WEIYE HOLDINGS LIMITED
偉業控股有限公司*

(Incorporated in the Republic of Singapore with limited liability)

Hong Kong Stock Code: 1570

蓄勢待發 共繪精彩

2020

ANNUAL REPORT
年度報告

** For identification purpose only*

CONTENTS

CORPORATE PROFILE

Weiye Group, which was founded in 1999, has become a leading green lifestyle provider and operator over more than 20 years of development. To carry on the mission of "building a dream house for a joyful residence experience", Weiye is committed to investing in and developing the green human habitation, which is a major focus driven by two engines, namely, financial capital and smart technology. Adhering to the corporate values of "righteous practices and innovation", the Group aims to build the value chain for the green and smart human habitation ecosystem and transform into an international and diversified industrial group.

For years, Weiye has been specialising in developing largescale and multi phased property projects. At the end of 2020, Weiye portfolio comprised 33 property development projects which were either completed or under various stages of development in various PRC cities. As of 31 December 2020, we had 24 completed property projects with a total GFA of approximately 3,007,592 sq.m., 8 property projects under development with a total completed and estimated GFA of approximately 540,455 sq.m. and 1 project with planned GFA of approximately 70,000 sq.m. held for future development.

Besides developing properties on its own, Weiye Group has branched out into joint development projects, as well as providing project management services to third-party land owners.

Over the decade, Weiye has garnered numerous industry awards and accolades from local government agencies in the PRC in recognition of its quality standards in construction and management. These awards are the "Henan Top 50 Real Estate Development Enterprise" (河南房地產開發企業綜合實力50強單位), "Zhengzhou City Leading Property Development Enterprises" (鄭州市房地產開發先進單位), "Zhengzhou City Real Estate Development Enterprise Excellence" (鄭州市房地產開發優秀企業), "Kaifeng City Best Residential Landscape" (開封市最佳人居景觀設計獎), "Economy Development Contribution Enterprise Excellence"(紅旗區經濟發展突出貢獻企業) and etc.

Weiye was listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 16 August 2011 and dual primary listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") on 6 April 2016. The Company voluntarily delisted from the SGX-ST on 24 August 2018.

In the future, by continuing to focus on high-quality and green human habitation products, Weiