- English name of this project is not official and for identification purpose only.
- Car parking spaces, retail stores and kindergarten are included as ancillary residential facilities of this project.
- Car parking spaces and retail stores are included as ancillary residential facilities of this project.
- Properties are situated on land held on long lease according to the term stated in the relevant state-owned land use rights certificates.



CHAIRMAN'S STATEMENT

APPRECIATION

I wish to take this opportunity to express my gratitude for the support from the Group's business partners and customers over the years. Also, I would like to thank my fellow directors for their invaluable advice and guidance, and to each and every staff member for their hard work and unwavering commitment to the Group.

Shie Tak Chung

Chairman

31 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial Performance

The Group's revenue for the year ended 31 December 2020 was mainly derived from the sale and delivery of properties of The Cullinan Bay project to customers, net of discount and sales related taxes. Revenue rose 160.8% from RMB184,082,000 for the year ended 31 December 2019 to RMB480,024,000 for the year ended 31 December 2020, primarily due to the increase in delivery of the residential properties which were mostly completed in December 2019 and delivered to customers in the first half of 2020.

Gross profit of the Group increased by 170.0% from RMB58,664,000 for the year ended 31 December 2019 to RMB158,386,000 for the year ended 31 December 2020, along with the revenue growth. Gross profit margin was improved from 31.9% for the year ended 31 December 2019 to 33.0% for the year ended 31 December 2020, mainly attributable to the upward adjustment of average selling price of the properties sold.

Other income, consisting of fixed rental income from investment properties and interest income, was reduced by 16.0% from RMB9,205,000 for the year ended 31 December 2019 to RMB7,732,000 for the year ended 31 December 2020, primarily due to the decrease in overall cash held by the Group after spending approximately RMB214,750,000 in the aggregate to acquire the land use rights in Wugang during 2020.

Selling expenses of the Group increased by 32.1% from RMB6,226,000 for the year ended 31 December 2019 to RMB8,222,000 for the year ended 31 December 2020, mainly due to the increase in sales agent commission expense recognised upon the delivery of related properties.

Administrative expenses increased by 16.6% from RMB16,138,000 for the year ended 31 December 2019 to RMB18,816,000 for the year ended 31 December 2020, as additional administrative and management staff were hired for the Group's new property development projects in Xinyang and Wugang.

Income tax expense, representing current tax provision for the PRC EIT and the PRC LAT and deferred tax, increased by 132.3% from RMB16,425,000 for the year ended 31 December 2019 to RMB38,161,000 for the year ended 31 December 2020, mainly attributable to the increase in the Group's taxable profit.

Profit attributable to owners of the Company increased by 198.3% from RMB33,144,000 for the year ended 31 December 2019 to RMB98,884,000 for the year ended 31 December 2020, primarily due to the growth of revenue and gross profit from the Group's property development business, net of the increase in income tax expense.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 31 December 2020, the Group had total assets of RMB1,116,627,000 (including time deposits, restricted bank deposits and bank balances and cash of RMB180,682,000), which were financed by total equity of RMB775,384,000 and total liabilities of RMB341,243,000. The Group's working capital requirements were mainly fulfilled by its internal resources during the year ended 31 December 2020.

Current ratio of the Group was 3.16 times as at 31 December 2020 (31 December 2019: 1.93 times). The Group had no bank borrowings as at 31 December 2020 (31 December 2019: Nil). Gearing ratio, defined as total debts comprising bank borrowings and amount due to a non-controlling interest of subsidiaries divided by total equity, was 10.2% as at 31 December 2020 (31 December 2019: 3.7%).

Foreign Exchange Exposure

Major subsidiaries of the Company operate in the PRC and all the business transactions of the Group are denominated in RMB. Net foreign exchange loss for the year ended 31 December 2020 primarily resulted from the translation of the bank balance and cash denominated in currencies other than RMB into RMB. Currently, the Group does not use derivative financial instruments and has not entered into any derivative contracts. However, the management will monitor the currency fluctuation exposure and will consider hedging significant foreign exchange risk should the need arise.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had approximately 57 full-time employees, excluding the Directors, in the PRC. During the year ended 31 December 2020, the total staff costs, including Directors' remuneration, was RMB7,206,000 (2019: RMB6,966,000). Remuneration packages of the employees are determined by reference to the qualifications and experience of the employee concerned and are reviewed annually by the management with reference to market conditions and individual performance. The Group offers a comprehensive and competitive remuneration and benefit package to its employees. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident fund, pension, medical, maternity, work injury insurance and unemployment benefit plans.

REPORT OF THE DIRECTORS

The board (the “Board”) of Directors of the Company herein present their report and the audited financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the development and sale of properties in the PRC. Details and principal activities of the Company’s subsidiaries are set out in note 39 to the consolidated financial statements. There was no significant change in the nature of the Group’s principal activities during the year ended 31 December 2020.

BUSINESS REVIEW

The Company is a property developer in the PRC, focusing on the development of residential properties. Details of the Group’s business review, prospect and financial performance and the principal risks and uncertainties facing the Company are provided in the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” and the consolidated financial statements of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 38 to 116 of this annual report.

The Board does not recommend the payment of any dividend in respect of the year (2019: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company’s share capital during the year are set out in note 31 to the consolidated financial statements. The Group has not adopted any share option scheme.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 41 of this annual report and in note 40 to the consolidated financial statements, respectively.

As at 31 December 2020, the distributable reserves of the Company as calculated in accordance with the relevant provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to RMB497,155,000.

REPORT OF THE DIRECTORS

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises that employees are one of its significant assets and offers equal employment opportunities to safeguard its staff against discrimination arising from age, race, ethnicity, gender and religion, while striving to develop a fair, respectful, diversified, cooperative and friendly corporate culture and working environment. With a view to enhancing the satisfactory level of the staff, the Group provides the staff with competitive remuneration packages and comprehensive training programmes, so as to encourage the staff to reach their full potential and contribute their talents.

The Group is committed to providing high-quality products and services to its customers. Through on-site visits and major customers satisfaction surveys, the Group reaches out for its existing and prospective customers to understand their needs and collect their feedback for identifying areas of improvement and advancing the Group to achieve excellence.

The Group values mutually beneficial long-term relationships with its suppliers. Their steady supply of products and provision of services in high quality are crucial for the Group. The Group is committed to developing stable and sustainable partnership among its suppliers.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2020, sales to the Group's five largest customers accounted for approximately 2.3% of the total sales for the year and sales to the largest customer included therein amounted to approximately 0.6%. Purchases from the Group's five largest suppliers accounted for approximately 75.8% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 58.1%. None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any interest in the Group's five largest customers and suppliers.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year, nor was there any plan authorised by the Board for other material investments or additions of capital assets at the date of this annual report.

CHARGE ON ASSETS

As at 31 December 2020, the Group had no charge on its assets.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year or subsisted at the end of the year.

REPORT OF THE DIRECTORS

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 117 to 118 of this annual report. This summary does not form part of the audited financial statements included in this annual report.

DIRECTORS

The Directors, comprising executive directors (the “Executive Directors”) and independent non-executive directors (the “Independent Non-executive Directors”), during the year and up to the date of this report of the directors were as follows:

Executive Directors

Mr. Shie Tak Chung (*Chairman and Chief Executive Officer*)
Mr. Wu Zhisong
Mr. Lee Lit Mo Johnny

Independent Non-executive Directors

Mr. Ma Sai Yam
Mr. Zhang Senquan
Mr. Yang Quan

In accordance with clause 108 of the Company’s articles of association (the “Articles”), Messrs. Shie Tak Chung, and Yang Quan will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS’ BIOGRAPHIES

There have been no changes in the information of Directors and chief executive of the Company since the publication of the 2020 interim report up to the date of this annual report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, save and except that:

Mr. Zhang Senquan has been appointed as an independent non-executive director of Strawbear Entertainment Group, the shares of which are listed on the Stock Exchange (stock code: 2125) since December 2020.

Biographical details of the Directors are set out on pages 29 to 31 of this annual report.

DIRECTORS’ SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' REMUNERATION

Details of the remuneration of the Directors are set out in note 12 to the consolidated financial statements.

The remuneration of the Directors is principally determined with reference to the balance of skill and experience appropriate to the Group's business.

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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, so far as is known to the Directors, the interests or short positions of the Directors and the chief executive of the Company and their associates in the shares, or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO") which were to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Long Position in Shares and Underlying Shares of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Approximate Percentage of issued share capital of the Company
Shie Tak Chung	Interest of a controlled corporation	1,517,896,394 (Note)	26.00%

Note: Fame Build Holdings Limited ("Fame Build"), a company incorporated in the British Virgin Islands, is the registered owner of these shares. As at 31 December 2020 and up to the date of this report of directors, Fame Build was solely and beneficially owned by Mr. Shie Tak Chung.

Save as disclosed above, as at 31 December 2020, none of the Directors and the chief executive of the Company and their associates had interests or short positions in the shares, or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective associates has an interest in any business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of the duties in his/her office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, so far as is known to the Directors, the following entities, not being a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

REPORT OF THE DIRECTORS

Long Positions in Shares and Underlying Shares of the Company

Name	Capacity	Number of issued ordinary shares held	Approximate Percentage of issued share capital of the Company
Fame Build	Beneficial owner	1,517,896,394	26.00%
Talent Connect Investments Limited (Note)	Beneficial owner	1,780,596,394	30.50%
Tsoi Kin Sze (Note)	Interest of a controlled corporation	1,780,596,394	30.50%

Save as disclosed above, as at 31 December 2020, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Note: Talent Connect Investments Limited (“Talent Connect”), a company incorporated in the British Virgin Islands, is the registered owner of these shares. As at 31 December 2020 and up to the date of this report of directors, Talent Connect was solely and beneficially owned by Mr. Tsoi Kin Sze.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The Company has received the confirmations signed by Mr. Tsoi Kin Sze and Talent Connect (collectively, the “Covenantors”) on 25 March 2020 (collectively, the “Confirmations”) confirming that, for the year ended 31 December 2019 and up to the date of signing of the Confirmations by the Covenantors, each of them has fully complied with the deed of non-competitions respectively executed by the Covenantors in favour of the Group on 26 February 2016 (the “Deed of Non-Competition”) and, in particular, each of them and their respective associates have not, directly or indirectly, own, invest in, carry on, participate in, develop, operate or be interested or engaged in or acquire or hold any activity or business which is or may be in competition, directly or indirectly, with the business carried on or contemplated to be carried on by any member of the Group (being the property development of residential and commercial properties) from time to time in the PRC.

The Independent Non-executive Directors have reviewed the Confirmations and all of them are satisfied that the Deed of Non-Competition have been complied with during the year ended 31 December 2020.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Company had not entered into any connected transaction during the year ended 31 December 2020 which is required to be disclosed in accordance with Chapter 14A of the Listing Rules. Related party transactions entered into by the Group during the year ended 31 December 2020, which constitute fully exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules are disclosed in note 38 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there is a sufficiency of public float of the Company's securities as required under the Listing Rules as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

ENVIRONMENTAL POLICIES AND PERFORMANCE

To demonstrate the commitment of maintaining sustainable development and to comply with the relevant laws and regulations in respect of environmental protection, the Group endeavors to minimise the impacts of its operating activities on the environment.

The Group has taken into consideration the environmental factors in the course of planning and development for its property projects, such as promoting planting and landscaping during project design to optimise the green ecosystem and adopting a series of emission reduction, water pollution prevention and resources saving measures on the construction sites. The Group also procures and selects environment-friendly materials for both outdoor and indoor construction, so as to provide residents with a comfortable living environment and conserve natural resources upon the completion of the project. In addition, engaging construction contractors with sound environmental protection and safety track records, the Group has closely monitored its projects at every stage to ensure the construction process is in compliance with environmental protection and safety laws and regulations.

REPORT OF THE DIRECTORS

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group seeks to uphold high standard of integrity in all aspects of business and is committed to ensure that its affairs are conducted in accordance with applicable laws and regulatory requirements and has formulated and adopted various internal control measures, approval procedures and training within all business units at all levels of the Group. To the best knowledge of the Directors, the Group has complied in material respects with all the relevant laws and regulations that have a significant impact on the Group during the year ended 31 December 2020.

RETIREMENT BENEFITS PLANS

Particulars of the Group's retirement benefits plans are set out in note 16 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 16 to 28 of this annual report.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holdings of the shares of the Company. If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the shares of the Company, they are advised to consult their professional advisers.

EVENT AFTER THE REPORTING DATE

There were no significant events that have occurred subsequent to the end of the reporting period of the Company and up to the date of this report of the directors.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2020 have been audited by Deloitte Touche Tohmatsu ("Deloitte"), who will retire at the forthcoming annual general meeting. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Deloitte as auditors of the Company.

On behalf of the Board

Shie Tak Chung

Chairman

31 March 2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining good standards of corporate governance best suited to the needs and interests of the Group in order to achieve sustainable development and enhance corporate performance. The Board recognizes that effective corporate governance practices of the Company with emphasis on integrity, sound internal control and high level of accountability and transparency are fundamental to safeguarding interests of shareholders and other stakeholders and enhancing shareholders' value.

To the best knowledge of the Directors, the Company has complied with the code provisions as set out in Appendix 14 of the Listing Rules — Corporate Governance Code and Corporate Governance Report (the “CG Code”) during the year ended 31 December 2020, except the deviation from code provision A.2.1 as stated in the paragraph headed “Chairman and CEO” in this corporate governance report.

DIRECTORS

The Board

The Board, led by the chairman, steers the Company's business direction. It is responsible for formulating the Company's long-term strategies, setting business development goals, assessing results of management policies, monitoring the management's performance and ensuring effective implementation of risk management measures on a regular basis. The Directors meet regularly to review the Group's financial and operational performance and to discuss and formulate future development plans. The Directors can attend meetings in person or through electronic means of communication in accordance with the Articles.

Board Composition

The Board currently comprises a total of six Directors, being three Executive Directors and three Independent Non-executive Directors. The list of Directors is set out in the section headed “Report of the Directors” of this annual report. In addition, an updated list of the Company's Directors by category identifying their role and function is at all times available on the websites of the Stock Exchange and the Company respectively. The list specifies whether the Director is an Independent Non-executive Director and expresses the respective roles and functions of each Director.

The Board is characterised by significant diversity and has a balance of skills and experience appropriate for the direction and oversight of the Group's strategic priorities. The Directors give sufficient time and attention to the affairs of the Group. All Directors are required to disclose to the Company at the time of their appointment and annually the number and the nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved.

CORPORATE GOVERNANCE REPORT

The Board Diversity Policy

The Company recognises and embraces the benefits of a diversity of Board members and has adopted a policy of the Board diversity (the "Board Diversity Policy"). The Board Diversity Policy endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments shall continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be made according to the merits of candidates and their contribution to the Board.

Independent Element on the Board

The Board includes a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a sufficient independent element on the Board, which can effectively exercise independent judgement. Save for those as disclosed in the section headed "Directors' Biographies" of this annual report, the Board members have no other financial, business, family or other material/relevant relationships with each other.

The Independent Non-executive Directors play an important role on the Board. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders of the Company and the Group as a whole. 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 representing at least one-third of the Board with at least one of them possessing appropriate professional qualifications on accounting or related financial management expertise.

The Board has received from each of its Independent Non-executive Directors a confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-executive Directors are independent. The Company identifies the Independent Non-executive Directors in all corporate communications which disclose the names of directors.

Role and Function of the Board and the Management

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee. Further details of these Board committees are set out in this report.

CORPORATE GOVERNANCE REPORT

Chairman and CEO

With respect to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. After the resignation of the former chief executive officer of the Company (“CEO”), Mr. Shie Tak Chung held the offices of both chairman of the Board (the “Chairman”) and CEO since 22 November 2019.

The Board believes that with support of the management, vesting the roles of both the Chairman and CEO in Mr. Shie Tak Chung could facilitate the execution of the Group’s business strategies and boost effectiveness of its operation, and under the supervision of the Board (comprised of three executive Directors and three independent non-executive Directors), the present structure would not impair the balance of power and authority between the Board and the management and could protect the interests of the Company and its shareholders as the Board assumes collective responsibility on the decision-making process of the Company’s business strategies and operation.

Records of Meetings of the Board and the Board Committees

The board shall meet regularly and at least four times a year at approximately quarterly intervals under code provision A.1.1 of the CG Code, the chairman should at least annually, hold meetings with the non-executive directors (including Independent Non-executive Directors) without the Executive Directors present under the code provision A.2.7 of the CG Code, and the audit committee must meet, at least twice a year, with the issuer’s auditors under code provision C.3.3(e)(i) of the CG Code.

During the year ended 31 December 2020, the Board met four times, the Chairman held a meeting with all the Non-executive Directors without the presence of other Executive Directors, and the Audit Committee met three times with the Company’s auditors. Attendance of individual Directors at the meetings of the Board and the Board committees for the year ended 31 December 2020 is as follows:

	Number of meetings attended/eligible to attend			
	Board	Nomination Committee	Remuneration Committee	Audit Committee
<i>Executive Directors</i>				
Shie Tak Chung	4/4	1/1	1/1	0/0
Wu Zhisong	4/4	0/0	0/0	0/0
Lee Lit Mo Johnny	4/4	0/0	0/0	0/0
<i>Independent Non-executive Directors</i>				
Ma Sai Yam	4/4	1/1	1/1	3/3
Zhang Senquan	4/4	1/1	1/1	3/3
Yang Quan	4/4	0/0	0/0	3/3

CORPORATE GOVERNANCE REPORT

Notice of regular Board meetings are served to all Directors at least 14 days before the meeting while reasonable notice is generally given for other Board meetings. Agenda and Board papers together with all appropriate, complete and reliable information are sent to all Directors in a timely manner, and at least 3 days before the intended date of each Board or Board committee meeting, except agreed otherwise among the members, to ensure that they had sufficient time to review the board papers, be adequately prepared for the meeting, keep the Directors apprised of the latest developments and financial position of the Company and to enable them to include any matter in the agenda and to make informed decisions.

The Board and each Director, upon reasonable request, have access to independent professional advice to assist them in performing their duties to the Company, at the Company's expense. When needed and upon making request to the Board, the Directors may obtain independent professional advice at the Company's expense in carrying out their duties.

Minutes of all meetings of the Board and the Board committees are kept by the company secretary. All of the above minutes record the discussions and decisions reached by the relevant members in sufficient detail the matters considered and decisions reached, including any concern raised by Directors or dissenting views expressed. Any Director may inspect the minutes at any reasonable time on reasonable notice.

Draft minutes are normally circulated to Directors or members of the relevant committee for comment within a reasonable time after each meeting and the final version is sent to all Directors or committee members for their record.

Appointment and Re-election of Directors

Appointment of new Directors is a matter for consideration by the Nomination Committee. The Nomination Committee will give adequate consideration to the Board Diversity Policy and review the profiles of the candidates and make recommendations to the Board on the appointment, re-appointment and nomination of Directors.

According to article 112 of the Articles, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. According to article 108 of the Articles, at each annual general meeting of the Company (the "AGM"), one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years while those retiring Directors shall be eligible for re-election.

All Directors have entered into service contracts or letters of engagement with the Company for a term of not more than three years.

CORPORATE GOVERNANCE REPORT

Model Code for Securities Transactions

The Company has adopted the Model Code as the code of conduct for Directors in their dealings in securities of the Company. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the Model Code.

Employees who are likely to possess inside information in relation to the Company or its shares are prohibited from dealing in shares of the Company during the black-out period.

Insurance for Directors' and Officers' Liabilities

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group.

Directors' Training and Professional Development

The Directors are continually updated with legal and regulatory developments, and business and market changes to facilitate the discharge of their responsibilities. Every newly appointed Director will be given an introduction of the Listing Rules, legal and other regulatory requirements to ensure compliance and upkeep of good corporate governance practices. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. There are also arrangements in place for providing continuing briefing and professional development to Directors at the Company's expenses whenever necessary.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development during the year ended 31 December 2020:

	Read materials	Attend seminars/ briefing
<i>Executive Directors</i>		
Shie Tak Chung	✓	✓
Wu Zhisong	✓	✓
Lee Lit Mo Johnny	✓	✓
<i>Independent Non-executive Directors</i>		
Ma Sai Yam	✓	✓
Zhang Senquan	✓	✓
Yang Quan	✓	✓

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced, clear and understandable assessment in annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Directors have acknowledged their responsibility for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The statement by the auditors of the Company, Deloitte, regarding their reporting responsibilities on the financial statements of the Group for the year ended 31 December 2020 is set out in the section headed “Independent Auditor’s Report” of this annual report.

The Directors, having made appropriate reasonable enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and hence decide that it is appropriate to prepare the financial statements set out in the audited financial statements on pages 38 to 116 of this annual report on a going concern basis. As at the date of this annual report, the Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the section headed “Management Discussion and Analysis” of this annual report.

Access to Information

The management provides the Board with sufficient explanation and information, such as the Group’s major business activities and key financial information, to enable the Board to make an informed assessment of the financial information and position of the Company put before the Board for approval. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company’s senior management to make further enquiries if necessary.

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Control

The Board has the overall responsibility for maintaining sound and effective risk management and internal control systems to safeguard the Group's assets and stakeholders' interests, as well as for reviewing the effectiveness of the systems through the support of internal audit and the Audit Committee.

Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish internal audit department, the Board conducted annual review of the Company's risk management and internal control systems through engaging ZHONGHUI ANDA Risk Services Limited (the "IC Advisor") to perform review and assessment of the effectiveness of the Company's risk management and internal control systems which implemented material controls covering the financial, operational, compliance and risk management aspects of the Group for the year ended 31 December 2020 and reported to the Board. The Board considers that internal audits have been implemented and provided the Board with reasonable assurance that the processes of the Company operate as designed; and the risk management and internal control systems of the Group are effective and adequate.

The Group's risk management and internal control systems aim to provide reasonable assurance, rather than eliminating the risk of failing to achieve business objectives. Therefore, such systems can only provide reasonable but not absolute assurance against any material misstatement or losses.

During the year ended 31 December 2020, the Board has adopted the Inside Information Policy setting out the guidelines to the Directors and all employees of the Group to ensure that inside information can be promptly identified, assessed and disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations.

Auditors' Remuneration

For the year ended 31 December 2020, the remuneration paid/payable for services provided by the auditors of the Company, Deloitte, is as follows:

	RMB'000
Services rendered	
Statutory audit services	1,334
Non-audit services	370

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

Composition of the Board Committees

The Board delegates its powers and authorities from time to time to the Board committees in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. All Board committees are provided with accurate and sufficient information in timely manner so as to enable the Board committees to make informed decisions for the benefit of the Company and sufficient resources to discharge their duties.

During the year ended 31 December 2020, the Board had four Board committees, namely the Nomination Committee, Remuneration Committee and Audit Committee.

The table below provides membership information of these committees on which the relevant Board members serve:

	Nomination Committee	Remuneration Committee	Audit Committee
<i>Executive Directors</i>			
Shie Tak Chung	Chairman	Member	
Wu Zhisong			
Lee Lit Mo Johnny			
<i>Independent Non-executive Directors</i>			
Ma Sai Yam	Member	Chairman	Member
Zhang Senquan	Member	Member	Chairman
Yang Quan			Member

The terms of reference of each of the Board committees which deal clearly with its authorities and duties are made available on the websites of the Stock Exchange and the Company respectively.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The principal duties of the Nomination Committee include, amongst other things:

- reviewing the structure, size and composition (including the skills, knowledge and experience required) of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships when a vacancy occurs on the Board;
- make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for Directors;
- reviewing the Board Diversity Policy, as appropriate; and reviewing the measurable objectives that have been set for implementing the Board Diversity Policy, and reviewing the progress on achieving the objectives; and
- assessing the independence of Independent Non-executive Directors.

For the year ended 31 December 2020, the Nomination Committee held one (1) meeting. Details of the committee members' attendance are set out in the paragraph headed "Records of Meetings of the Board and the Board Committees" in this corporate governance report.

There was no nomination of new Director during the year ended 31 December 2020.

The summary of the work of the Nomination Committee for the year ended 31 December 2020 is as below:

- made recommendations to the Board on the re-election of Directors at the forthcoming annual general meeting of the Company;
- assessed the independence of Independent Non-executive Directors; and
- reviewed the structure, size and composition of the Board.

CORPORATE GOVERNANCE REPORT

Where vacancies exist at the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the Nomination Committee will give adequate consideration to the Board Diversity Policy and take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

The Nomination Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The chairman of the Nomination Committee is the Chairman of the Board and the Independent Non-executive Directors of the Company constitute the majority of the Nomination Committee.

Remuneration Committee

The principal duties of the Remuneration Committee include, amongst other things:

- making recommendations to the Board on the Company's remuneration policy and structure for all Directors' and senior management;
- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- determining, with delegated responsibility, the remuneration packages of individual executive Directors and senior management and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, and the remuneration of non-executive Directors;
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration; and
- reviewing and making recommendations on the roles and responsibilities, training and professional development of the senior management team.

For the year ended 31 December 2020, the Remuneration Committee held one (1) meeting. Details of the committee members' attendance are set out in the paragraph headed "Records of Meetings of the Board and the Board Committees" in this corporate governance report.

The summary of the work of the Remuneration Committee for the year ended 31 December 2020 is as below:

- reviewed the existing policy and structure of the remuneration of the executive Directors;
- reviewed the existing remuneration package of the independent non-executive Directors; and
- reviewed the existing policy and structure of the remuneration of management of the Group.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee may consult the Chairman and/or the CEO of the Company about their remuneration proposals for other Executive Directors. It has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The Group's remuneration policies are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

Details of the remuneration paid to the Directors and senior management are set out in notes 12 and 38 to the consolidated financial statements. The remunerations of each of the five highest paid individuals who are also the senior management members of the Group during the years ended 31 December 2020 are within HK\$1,000,000. Three of the five highest paid employees for the year ended 31 December 2020 are Directors of the Company.

The chairman of the Remuneration Committee is an Independent Non-executive Director and the Independent Non-executive Directors of the Company constitute the majority of the Remuneration Committee.

Audit Committee

The principal duties of the Audit Committee include, amongst other things:

- overseeing the relationship with the Company's auditor;
- reviewing the Company's interim and annual reports and financial statements;
- overseeing the Company's financial reporting system, risk management and internal control systems; and
- reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

For the year ended 31 December 2020, the Audit Committee held three (3) meetings. Details of the committee members' attendance are set out in the paragraph headed "Records of Meetings of the Board and the Board Committees" in this corporate governance report.

CORPORATE GOVERNANCE REPORT

The summary of the work of the Audit Committee for the year ended 31 December 2020 is as below:

- reviewed the annual results announcement and annual report of the Group, including the accounting principles and practices adopted for the preparation of financial statements, for the financial year ended 31 December 2019 before submission to the Board for approval and publication;
- reviewed the interim results announcement and interim report of the Group, including the accounting principles and practices adopted for the preparation of financial statements, for the six months ended 30 June 2020 before submission to the Board for approval and publication;
- met with the auditors to discuss the accounting and audit or review issues of the Group and reviewed their findings, recommendations and independency;
- reviewed the Group's risk management and internal control systems based on the reports submitted by the IC Advisor; and
- reviewed the compliance with the non-competition undertaking by the Covenantors under the deed of non-competitions, of which the details on the compliance and enforcement of the undertaking are set out in the section headed "Report of Directors" of this annual report.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. It is given access to and assistance from the employees and reasonable resources to perform its duties properly.

Chaired by Mr. Zhang Senquan who possesses the appropriate professional accounting qualifications and financial management expertise, the Audit Committee comprises all Independent Non-executive Directors. None of the members of the Audit Committee are former partners of the existing auditors of the Company.

There was no disagreement between the Audit Committee and the Directors in respect of matters about selection, appointment, resignation or dismissal of an external auditor during the year ended 31 December 2020.

The Audit Committee has reviewed with the management the consolidated financial statements of the Company for the year ended 31 December 2020, including the accounting principles and practices adopted.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The position of the Company Secretary is held by Mr. Wong Kin Tak, who is a member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. During the year ended 31 December 2020, Mr. Wong has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

COMMUNICATIONS WITH SHAREHOLDERS

All of the Company's shares are ordinary shares carrying equal voting rights. As at the date of this annual report, sufficient shares of the Company were on public float as required by the Listing Rules.

The Company recognises that effective communication can highlight transparency and enhance accountability to its shareholders. The Company provides information to its shareholders through the publication of notices, announcements, circulars, interim and annual reports. Shareholders may access the Company's website at www.jiande-intl.com for the Group's information. Shareholders may also put to the Board any enquiries about the Group in writing by sending emails to ir@jiande-intl.com or mail to the principal office of the Company at Room 1910, Fortress Tower, 250 King's Road, Hong Kong. The Directors, company secretary or other appropriate members of senior management respond to enquiries from shareholders in a timely manner.

The general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors shall make an effort to attend the general meeting to address queries raised by shareholders. External auditors are also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

Pursuant to article 64 of the Articles, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business (including any proposals) specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

During the year ended 31 December 2020, all Directors attended the AGM held on 4 June 2020 in Hong Kong.

For the year ended 31 December 2020, there was no significant change in the Company's constitutional documents.

DIRECTORS' BIOGRAPHIES

Mr. Shie Tak Chung, aged 64, appointed as an executive director and the Chairman of the Company on 25 October 2016 and taking on the additional role of Chief Executive Office of the Company since 22 November 2019, is mainly responsible for the overall corporate development, strategic planning and overall operation management of the Group. Mr. Shie has over 20 years of management experience in the real estate industry in the PRC. Mr. Shie obtained a bachelor's degree majoring in International Economics and Trade from Xiamen University in January 2014. Mr. Shie holds a lot of important social positions, including committee member of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會委員), executive vice president of Hong Kong Association for the Promotion of Peaceful Reunification of China (中國和平統一促進會香港總會常務副會長), vice president of Hong Kong Federation of Fujian Associations (香港福建社團聯會副主席), consultant of Fujian Chamber of Commerce (旅港福建商會顧問), deputy chairman of the Hong Kong Fujian Charitable Education Fund (香港福建希望工程基金會副主席), honorary president (life) of Shishi City Residents' Association (石獅市旅港同鄉公會永遠榮譽會長), honorary president (life) of the General Association of Xiamen (H.K.) Limited (香港廈門聯誼總會永遠名譽會長), executive council member of Fujian Overseas Friendship Association (福建海外聯誼會常務理事), executive committee member of All-China Federation of Returned Overseas Chinese (中華全國歸國華僑聯合會常務委員) and executive deputy chairman of Share-Happiness Benevolent Fund Limited (香港樂群慈善基金會有限公司常務副主席). He is the brother-in-law of Mr. Lee Lit Mo Johnny.

Mr. Wu Zhisong, aged 52, appointed as an executive director of the Company on 25 October 2016, is mainly responsible for the financial management and supervision of the Group. Mr. Wu has been the financial controller of Fujian Jiande Group Company Limited (福建建德集團有限公司) since December 2011 and was the financial controller of Shishi Jiande Property Development Company Limited (石獅市建德房地產有限公司) from August 2006 to December 2011. Prior to joining Shishi Jiande Property Development Company Limited, Mr. Wu worked as a civil servant at the National Tax Bureau of Quanzhou (泉州市國家稅務局). Mr. Wu holds important social positions, including representative of the Quanzhou Municipal People's Congress (泉州市人民代表大會代表) and executive committee member of Shishi Federation of Industry & Commerce (石獅市工商聯常委). Mr. Wu obtained a bachelor's degree majoring in applied chemistry from Huaqiao University (華僑大學) in July 1990. Mr. Wu has become a qualified intermediate accountant of the PRC since December 1999 and has become a qualified senior economist of the PRC since February 2015.

DIRECTORS' BIOGRAPHIES

Mr. Lee Lit Mo Johnny, aged 49, appointed as an executive director of the Company on 25 October 2016, is mainly responsible for the strategic development of the Group. Mr. Lee has more than 20 years of experience in financial industry. Mr. Lee was an executive director of Juda International Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1329), from August 2010 to December 2013. He was an associate director of direct investment division of CCB International Asset Management Limited from March 2006 to August 2008. From April 2001 to March 2006, Mr. Lee worked in Core Pacific-Yamaichi Capital Limited and was responsible for corporate finance transactions and handling initial public offering projects and resigned as a senior manager in March 2006. From September 1996 to April 2001, he worked initially as investment analyst and later as assistant fund manager at SIIC Asset Management Company Limited (formerly known as Seapower Asset Management Company Limited). Mr. Lee graduated from McGill University in Montreal, Canada with a bachelor's degree in Commerce majoring in Finance and Management Information Systems in June 1995. He is the brother-in-law of Mr. Shie Tak Chung.

Mr. Ma Sai Yam, aged 57, appointed as an independent non-executive director of the Company on 25 October 2016, is a practicing solicitor in Hong Kong and has accumulated over 20 years of experience in the legal field. He was admitted to practice law as a solicitor in Hong Kong in September 1997 and has been a member of The Law Society of Hong Kong since then. Mr. Ma has been a partner and a practicing solicitor of Ma Tang & Co., since March 2002. Prior to his current position, he had served as a consultant and a practicing solicitor of Tang, Lai & Leung from June 2000 to March 2002. Since May 2015, Mr. Ma has been an independent non-executive director of Golden Power Group Holdings Limited, the shares of which are listed on the Main Board (stock code: 3919) and transferred from GEM of the Stock Exchange (stock code: 8038) on 10 November 2017. Since February 2020, he has been an independent non-executive director of Artini Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 789). Mr. Ma graduated from the University of London in the United Kingdom as an external student in August 1991 with a Bachelor's science degree in Economics. He subsequently obtained a Postgraduate Certificate in Laws from The University of Hong Kong in June 1995 and a Master degree in laws from Renmin University of China in the PRC in January 2012.

DIRECTORS' BIOGRAPHIES

Mr. Zhang Senquan, formerly known as Zhang Min, aged 44, was appointed as an independent non-executive director of the Company on 25 October 2016. Mr. Zhang is the chief executive officer of Zhong Rui Capital (Hong Kong) Limited (中瑞資本(香港)有限公司). Mr. Zhang is also an independent non-executive director of Beijing Digital Telecom Co., Ltd. (北京迪信通商貿股份有限公司), the shares of which are listed on the Stock Exchange (stock code: 6188); an independent non-executive director of Natural Food International Holding Limited, the shares of which are listed on the Stock Exchange (stock code: 1837); an independent non-executive director of Sang Hing Holdings (International) Ltd., the shares of which are listed on the Stock Exchange (stock code: 1472); an independent non-executive director of Strawbear Entertainment Group, the shares of which are listed on the Stock Exchange (stock code: 2125); and an independent director of Jiangsu Aidea Pharmaceutical Co., Ltd. (江蘇艾迪藥業股份有限公司), the shares of which are listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange (stock code: 688488SH). He is a member of Hong Kong Institute of Certified Public Accountants, China Institute of Certified Public Accountants and American Institute of Certified Public Accountants. Mr. Zhang used to be the independent director of Topchoice Medical Investment Co. Inc., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600763SH), from December 2014 to March 2017, the independent non-executive director of Casablanca Group Limited, the shares of which are listed on the Stock Exchange (stock code: 2223), from April 2015 to April 2018, and the independent non-executive director of Bonny International Holding Limited, the shares of which are listed on the Stock Exchange (stock code: 1906), from March 2019 to June 2020. Mr. Zhang was the managing director of Southwest Securities International Securities Limited, the shares of which are listed on the Stock Exchange (stock code: 812) from February 2016 to March 2020. He was the chief financial officer and joint company secretary of Huazhong In-Vehicle Holdings Company Limited, the shares of which are listed on the Stock Exchange (stock code: 6830) from May 2014 to July 2015. He served as head of the Strategic Development Department of Goodbaby International Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1086), from March 2013 to April 2014. He has more than 10 years of professional experience in accounting and auditing, and worked at Ernst & Young, KPMG and Deloitte Touche Tohmatsu serving several positions from audit staff to audit partner from 1999 to 2012. Mr. Zhang received his bachelor's degree in economics from Fudan University in 1999.

Mr. Yang Quan, aged 50, was appointed as an independent non-executive director of the Company on 25 October 2016. Mr. Yang became an assistant professor of the School of Economics of Xiamen University in July 2006, an associate professor in August 2009 and a professor in August 2014. He was a visiting scholar of Cornell University in the United States of America from January 2011 to January 2012 and Durham University Business School in the United Kingdom from October 2017 to October 2018. Mr. Yang graduated from East China Institute of Chemical Technology (currently known as "East China University of Science and Technology") with a bachelor's degree in environmental supervision from the environmental engineering faculty in July 1991. He obtained a Master's degree in commercial economics in July 1997 and a doctor's degree in global economic in June 2006 from Xiamen University.

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF JIANDE INTERNATIONAL HOLDINGS LIMITED

建德國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Jiande International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 38 to 116, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties

We identified the valuation of investment properties, as a key audit matter as it is quantitative significant to the consolidated financial statements as a whole, combined with the significant estimates required in determining the fair values.

As at 31 December 2020, the Group's investment properties, comprised a kindergarten property and car parking spaces located in Quanzhou, Fujian Province, the People's Republic of China (the "PRC"), a retail store property and car parking spaces located in Yangzhou, Jiangsu Province, the PRC, were stated at fair value amounted to Renminbi ("RMB") 116,693,000, and the fair value change of investment properties for the year then ended amounted to a loss of RMB1,768,000.

As set out in notes 4 and 18 to the consolidated financial statements, all of the Group's investment properties, were measured using the fair value model based on a valuation performed by independent qualified professional valuers (the "Valuers"). In estimating the fair values of the Group's investment properties, the directors of the Company worked with the Valuers to establish the appropriate valuation techniques and inputs to the model. The valuation of civil defense car parking spaces in Quanzhou, retail store property and kindergarten property was determined based on investment approach by considering the capitalised rental income derived from the existing tenancies with due provision for any reversionary income potential of the property interests. It was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term. The valuation of non-civil defense car parking spaces in Quanzhou and Yangzhou was determined based on direct comparison approach by referencing to recent market transaction prices of similar properties in the similar locations with adjustments of other individual factors. The key inputs in evaluating the investment properties are term yield, reversionary yield and monthly market rent of civil defense car parking spaces in Quanzhou, retail store property and kindergarten property, and recent market transaction prices per car parking space of comparable properties for non-civil car parking spaces in Quanzhou and Yangzhou.

Our procedures in relation to the valuation of investment properties included:

- Evaluating the competence, capabilities and objectivity of the Valuers and obtaining an understanding of the Valuers' scope of work and their terms of engagement;
- Evaluating the appropriateness of the Valuers' valuation approach to assess if they were consistent with the industry norms and in accordance with the relevant accounting standards;
- Obtaining an understanding from the management and Valuers about the key inputs to the valuation;
- Evaluating the reasonableness of the key inputs underpinning the valuation, such as term yield, reversionary yield and monthly market rent of comparable properties of civil defense car parking spaces in Quanzhou, kindergarten property, retail store property and recent market transaction prices per car parking space in Quanzhou and Yangzhou of comparable properties, by comparing these key inputs to other comparable in similar locations, recent lease renewals and transaction prices of comparable properties; and
- Comparing other inputs in the investment approach and the direct comparison approach, on a sample basis, with the Group's records including underlying leases of the kindergarten property, retail store and the car parking spaces and recent sales agreements of car parking spaces.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of properties for/under development/properties for sale</p> <p>We identified the valuation of properties for/under development/properties for sale as a key audit matter as it is quantitative significant to the consolidated financial statements as a whole, combined with the significant management estimates are involved in determining the net realisable value ("NRV") of properties for/under development/properties for sale.</p> <p>As at 31 December 2020, the Group had properties for/under development/properties for sale at a total carrying amount of RMB745,199,000, which included properties for development of RMB237,738,000, properties under development of RMB306,416,000 and completed properties of RMB201,045,000, which located in Fujian Province, Jiangsu Province, Henan Province and Hunan Province in the PRC, as disclosed in note 20 to the consolidated financial statements. These properties for/under development/properties for sale were stated at the lower of cost and NRV on an individual property basis.</p> <p>As disclosed in note 4 to the consolidated financial statements, NRV was estimated at the estimated selling price less estimated costs to complete and estimated costs necessary to make the sales by reference to the similar properties in similar locations. An allowance is made if the estimated NRV is less than the carrying amount.</p>	<p>Our procedures in relation to the valuation of properties for/under development/properties for sale included:</p> <ul style="list-style-type: none">• Obtaining an understanding of the control over the preparation and monitoring of the management budgets of construction and other costs for key property development project;• Evaluating the appropriateness of the estimated selling prices, on a sample basis, by comparing it with recent sales transactions for similar properties in similar locations to assess the lower of cost or NRV; and• Evaluating the reasonableness of the estimated construction cost to actual construction cost incurred by completed properties of the Group and the reasonableness of the source data used in the valuation assessment of properties for/under development/properties for sale, on a sample basis.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our 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 THOSE CHARGED WITH GOVERNANCE 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 HKSAAs 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 HKSAAs, 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.
- 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.

INDEPENDENT AUDITOR'S REPORT

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

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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 the independent auditor's report is Lam, Lawrence.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

31 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Revenue — sales of properties	5	480,024	184,082
Cost of sales		(321,638)	(125,418)
Gross profit		158,386	58,664
Other income	6	7,732	9,205
Other gains and losses	7	(244)	36
Impairment losses under expected credit loss model, net of reversal	8	16	(655)
Fair value change of investment properties	18	(1,768)	4,991
Fair value change upon transfer from properties held for sale to investment properties		60	295
Selling expenses		(8,222)	(6,226)
Administrative expenses		(18,816)	(16,138)
Finance costs	9	(36)	(8)
Profit before tax		137,108	50,164
Income tax expense	10	(38,161)	(16,425)
Profit and total comprehensive income for the year	11	98,947	33,739
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		98,884	33,144
Non-controlling interests		63	595
		98,947	33,739
Earnings per share	15	RMB	RMB
— Basic		1.69 cents	0.57 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Plant and equipment	17	3,154	1,076
Investment properties	18	116,693	120,342
Right-of-use assets	19	1,070	1,181
Deferred tax assets	29	406	10,967
Time deposits	23	–	20,000
		121,323	153,566
CURRENT ASSETS			
Properties for/under development/ properties for sale	20	745,199	739,715
Trade and other receivables	21	39,140	55,952
Contract costs	22	414	3,275
Prepaid land appreciation tax		29,362	26,164
Restricted bank deposits	23	20,273	46,089
Short-term financial products	23	–	105,000
Bank balances and cash	23	160,409	153,011
		994,797	1,129,206
Assets classified as held for sale	24	507	920
		995,304	1,130,126
CURRENT LIABILITIES			
Trade payables	25	4,816	7,023
Other payables and accruals	26	108,512	59,157
Deposits received on sales of investment properties	24	227	533
Contract liabilities	27	108,152	474,287
Amount due to a non-controlling interest of subsidiaries	30	79,430	25,080
Income tax and land appreciation tax payable		13,739	19,632
Lease liabilities	28	510	356
		315,386	586,068
NET CURRENT ASSETS		679,918	544,058
TOTAL ASSETS LESS CURRENT LIABILITIES		801,241	697,624

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	29	25,717	20,717
Lease liabilities	28	140	373
		25,857	21,090
NET ASSETS			
775,384			
CAPITAL AND RESERVES			
Share capital	31	25,451	25,451
Reserves		735,514	636,630
Equity attributable to owners of the Company		760,965	662,081
Non-controlling interests		14,419	14,453
TOTAL EQUITY			
775,384			

The consolidated financial statements on pages 38 to 116 were approved and authorised for issue by the board of directors on 31 March 2021 and are signed on its behalf by:

Mr. Shie Tak Chung,
DIRECTOR

Mr. Wu Zhisong,
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company								Non-controlling interests	Total equity	
	Share capital	Other reserve	Share premium	Shareholders' contribution	Other non-distributable reserve	Other reserve	Reorganisation reserve	Accumulated losses			
	RMB'000	RMB'000 (note c)	RMB'000	RMB'000 (note a)	RMB'000 (note b)	RMB'000 (note d)	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2019	25,451	524,285	193,733	59,139	10,936	(5,801)	187,822	(366,628)	628,937	10,051	638,988
Profit and total comprehensive income for the year	-	-	-	-	-	-	-	33,144	33,144	595	33,739
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(193)	(193)
Non-controlling interests arising from incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	4,000	4,000
At 31 December 2019	25,451	524,285	193,733	59,139	10,936	(5,801)	187,822	(333,484)	662,081	14,453	676,534
Profit and total comprehensive income for the year	-	-	-	-	-	-	-	98,884	98,884	63	98,947
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(97)	(97)
At 31 December 2020	25,451	524,285	193,733	59,139	10,936	(5,801)	187,822	(234,600)	760,965	14,419	775,384

Notes:

- (a) Immediately before the resumption of trading the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 October 2016, the amounts advanced from Mr. Shie Tak Chung and Mr. Tsoi Kin Sze to the Group in prior years amounting to RMB59,139,000 were waived and such waived amounts were recognised as shareholders' contribution.
- (b) Other non-distributable reserve principally represent statutory reserves required to be appropriated from profit after income tax of the subsidiaries established in the People's Republic of China ("PRC"), under the relevant laws and regulations. Allocation to the statutory reserves shall be approved by the board of directors of the relevant subsidiaries. The appropriation to statutory reserves may cease if the balance of the statutory reserves has reached 50% of the registered capital of the respective subsidiaries. The statutory reserves may be used to make up losses or for conversion into capital. The relevant subsidiaries may, upon the approval by a resolution of shareholders' general meeting/board of directors' meeting, convert their statutory reserves into capital in proportion to their then existing shareholdings. However, when converting the statutory reserves into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital of the relevant subsidiary.
- (c) The amount included in other reserve represents the deemed listing expenses incurred upon the reverse asset acquisition of the Company by China General (HK) Company Limited ("China General") completed on 25 October 2016 which was measured at the fair value of the equity consideration deemed to be issued to the former shareholders of the Company amounted to Hong Kong Dollar ("HK\$" or "HKD") 621,746,000 (equivalent to RMB542,101,000), less the amount of 4,086,592,788 consideration shares, issued at HK\$0.005 per share amounted to HK\$20,433,000 (equivalent to RMB17,816,000).
- (d) In October 2014, 福建省厚德企業管理有限公司 Fujian Houde Enterprise Management Company Limited ("Houde Enterprise") acquired, from 福建建弘投資有限公司 Fujian Jianhong Investment Company Limited ("Jianhong Investment"), the entire paid-up capital of 恒德(石獅)投資有限公司 Hengde (Shishi) Investment Company Limited ("Hengde (Shishi)") at a consideration of RMB10,000,000 in cash. Upon completion of the acquisition, Hengde (Shishi) became a wholly-owned subsidiary of Houde Enterprise. The consideration was accounted for as a deemed distribution to Mr. Tsoi Kin Sze and Mr. Shie Tak Chung, who held 55% and 45% of the issued share capital of China General respectively and each of them also held 50% beneficial interest in Jianhong Investment. This transaction results in a dilution in Group's ownership interest in 揚州德輝房地產開發有限公司 Yangzhou Dehui Real Estate Development Company Limited and its subsidiary amounting to RMB5,801,000, which is charged to equity attributable to owners of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Profit before tax	137,108	50,164
Adjustments for:		
Interest income	(6,896)	(8,346)
Depreciation of plant and equipment	740	88
Depreciation of right-of-use assets	516	97
Fair value change of investment properties	1,768	(4,991)
Fair value change upon transfer from properties held for sale to investment properties	(60)	(295)
Finance costs	36	8
Impairment losses under expected credit loss model, net of reversal		
— trade receivables	—	(14)
— other receivables	(16)	669
Net unrealised foreign exchange (gains) losses	(89)	2
Operating cash flows before movements in working capital	133,107	37,382
Decrease (increase) in properties for/under development/ properties for sale	1,684	(43,187)
Decrease in trade and other receivables	16,536	3,723
Decrease (increase) in contract costs	2,861	(563)
Decrease in trade payables	(2,207)	(9,455)
Increase (decrease) in other payables and accruals	49,447	(25,253)
(Decrease) increase in contract liabilities	(373,440)	11,740
Cash used in operations	(172,012)	(25,613)
PRC income tax and PRC land appreciation tax paid	(31,691)	(16,446)
NET CASH USED IN OPERATING ACTIVITIES	(203,703)	(42,059)
INVESTING ACTIVITIES		
Placement of time deposits	(93,000)	(60,000)
Withdrawal of time deposits	113,000	100,000
Placement of short-term financial products	(650,000)	(840,000)
Withdrawal of short-term financial products	755,000	795,000
Purchase of plant and equipment	(2,818)	(753)
Placement of restricted bank deposits	(19,396)	(1,641)
Withdrawal of restricted bank deposits	45,212	31,393
Proceeds from sales of investment properties	2,247	1,023
Deposits received on sales of investment properties	227	533
Interest received from short-term financial products	4,095	4,129
Interest received from bank deposits	2,801	4,217
NET CASH FROM INVESTING ACTIVITIES	157,368	33,901

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
FINANCING ACTIVITIES		
Advance from a non-controlling interest of subsidiaries	54,350	25,080
Repayment to a related party	–	(2,283)
Repayment of lease liabilities	(484)	(549)
Interest paid on lease liabilities	(36)	(8)
Proceeds from non-controlling interest of a subsidiary	–	4,000
Dividends paid to non-controlling interests	(97)	(193)
NET CASH FROM FINANCING ACTIVITIES	53,733	26,047
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,398	17,889
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	153,011	135,122
CASH AND CASH EQUIVALENTS AT END OF YEAR represented by bank balances and cash	160,409	153,011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Jiande International Holdings Limited (the “Company”) was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange. Its immediate and ultimate holding companies are Fame Build Holdings Limited and Talent Connect Investments Limited respectively, companies incorporated in the British Virgin Islands with limited liabilities, which are wholly owned by Mr. Shie Tak Chung (“Mr. Shie”) and Mr. Tsoi Kin Sze (“Mr. Tsoi”). Pursuant to a deed of confirmation dated 23 October 2014 executed by Mr. Shie and Mr. Tsoi whereby they confirmed the existence of their acting in concert arrangement, which resulted in Mr. Shie, Mr. Tsoi, Fame Build Holdings Limited and Talent Connect Investments Limited collectively becoming the controlling shareholders of the Company. The addresses of its registered office and principal place of business are set out on page 2 of the annual report. The principal activity of the Company is investment holding and its subsidiaries (collectively referred as the “Group”) are principally engaged in property development in the PRC.

The consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 *Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material*

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2.2 *Impacts on application of Amendments to HKFRS 3 Definition of a Business*

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “Conceptual Framework”) instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (Continued)

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group’s outstanding liabilities as at 31 December 2020 the application of the amendments will not result in reclassification of the Group’s liabilities.

Amendments to HKFRSs Annual Improvements to HKFRSs 2018–2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("Companies Ordinance").

The consolidated financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that an initial recognition the results of the valuation technique equals the transaction price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has the rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. The management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except or financial assets within the scope of HKFRS 9 and investment properties, which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

For sale of properties, revenue is recognised at a point in time when control of completed property is transferred to the customer and the Group has present right to payment and the collection of the consideration is probable.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commission) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leasing

Definition of a lease

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

For contracts entered into or modified or arising from business combinations on or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

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

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leasing (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use assets includes:

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

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within “investment properties”.

Refundable rental deposits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leasing (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leasing (Continued)

The Group as a lessee (Continued)

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

The Group as a lessor

Classification and measurement of leases

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leasing (Continued)

The Group as a lessor (Continued)

Allocation of consideration to components of a contract

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

Refundable rental deposits

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

Lease modification

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

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

Foreign currencies

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. For properties under development for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group's intended sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. 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.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Employee benefits

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

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

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

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

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

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

Plant and equipment

Plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Plant and equipment stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year in which the property is derecognised.

Impairment of plant and equipment, right-of-use-assets and contract costs

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment of plant and equipment, right-of-use-assets and contract costs (Continued)

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Properties for/under development/properties for sale

Properties for/under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties for/under development/properties for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties for/under development for sale are transferred to properties for sale upon completion.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, time deposits, restricted bank deposits, short-term financial products, bank balances and financial guarantee contracts) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Lifetime ECL for trade receivables and other receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instrument

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

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables, amount due to a non-controlling interests of a subsidiary and amount due to a related party are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts liabilities are measured initially at their fair values. They are subsequently measured at the higher of:

- (i) the amount of loss allowance in accordance with HKFRS 9; and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

Estimation of fair value of investment properties

The valuations of investment properties were determined based on the investment approach or direct comparison approach. The valuation of civil defense car parking spaces in Quanzhou, retail store property and kindergarten property was determined based on investment approach by considering the capitalised rental income derived from the existing tenancies with due provision for any reversionary income potential of the property interests. It was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term. The valuation of non-civil defense car parking spaces in Quanzhou and Yangzhou was determined based on direct comparison approach by referencing to recent market transaction prices of similar properties in the similar locations with adjustments of other individual factors. The ongoing Covid-19 pandemic has resulted in greater market volatility depending on how the Covid-19 pandemic may progress and evolve, which has led to higher degree of uncertainties in respect of the valuations in the current year, and independent qualified professional valuer included uncertainty clauses in the valuation reports in respect of investment properties located in Quanzhou and Yangzhou. Note 18 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties of the Group.

The carrying amount of investment properties at 31 December 2020 was RMB116,693,000 (2019: RMB120,342,000). Notwithstanding that the management employs independent professional qualified valuers to perform fair value assessments based on these assumptions, the fair values of these investment properties may be higher or lower depending on the future market conditions.

Estimated net realisable value on properties for/under development/properties for sale

In determining whether allowances should be made to the Group's properties for/under development/properties for sale, the Group takes into consideration the current market conditions to estimate the net realisable value ("NRV") (i.e. the estimated selling price less estimated costs to completion and estimated costs necessary to make the sales by reference to the similar properties in similar locations). An allowance is made if the estimated NRV is less than the carrying amount. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, an impairment loss will be recognised on the properties for/under development/properties for sale in the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2020, the carrying amount of the properties for/under development/properties for sale was approximately RMB745,199,000 (2019: RMB739,715,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the property development and revenue represents the net amounts received and receivable for properties sold by the Group in the normal course of business to customers.

(i) Disaggregation of revenue from contracts with customers

	2020 RMB'000	2019 RMB'000
Sales of properties		
Residential units in the Binjiang International Project*	800	9,609
Residential units in The Cullinan Bay Project**	479,224	174,473
Total revenue	480,024	184,082

* The project represents completed properties located in Quanzhou, Fujian Province.

** The project represents completed properties located in Yangzhou City, Jiangsu Province.

All of the Group's revenue is recognised at a point in time.

(ii) Performance obligations for contracts with customers

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

The Group averagely receives 35% of the contract value as deposits from customers when they sign the sale and purchase agreement. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period for the full amount of the contract price.

The Group considers the advance payment schemes contains significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the Group. As this accrual increases the amount of the contract liabilities during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract these costs would otherwise have been fully amortised to profit and loss within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. REVENUE AND SEGMENT INFORMATION (Continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and the expected timing of recognising revenue are as follows:

	2020 RMB'000	2019 RMB'000
Sales of properties		
Within one year	31,931	305,387
More than one year but not more than two years	78,897	200,625
More than two years	14,355	–
	125,183	506,012

Segment information

Information reported to the executive directors of the Group, being the chief operating decision maker (“CODM”), for the purpose of resource allocation and assessment of segment performance is on a project by project basis. Each property development project constitutes an operating segment and the Group currently operated five (2019: two) property development projects located in Fujian Province, Jiangsu Province, Hunan Province and Henan Province of the PRC. Approximately 99% (2019: 95%) of revenue for the year ended 31 December 2020 is derived from The Cullinan Bay Project in Jiangsu Province. The CODM assesses the performance of the operating segments based on the revenue of each operating segment. The accounting policies of the operating segments are the same as the Group’s accounting policies described in note 3.

As all the property development projects have similar economic characteristics and are similar in the nature of property development and business processes, the type or class of customers and the methods used to distribute the properties, thus all property development projects were aggregated as one reportable segment. No analysis of the Group’s assets and liabilities is regularly provided to the CODM for review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The consolidated assets and consolidated liabilities of the Group are regularly reviewed by CODM as a whole; therefore, the measure of total segment assets and total segment liabilities by operating and reportable segments is not presented.

Entity-wide disclosures

Revenue from major products

Revenue during the years ended 31 December 2020 and 2019 represents sales of properties of property development projects as mentioned above in the PRC.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from the PRC based on the location of property development projects and all of the Group's non-current assets are located in the PRC by physical location of assets.

Information about major customers

No revenue from customers contributed over 10% of the total revenue of the Group for the years ended 31 December 2020 and 2019.

6. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Fixed rental income from investment properties	692	859
Bank interest income	2,801	4,217
Short-term financial products interest income	4,095	4,129
Government grant (note)	144	–
	7,732	9,205

Note: During the current year, the Group recognised government grant of approximately RMB144,000 in respect of Covid-19-Related subsidies, of which such amount relates to Employment Support Scheme provided by the Hong Kong Government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. OTHER GAINS AND LOSSES

	2020 RMB'000	2019 RMB'000
Net foreign exchange (loss) gain	(244)	36

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2020 RMB'000	2019 RMB'000
Impairment losses reversed (recognised) on:		
– trade receivables	–	14
– other receivables	16	(669)
	16	(655)

Details of impairment assessment are set out in note 36(b).

9. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	36	8

10. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")		
– Current tax	22,830	13,464
– Overprovision in respect of prior years	(676)	–
PRC Land Appreciation Tax ("LAT")	151	699
Withholding PRC EIT	295	600
	22,600	14,763
Deferred tax (note 29)	15,561	1,662
	38,161	16,425

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10. INCOME TAX EXPENSE (Continued)

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Current tax provision represents provision for the PRC EIT and the PRC LAT. Under the Law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

In addition, under the Provisional Regulations of LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and property development expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

On 28 December 2006, the State Administration of Taxation of the PRC (the "SAT") issued the Notice on the Settlement Management of Land Appreciation Tax on Real Estate Enterprises (《關於房地產開發企業土地增值稅清算管理有關問題的通知》), which took effect on 1 February 2007. Such notice provides further clarification regarding the settlement of LAT. Local provincial tax authorities can formulate their own implementation rules according to the notice and local conditions. On 12 May 2009, the SAT issued the Regulations of Land Appreciation Tax Settlement Administration (《土地增值稅清算管理規程》), effective on 1 June 2009, which further clarifies the specific conditions and procedures for the settlement of LAT.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 RMB'000	2019 RMB'000
Profit before tax	137,108	50,164
Tax at the PRC EIT of 25% (2019: 25%) (note)	34,277	12,541
Tax effect of expenses not deductible for tax purpose	2,535	1,696
Tax effect of income not taxable for tax purpose	(36)	(295)
The PRC LAT	151	699
Tax effect of the PRC LAT	(38)	(175)
Tax effect of tax losses not recognised	2,275	31
Withholding PRC EIT	295	600
Tax effect in respect of investment properties	(917)	1,328
Overprovision in respect of prior years	(676)	–
Tax effect of 5% withholding tax on undistributed profits of the PRC subsidiaries	295	–
Income tax expense for the year	38,161	16,425

Note: The tax rate represents the statutory tax rate of the jurisdiction where the operations of the Group are substantially based.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

11. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	2020 RMB'000	2019 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,334	1,320
Depreciation of plant and equipment	740	88
Depreciation of right-of-use assets	516	97
Total depreciation	1,256	185
Gross rental income from investment properties	(692)	(859)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	72	66
	(620)	(793)
Cost of properties held for sale recognised as an expense	311,129	123,236
Directors' emoluments (note 12)	2,114	2,583
Other staff costs		
– salaries and allowances	4,844	3,742
– retirement benefits scheme contributions (note)	248	641
Total employee benefits expense	7,206	6,966

Note: For the year ended 31 December 2020, due to the outbreak of Covid-19, the PRC government relieved all or part of the social insurance for certain PRC subsidiaries of the Group from February 2020 to December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

For the year ended 31 December 2020

	Chief executive Mr. Shie RMB'000	Mr. Wu Zhisong RMB'000	Mr. Lee Lit Mo Johnny RMB'000	Total RMB'000
Executive directors				
Fees	–	–	–	–
Other emoluments:				
Salaries and allowances	534	534	534	1,602
Retirement benefits scheme contributions	16	–	16	32
Sub-total	550	534	550	1,634

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Mr. Ma Sai Yam RMB'000	Mr. Zhang Senquan RMB'000	Mr. Yang Quan RMB'000	Total RMB'000
Independent non-executive directors				
Fees	160	160	160	480
Other emoluments	–	–	–	–
Sub-total	160	160	160	480
Total				2,114

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (Continued)

For the year ended 31 December 2019

	Chief executive Mr. Shie RMB'000	Mr. Tsoi (resigned on 22 November 2019) RMB'000	Mr. Wu Zhisong RMB'000	Mr. Lee Lit Mo Johnny RMB'000	Total RMB'000
Executive directors					
Fees	-	-	-	-	-
Other emoluments:					
Salaries and allowances	529	472	529	529	2,059
Retirement benefits scheme contributions	16	15	-	16	47
Sub-total	545	487	529	545	2,106

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Mr. Ma Sai Yam RMB'000	Mr. Zhang Senquan RMB'000	Mr. Yang Quan RMB'000	Total RMB'000
Independent non-executive directors				
Fees	159	159	159	477
Other emoluments	-	-	-	-
Sub-total	159	159	159	477
Total				2,583

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years.

No emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three (2019: four) executive directors, details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining two (2019: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and allowances	966	741
Retirement benefits scheme contributions	34	16
	1,000	757

The remunerations of each of the five highest paid individuals during the years ended 31 December 2020 and 2019 are within HK\$1,000,000.

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to any of the five highest paid individual of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

15. EARNINGS PER SHARE

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

	2020 RMB'000	2019 RMB'000
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	98,884	33,144
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,837,990	5,837,990

The weighted average number of shares used for the purpose of calculating basic earnings per share for both years are determined by reference to the number of ordinary shares outstanding during the year.

No diluted earnings per share for the years ended 31 December 2020 and 2019 were presented as there were no potential ordinary shares in issue during both years.

16. RETIREMENT BENEFITS PLANS

The Group participates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme with a cap of HK\$1,500 per employee per month, which contribution is matched by employees.

In addition, the employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

For the year ended 31 December 2020, due to the outbreak of Covid-19, the PRC government relieved all or part of the social insurance for certain PRC subsidiaries of the Group from February 2020 to December 2020. The total expense recognised in profit or loss of RMB280,000 (2019: RMB688,000) represents the contributions payable to these plans by the Group for the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

17. PLANT AND EQUIPMENT

	Leasehold improvement RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST				
At 1 January 2019	–	1,931	3,141	5,072
Additions	–	184	569	753
At 31 December 2019	–	2,115	3,710	5,825
Additions	1,257	346	1,215	2,818
At 31 December 2020	1,257	2,461	4,925	8,643
DEPRECIATION				
At 1 January 2019	–	1,846	2,815	4,661
Provided for the year	–	48	40	88
At 31 December 2019	–	1,894	2,855	4,749
Provided for the year	311	116	313	740
At 31 December 2020	311	2,010	3,168	5,489
CARRYING VALUES				
At 31 December 2020	946	451	1,757	3,154
At 31 December 2019	–	221	855	1,076

The above items of plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis over the following estimated useful lives:

Leasehold improvement	Over the shorter of the term of the lease or 3 years
Furniture and equipment	3 to 5 years
Motor vehicles	4 to 5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

18. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At 1 January 2019	109,580
Net fair value change recognised in profit or loss	4,991
Transfer from properties held for sale	8,680
Disposals	(1,989)
Reclassified as held for sale (note 24)	(920)
At 31 December 2019	120,342
Net fair value change recognised in profit or loss	(1,768)
Transfer from properties held for sale	197
Disposals	(1,571)
Reclassified as held for sale (note 24)	(507)
At 31 December 2020	116,693

The Group leases out car parking spaces, a kindergarten property and a retail store property under operating leases with rentals payable monthly. The leases typically run for an initial period of 3 months to 3 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

The fair value of the Group's investment properties as at 31 December 2020 and 2019 has been arrived on the basis of a valuation carried out on respective dates by Messrs. Cushman & Wakefield Limited ("C&W"), independent qualified professional valuers not connected to the Group. The management of the Group works closely with the valuers to establish the appropriate valuation techniques and inputs to the model and explain the cause of fluctuations in the fair values of the investment properties to the board of directors. The ongoing Covid-19 pandemic has resulted in greater market volatility depending on how the Covid-19 pandemic may progress and evolve, which has led to higher degree of uncertainties in respect of the valuations in the current year, and independent qualified professional valuer included uncertainty clauses in the valuation reports in respect of investment properties located in Quanzhou and Yangzhou amounted to RMB107,993,000 and RMB8,700,000, respectively, as at 31 December 2020.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

18. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used).

Investment properties	Valuation technique	Significant unobservable input(s)	Sensitivity
Civil defense car parking spaces located in Quanzhou, Fujian Province, the PRC	Investment approach	Term yield: 3.7% (2019: 3.5%) Reversionary yield: 4.2% (2019: 4.0%) Monthly market rent, taking into account the difference in location, and individual factors, i.e. accessibility, between the comparables and the subject properties, ranging from RMB307 to RMB483 (2019: RMB312 to RMB488) per civil defense car parking space per month.	A slight increase in the term yield and reversionary yield used would result in a significant decrease in fair value, and vice versa. A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
Non-civil defence car parking spaces located in Quanzhou, Fujian Province, the PRC	Direct comparison approach	Recent market transaction prices per car parking space of comparable properties ranging from RMB140,000 to RMB150,000 (2019: RMB130,000 to RMB160,000) by taking into account the difference in location, and individual factors, i.e. accessibility.	A significant increase in the market transaction prices used would result in a significant increase in fair value, and vice versa.
A kindergarten property located in Quanzhou, Fujian Province, the PRC	Investment approach	Term yield: 4.2% (2019: 4.0%) Reversionary yield: 4.7% (2019: 4.5%) Monthly market rent, taking into account the difference in location, and individual factors, i.e. size, accessibility, between the comparables and the subject properties, at an average of RMB28 (2019: RMB28) per square meter per month.	A slight increase in the term yield and reversionary yield used would result in a significant decrease in fair value, and vice versa. A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
Car parking spaces located in Yangzhou, Jiangsu Province, the PRC	2020: Direct comparison approach (note)	Recent market transaction prices per car parking space of comparable properties ranging from RMB80,000 to RMB100,000 by taking into account the difference in location, and individual factors, i.e. accessibility.	A significant increase in the market transaction prices used would result in a significant increase in fair value, and vice versa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

18. INVESTMENT PROPERTIES (Continued)

Investment properties	Valuation technique	Significant unobservable input(s)	Sensitivity
	2019: Investment approach	Term yield: 3.0% Reversionary yield: 3.0% Monthly market rent, taking into account the difference in location, and individual factors, i.e. accessibilities, between the comparables and the subject properties, ranging from RMB200 to RMB260 per car parking space per month.	A slight increase in the term yield and reversionary yield used would result in a significant decrease in fair value, and vice versa. A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
A retail store property located in Yangzhou, Jiangsu Province, the PRC	Investment approach	Term yield: 4.3% (2019: 4.3%) Reversionary yield: 4.8% (2019: 4.8%) Monthly market rent, taking into account the difference in location, and individual factors, i.e. size, accessibility and environment, between the comparables and the subject property, at an average of RMB73 (2019: RMB71) per square meter per month.	A slight increase in the term yield and reversionary yield used would result in a significant decrease in fair value, and vice versa. A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.

Note: During the year, the management of the Company changed the valuation technique for car parking spaces located in Yangzhou from investment approach to direct comparison approach since there is a cap of rental income in Yangzhou's car parking spaces, by implementing the direct comparison approach results in a more relevant presentation to the fair value of the car parking spaces.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Fair value at Level 3 hierarchy	
	2020 RMB'000	2019 RMB'000
Civil defense car parking spaces in Quanzhou	25,027	26,953
Non-civil defense car parking spaces in Quanzhou	70,066	71,709
A kindergarten property in Quanzhou	12,900	13,000
Car parking spaces in Yangzhou	7,840	7,820
A retail store property in Yangzhou	860	860
	116,693	120,342

There were no transfers into or out of level 3 during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

19. RIGHT-OF-USE ASSETS

	2020 RMB'000	2019 RMB'000
Leased properties		
Carrying amount	1,070	1,181

	For the year ended 31 December	
	2020 RMB'000	2019 RMB'000
Depreciation charge	516	97
Expense relating to short-term leases and other lease with lease terms end within 12 months	38	60
Expense relating to lease of low-value assets, excluding short-term leases of low value assets	–	48
Total cash outflow for leases	558	665
Additions to right-of-use assets	405	1,278

For both years, the Group leases various offices and showrooms for its operations. Lease contracts are entered into for fixed term of 1 year to 3 years. Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for staff quarters. As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Details of the lease maturity analysis of lease liabilities are set out in note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

20. PROPERTIES FOR/UNDER DEVELOPMENT/PROPERTIES FOR SALE

Properties for/under development and properties for sale in the consolidated statement of financial position comprise:

	2020 RMB'000	2019 RMB'000
Properties held for sale		
Properties for development	237,738	134,299
Properties under development	306,416	92,642
Completed properties	201,045	512,774
	745,199	739,715

Analysis of leasehold lands:

	2020 RMB'000	2019 RMB'000
Carrying amount	237,738	134,299

	For the year ended 31 December	
	2020 RMB'000	2019 RMB'000
Total cash outflow	237,738	134,299
Additions	237,738	134,299
Transfer from properties for development to properties under development	(134,299)	–

The carrying amount of leasehold lands is measured at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge on the leasehold lands taking into account the estimated residual values as at 31 December 2020 and 2019.

The properties for development, properties under development and completed properties are located in Fujian Province, Jiangsu Province, Henan Province and Hunan Province in the PRC. All the properties for/under development/properties for sale are stated at lower of cost and NRV on an individual property basis.

At 31 December 2020, properties for development of RMB237,738,000 (2019: RMB134,299,000) and properties under development of RMB306,416,000 (2019: RMB92,642,000) are not expected to be realised within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

21. TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables		
— Sale of properties	16	16
Less: allowance for credit losses	(16)	(16)
	—	—
Other receivables (note a)	7,060	7,505
Less: allowance of credit losses	(4,489)	(4,505)
	2,571	3,000
Receivables from disposal of investment properties	—	289
Prepaid taxes other than income tax and LAT	7,606	19,185
Advance to suppliers (note b)	27,826	28,748
Other deposits and prepayments	1,137	4,730
	39,140	55,952
Total trade and other receivables	39,140	55,952

Note a: The amount represents the public maintenance fund received on behalf of the Ministry of Housing and Urban-Rural Development of the PRC from the property buyers as maintenance fund for the public facilities within the residential properties. Such fund would be considered as other receivables from the property buyers to the Group.

Note b: The amount represents the advance payment to the contractors in order to secure construction services in projects. The advances are expected to be fully utilised in the construction projects within a year from the end of the reporting period.

As at 1 January 2019, trade receivables from contracts with customers amounted to nil.

Details of impairment assessment of trade receivables and other receivables are set out in note 36(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

22. CONTRACT COSTS

	2020 RMB'000	2019 RMB'000
Incremental costs to obtain contracts (note)	414	3,275

Note: Contract costs capitalised as at 31 December 2020 and 2019 relate to the incremental commissions expenses to intermediaries/employees in connection with obtaining sales of properties contracts with customers which are still under construction or not yet delivered at the reporting date.

Contract costs are recognised as part of selling expenses in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB3,147,000 (2019: RMB1,059,000). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised in both years.

The Group applies the practical expedient and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

23. TIME DEPOSITS, SHORT-TERM FINANCIAL PRODUCTS, BANK BALANCES AND CASH AND RESTRICTED BANK DEPOSITS

The market interest rates per annum of time deposits, short-term financial products, bank balances and restricted bank deposits at 31 December 2020 and 2019 as follows:

	2020	2019
Time deposits with original maturity more than one year	N/A	3.00%
Short-term financial products	N/A	2.00% to 3.90%
Bank balances	0.00% to 1.00%	0.00% to 1.00%
Restricted bank deposits (note)	0.3% to 1.35%	1.00%

Note: Restricted bank deposits represented designated bank accounts solely for collecting pre-sales proceeds and settlement of construction costs of properties and will be released upon the completion of the development of properties.

Details of impairment assessment of these time deposits, short-term financial products, bank balances and restricted bank deposits are set out in note 36(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

24. ASSETS CLASSIFIED AS HELD FOR SALE AND DEPOSITS RECEIVED ON SALES OF INVESTMENT PROPERTIES

The major classes of assets classified as held for sale as at 31 December 2020 and 2019 are as follow:

	2020 RMB'000	2019 RMB'000
Assets classified as held for sale:		
Investment properties	507	920

During the years ended 31 December 2020 and 2019, the Group entered into sale agreements with independent third parties to sell certain investment properties (car parking spaces). As at 31 December 2020 and 2019, the Group received sale deposits regarding sales of investment properties to RMB227,000 and RMB533,000, respectively. The investment properties which were expected to be sold within twelve months were classified as held for sale and were presented separately in the consolidated statement of financial position. During the year ended 31 December 2020, the investment properties classified as held for sale as at 31 December 2019 have been derecognised.

The fair values of the investment properties classified as held for sale at 31 December 2020 and 2019 been arrived on the direct comparison method carried out by C&W on respective dates as disclosed in note 18.

25. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date:

	2020 RMB'000	2019 RMB'000
0-60 days	3,024	2,261
61-90 days	5	15
91-180 days	24	626
181 days-1 year	164	1,359
Over 1 year	1,599	2,762
	4,816	7,023

The credit period on trade payable is normally within 90 days from the invoice date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

26. OTHER PAYABLES AND ACCRUALS

	2020 RMB'000	2019 RMB'000
Accrued construction costs	56,004	39,754
Accrual staff costs and contributions to the retirement benefits scheme	5,711	5,571
Public maintenance fund received from customers (note a)	–	2,283
Other tax payables	2,929	6,567
Other payables and accrued expenses	8,138	4,982
Deposits received for construction	6,000	–
Deposits received on exclusive sales agreements with property agents (note b)	29,730	–
	108,512	59,157

Note a: The public maintenance fund is received on behalf of the Ministry of Housing and Urban-Rural Development of the PRC from the property buyers as maintenance fund for the public facilities within the residential properties. Such fund would be returned to Ministry of Housing and Urban-Rural Development upon request.

Note b: The amount represents the performance deposits received from two independent property agents for their exclusive sales agency agreements signed with the Group for underwriting certain residential flats, garages and car parks with a minimum selling price in The Cullinan Bay Project. Such amount will be conditionally returned to the property agent depending on the number of residential flats, garages and car parks sold within a fixed period of time as specified in the agreements.

27. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Pre-sales proceeds received on sales of properties	108,152	474,287

As at 1 January 2019, contract liabilities amounted to RMB447,677,000.

The following table shows how much of the revenue recognised in the current year relates to carried forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

27. CONTRACT LIABILITIES (Continued)

	Sales of properties	
	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	429,936	88,139

The Group averagely receives 35% (2019: 35%) of the contract value as deposits from customers when they sign the sale and purchase agreement. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

In addition, the Group considers the advance payment schemes contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the relevant group entities. As this accrual increases the amount of the contract liabilities during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customers.

The directors of the Company considered that the balance of contract liabilities as at 31 December 2020 and 2019 will be recognised as revenue to profit or loss as follows:

	2020 RMB'000	2019 RMB'000
Within one year	31,931	305,387
After one year	76,221	168,900
	108,152	474,287

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. LEASE LIABILITIES

	2020 RMB'000	2019 RMB'000
Lease liabilities payable		
Within one year	510	356
Within a period of more than one year but not exceeding two years	81	373
Within a period of more than two years but not exceeding five years	59	—
	650	729
Less: Amount due for settlement with 12 months shown under current liabilities	(510)	(356)
Amount due for settlement after 12 months shown under non-current liabilities	140	373

The weighted average incremental borrowing rates applied to lease liabilities is 4.75% (2019: 4.75%).

29. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of deferred tax balances for financial reporting purposes.

	2020 RMB'000	2019 RMB'000
Deferred tax assets	406	10,967
Deferred tax liabilities	(25,717)	(20,717)
	(25,311)	(9,750)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

29. DEFERRED TAX ASSETS/LIABILITIES (Continued)

These are the major deferred tax assets and liabilities recognised and movements thereon during the years ended 31 December 2020 and 2019:

	Revaluation of investment properties RMB'000	Deferred tax on LAT payments on sales of properties deductible under EIT RMB'000	ECL provision RMB'000	Deferred tax on pre-sales on sales of properties/ contract liabilities RMB'000	Deferred tax on contract costs RMB'000	Undistributed profits of subsidiaries RMB'000	Total RMB'000
At 1 January 2019	(19,704)	(4,773)	336	16,731	(678)	-	(8,088)
(Charge) credit to profit or loss (note 10)	(1,348)	(1,389)	161	1,054	(140)	-	(1,662)
At 31 December 2019	(21,052)	(6,162)	497	17,785	(818)	-	(9,750)
(Charge) credit to profit or loss (note 10)	644	(2,370)	(4)	(13,730)	194	(295)	(15,561)
At 31 December 2020	(20,408)	(8,532)	493	4,055	(624)	(295)	(25,311)

Under the relevant tax law and implementation regulations in the PRC, withholding income tax is applicable to dividend earned and payable to investors that are “non-tax resident enterprises” in respect of profits earned by the PRC subsidiaries since 1 January 2008, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. Under such circumstances, dividends paid by the PRC subsidiaries to offshore group entities shall be subject to the withholding tax at 10% or a lower treaty rate. The Group is subject to withholding tax in relation to the dividend paid by the PRC subsidiaries. Deferred taxation has not been provided for in the consolidated financial statements in respect of accumulated profits of the PRC subsidiaries amounting to RMB192,581,000 (2019: RMB182,429,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 December 2020, the Group has unused tax losses of RMB9,775,000 (2019: RMB674,000) available for offsetting against future profits. No deferred tax asset has been recognised in relation to such unused tax losses due to the unpredictability of future profit streams. RMB9,101,000, RMB124,000, RMB67,000 and RMB483,000 (2019: RMB124,000, RMB67,000 and RMB483,000) unrecognised tax losses will expire in 2025, 2024, 2023 and 2022 (2019: 2024, 2023 and 2022), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. AMOUNT DUE TO A NON-CONTROLLING INTEREST OF SUBSIDIARIES

		2020	2019
		RMB'000	RMB'000
Shishi Qixin Trading Company Limited ("Shishi Qixin") (石獅市琦鑫貿易有限公司)	Unsecured, non-interest bearing and repayable when 息縣德建置業有限公司 Xixian Dejian Property Company Limited ("Xixian Dejian") and 武崗德建置業有限公司 Wugang Dejian Property Company Limited ("Wugang Dejian"), subsidiaries of the Company, consist of accumulated net cash inflow.	79,430	25,080

31. SHARE CAPITAL

Share capital of the Company

	Number of shares	Amount of share capital	Amount of share capital
	'000	HK\$'000	RMB'000
Authorised ordinary shares:			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020 at HK\$0.005 each	100,000,000	500,000	435,951
Issued and fully paid ordinary shares:			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020 at HK\$0.005 each	5,837,990	29,190	25,451

All the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

32. CONTINGENT LIABILITIES

	2020 RMB'000	2019 RMB'000
Corporate guarantee given to banks in respect of mortgage facilities granted to property buyers	474,409	546,259

In accordance with market practice in the PRC, the Group provides guarantees for the property buyers' mortgage loans with the PRC banks to facilitate their purchases of the Group's properties. Guarantees for mortgages on properties begin simultaneously with the respective mortgage, and are generally discharged at the earlier of: (i) the property buyers obtains the individual property ownership certificate, and (ii) the full settlement of mortgage loans by the property buyers. The outstanding financial guarantee providing with guarantee period up to the full settlement of mortgage loans as at 31 December 2020 amounted to RMB474,409,000 (2019: RMB546,259,000). Pursuant to terms of the guarantees, for a given mortgage loan, if there is any default of the mortgage payments by a property buyer, the Group is responsible to repay to the bank outstanding balance of the mortgage loans as well as accrued interests and penalties owned by the defaulted property buyers. If the Group fails to do so, the mortgage banks will first deduct the bank balances existing in the banks owned by the property buyers. Any shortfall will be recovered through auction the underlying properties and recover the remaining balances from the Group if the outstanding loan amount exceeds the net foreclosure sale proceed. The Group does not conduct independent credit checks on their property buyers but rely on the credit checks conducted by the mortgage banks.

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the directors of the Company consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties is expected to cover the outstanding mortgage principals together with the accrued interest and penalties. Accordingly, no provision has been made in the consolidated financial statements for these guarantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33. OPERATING LEASING ARRANGEMENTS

The Group as lessor

Certain car parking spaces, a kindergarten property and a retail store property held for rental purposes have committed lessees for the next 3 months to 3 years respectively.

Undiscounted lease payments receivables on leases are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	598	521
In the second year	425	457
In the third year	392	422
In the fourth year	392	392
In the fifth year	411	392
After five years	2,091	2,501
	4,309	4,685

34. OTHER COMMITMENTS

	2020 RMB'000	2019 RMB'000
Construction commitments in respect of properties under development contracted for but not provided in the consolidated financial statements	321,545	79,416

35. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company reviews the capital structure from time to time. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issue of new shares or new debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at amortised cost	183,253	327,389
Financial liabilities		
Amortised cost	124,581	37,591

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, short-term financial products, restricted bank deposits, time deposits, bank balances and cash, trade payables, other payables and amounts due to a non-controlling interests of subsidiaries. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to short-term financial products, restricted bank deposits, time deposits and bank balances. The cash flow interest rate risk is mainly concentrated on fluctuations associated with variable rate of short-term financial products, restricted bank deposits, time deposits and bank balances. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

No sensitivity analysis of short-term financial products, restricted bank deposits, time deposits and bank balances is presented as a reasonably possible change in interest rate would not have significant impact on profit or loss of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risks (Continued)

(ii) Currency risk

The Group has certain other payables and bank balances and cash which are denominated in foreign currency of relevant group entities, hence they are exposed to foreign exchange risk. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each of the reporting period are as follows:

	Assets		Liabilities	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
HKD	4,979	3,770	41	43

The Group does not enter into any derivative contracts to minimise the currency risk exposure. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange risk should the need arises.

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuations of HKD.

The following table details the Group's sensitivity to a reasonably possible change of 5% in HKD against RMB while all other variables are held constant. 5% is the sensitivity rate used which represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each of the reporting period for a 5% change in foreign currency rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risks (Continued)

(ii) **Currency risk** (Continued)

Sensitivity analysis (Continued)

An analysis of sensitivity to currency risk is as follows:

	2020 RMB'000	2019 RMB'000
Increase (decrease) in post-tax profit for the year		
– if RMB weakens against HKD	185	140
– if RMB strengthens against HKD	(185)	(140)

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, short-term financial products, restricted bank deposits, time deposits, bank balances and financial guarantee contracts. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, are summarised as below.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 97% (2019: 99%) of the total financial assets as at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Restricted bank deposits/time deposits/bank balances/short-term financial products

The credit risks on short-term financial products, restricted bank deposits, time deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international/national credit-rating agencies. The management of the Group assumed that there is no material increase for the credit risk on deposits during the year. Accordingly, the loss allowance measured under 12m ECL and the amount of impairment is considered insignificant at an amount equal to 12m ECL and no loss allowance was recognised during the years ended 31 December 2020 and 2019.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group is responsible for determination of credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances based on individual basis and provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other receivables

For the purpose of impairment assessment for other receivables, the loss allowance for other receivables measured under 12m ECL were considered as insignificant as the balance does not consist of any overdue amount. For credit-impaired debtors on other receivables which assessed individually under ECL model, RMB4,489,000 (2019: RMB4,505,000) loss allowance was recognised as at 31 December 2020 of the outstanding amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Financial guarantee contracts

The Group assessed the loss financial guarantee contracts on 12m ECL basis. In determining the ECL, the Group has taken into account the historical default experience and forward looking information as appropriate. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments and concluded that credit risk inherent in the Group's outstanding balances is insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

2020	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2020 Gross carrying amount RMB'000	2019 Gross carrying amount RMB'000
Financial assets at amortised cost						
Trade receivables	21	N/A	Loss	Lifetime ECL (credit-impaired)	16	16
					16	16
Other receivables	21	N/A	(note a)	12m ECL Lifetime ECL (credit-impaired)	2,571 4,489	3,000 4,505
					7,060	7,505
Time deposits	23	A-AAA	N/A	12m ECL	-	20,000
Restricted bank deposits	23	A-AAA	N/A	12m ECL	20,273	46,089
Short-term financial products	23	A-AAA	N/A	12m ECL	-	105,000
Bank balances	23	A-AAA	N/A	12m ECL	160,139	152,632
Other items						
Financial guarantee contracts (note b)	32	N/A	Low risk	12m ECL	474,409	546,259
Total					661,897	877,501

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Note a: For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2020	Past due RMB'000	Not past due/ no fixed repayment terms RMB'000	Total RMB'000
Other receivables	4,489	2,571	7,060

2019	Past due RMB'000	Not past due/ no fixed repayment terms RMB'000	Total RMB'000
Other receivables	4,505	3,000	7,505

Note b: For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

Provision matrix internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its trade receivables. As at 31 December 2020, debtors with credit-impaired with gross carrying amount of RMB16,000 (2019: RMB16,000) as at 31 December 2020 were assessed individually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Gross carrying amount

During the years ended 31 December 2020 and 2019, the Group did not provided any impairment allowance for trade receivables based on the provision matrix as the amount was insignificant. No allowance or reversal of impairment allowance was made on credit-impaired debtors for the year ended 31 December 2020. For the year ended 31 December 2019, reversal of impairment allowance of RMB14,000 was made on credit-impaired debtors.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (credit- impaired) RMB'000
As at 1 January 2019	30
Changes due to financial instruments recognised as at 1 January 2019:	
– Impairment losses reversed	(14)
As at 31 December 2019 and 2020	16

The following table shows reconciliation of loss allowances that has been recognised for other receivables:

	Lifetime ECL (credit- impaired) RMB'000
As at 1 January 2019	3,836
Changes due to financial instruments recognised as at 1 January 2019:	
– Impairment losses recognised	1,625
– Impairment losses reversed	(956)
As at 31 December 2019	4,505
Changes due to financial instruments recognised as at 1 January 2020:	
– Impairment losses reversed	(16)
As at 31 December 2020	4,489

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Gross carrying amount (Continued)

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was RMB474,409,000 (2019: RMB546,259,000) as at 31 December 2020. At the end of the reporting period, the directors of the Company have performed impairment assessment on ECL, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. No loss allowance was recognised in the profit or loss because the directors of the Company consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the NRV of the related properties is expected to cover the outstanding mortgage principals together with the accrued interest and penalties. Details of the financial guarantee contracts are set out in note 32.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents, bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturities for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The tables include both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average effective interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 2 years RMB'000	2 years to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
31 December 2020							
Financial liabilities							
Trade payables	-	4,816	-	-	-	4,816	4,816
Other payables	-	40,335	-	-	-	40,335	40,335
Amount due to a non-controlling interest of subsidiaries	-	79,430	-	-	-	79,430	79,430
Corporate guarantee for mortgage facilities granted to property buyers	-	474,409	-	-	-	474,409	-
		598,990	-	-	-	598,990	124,581
Other							
Lease liabilities	4.75	-	534	86	60	680	650
		598,990	534	86	60	599,670	125,231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
31 December 2019						
Financial liabilities						
Trade payables	-	7,023	-	-	7,023	7,023
Other payables	-	5,488	-	-	5,488	5,488
Amount due to a non-controlling interest of subsidiaries	-	25,080	-	-	25,080	25,080
Corporate guarantee for mortgage facilities granted to property buyers	-	546,259	-	-	546,259	-
		583,850	-	-	583,850	37,591
Other						
Lease liabilities	4.75	-	387	388	775	729
		583,850	387	388	584,625	38,320

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of each reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

c. Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values based on discounted cash flows analysis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amount due to a related party RMB'000	Amount due to a non- controlling interest of subsidiaries RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2019	2,283	–	–	2,283
Financing cash flows:				
Advance from a non-controlling interests of subsidiaries	–	25,080	–	25,080
Repayment to a related party	(2,283)	–	–	(2,283)
Repayment of lease liabilities	–	–	(557)	(557)
Finance costs	–	–	8	8
New leases entered	–	–	1,278	1,278
At 31 December 2019	–	25,080	729	25,809
Financing cash flows:				
Advance from a non-controlling interest of subsidiaries	–	54,350	–	54,350
Repayment of lease liabilities	–	–	(520)	(520)
Finance costs	–	–	36	36
New leases entered	–	–	405	405
At 31 December 2020	–	79,430	650	80,080

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

38. RELATED PARTY DISCLOSURES

Apart from details disclosed elsewhere in the consolidated financial statements, the Group has entered into the following significant transaction with a related party during the year ended 31 December 2020:

Name of related party	Nature	2020 RMB'000	2019 RMB'000
福建省德泰物業管理有限公司 Detai Property Management Company Limited * ("Detai Property Management")	Property management services fee paid	70	–

* English name is for identification purpose only

Detai Property Management is beneficially owned by Mr. Shie, the director of the Company, and Mr. Tsoi Kin Sze, a substantial shareholder of the Company.

Compensation of key management personnel

The remuneration of directors and other members of key management during the years ended 31 December 2020 and 2019 was as follows:

	2020 RMB'000	2019 RMB'000
Short-term benefits	3,166	3,084
Post-employment benefits	112	158
	3,278	3,242

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals of the Group and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiaries	Place of incorporation/ establishment/	Issued and fully paid share capital/ paid-up capital/ registered capital	Proportion ownership interest attributable to the Company				Proportion of voting power held by the Company		Principal activities
			Directly		Indirectly		2020	2019	
			2020	2019	2020	2019			
中總(香港)有限公司 China General	Hong Kong	Issued and fully paid share capital HKD488,184,682	100%	100%	-	-	100%	100%	Investment holding
創聯國際控股有限公司 Creative Union Global Holdings Limited	British Virgin Islands	Issued and fully paid share capital United States dollar 100	100%	100%	-	-	100%	100%	Investment holding
駿麗國際投資有限公司 Nice Smart International Investment Limited	Hong Kong	Issued and fully paid share capital HKD1,000	-	-	100%	100%	100%	100%	Investment holding
惠安中總房地產開發有限公司 Hui An China General Real Estate Development Company Limited*	The PRC	Paid-up capital of RMB62,000,000	-	-	98.4%	98.4%	98.4%	98.4%	Property development
福建省厚德企業管理有限公司 Houde Enterprise	The PRC	Paid-up capital of RMB10,000,000	-	-	98.4%	98.4%	98.4%	98.4%	Investment holding
恒德(石獅)投資有限公司 Hengde (Shishi)	The PRC	Paid-up capital of RMB10,000,000	-	-	98.4%	98.4%	98.4%	98.4%	Investment holding
揚州德輝房地產開發有限公司 Yangzhou Dehui Real Estate Development Company Limited*	The PRC	Paid-up capital of RMB100,000,000	-	-	98.4%	98.4%	98.4%	98.4%	Property development
揚州德泰物業服務有限公司 Yangzhou Detai Property Services Company Limited*	The PRC	Paid-up capital of RMB1,000,000	-	-	98.4%	98.4%	98.4%	98.4%	Inactive
富鴻國際集團有限公司 Rich Honour International Group Limited	British Virgin Islands	Issued and fully paid share capital United States dollar 100	100%	100%	-	-	100%	100%	Investment holding
廈門昶勵貿易有限公司 Xiamen Changli Trading Co., Ltd.	The PRC	Paid-up capital of RMB1,000,000	-	-	100%	100%	100%	100%	Inactive
廈門駿躍置業有限公司 Xiamen Junyi Property Co., Ltd.	The PRC	Paid-up capital of RMB10,000,000	-	-	100%	100%	100%	100%	Inactive
息縣德建置業有限公司 Xixian Dejian	The PRC	Paid-up capital of RMB20,000,000	-	-	80%	80%	80%	80%	Property development
廈門建躍德置業有限公司 Xiamen Jianyide Property Co., Ltd**	The PRC	Registered capital of RMB10,000,000 and paid-up capital of nil	-	-	75%	-	75%	-	Inactive
武岡德建置業有限公司 Wugang Dejian**	The PRC	Registered capital of RMB20,000,000 and paid-up capital of nil	-	-	80%	-	80%	-	Property development

* English names are for identification purpose only.

** These subsidiaries were newly established during the year ended 31 December 2020.

All the subsidiaries operate predominantly in their respective places of incorporation/establishment.

None of the subsidiaries had any debt securities subsisting at the end of the reporting periods or at any time during the reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Investment in subsidiaries	542,101	542,101
CURRENT ASSETS		
Prepayments, deposits and other receivables	7	409
Amount due from a subsidiary	127	121
Bank balances and cash	4,903	3,569
	5,037	4,099
CURRENT LIABILITIES		
Other payables and accruals	1,434	974
Amounts due to subsidiaries	26,553	22,620
	27,987	23,594
NET CURRENT LIABILITIES	(22,950)	(19,495)
NET ASSETS	519,151	522,606
CAPITAL AND RESERVES		
Share capital	25,451	25,451
Reserves	493,700	497,155
TOTAL EQUITY	519,151	522,606

Movement in the Company's reserves

	Other reserve RMB'000	Share premium RMB'000	Reorganisation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	524,285	193,733	37,819	(254,294)	501,543
Loss and total comprehensive expense for the year	-	-	-	(4,388)	(4,388)
At 31 December 2019	524,285	193,733	37,819	(258,682)	497,155
Loss and total comprehensive expense for the year	-	-	-	(3,455)	(3,455)
At 31 December 2020	524,285	193,733	37,819	(262,137)	493,700

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2020

The consolidated results of the Company for each of the five years ended 31 December 2016, 2017, 2018, 2019 and 2020 and its consolidated assets, liabilities and equity of the Company as at 31 December 2016, 2017, 2018, 2019 and 2020 are those set out in the consolidated financial statements included in this annual report and the Company's annual reports for the four years ended 31 December 2016, 2017, 2018 and 2019.

The summary below does not form part of the audited financial statements included in this annual report.

RESULTS

	For the year ended 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	480,024	184,082	159,959	355,869	158,125
Cost of sales	(321,638)	(125,418)	(111,795)	(294,767)	(112,251)
Gross profit	158,386	58,664	48,164	61,102	45,874
Other income	7,732	9,205	4,862	3,257	3,786
Other gains and losses	(244)	36	(44)	(498)	(1,519)
Impairment losses under expected credit loss model, net of reversal	16	(655)	–	(2,471)	–
Fair value change of investment properties	(1,768)	4,991	751	13,210	9,307
Fair value change upon transfer from properties held for sale to investment properties	60	295	–	–	–
Selling expenses	(8,222)	(6,226)	(4,720)	(8,433)	(7,075)
Administrative expenses	(18,816)	(16,138)	(15,909)	(17,742)	(12,138)
Finance costs	(36)	(8)	–	(1,435)	(326)
Deemed listing expense	–	–	–	–	(542,104)
Profit (loss) before tax	137,108	50,164	33,104	46,990	(504,195)
Income tax expense	(38,161)	(16,425)	(21,873)	(24,818)	(14,325)
Profit (loss) for the year	98,947	33,739	11,231	22,172	(518,520)
Attributable to:					
Owners of the Company	98,884	33,144	10,954	21,695	(518,956)
Non-controlling interests	63	595	277	477	436
	98,947	33,739	11,231	22,172	(518,520)

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2020

ASSETS AND LIABILITIES

	As at 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Total assets	1,116,627	1,283,692	1,226,242	1,037,720	1,181,522
Total liabilities	(341,243)	(607,158)	(587,254)	(409,627)	(575,601)
	775,384	676,534	638,988	628,093	605,921
Equity attributable to owners of the Company	760,965	662,081	628,937	618,319	596,624
Non-controlling interests	14,419	14,453	10,051	9,774	9,297
	775,384	676,534	638,988	628,093	605,921

**JIANDE INTERNATIONAL
HOLDINGS LIMITED**
建德國際控股有限公司
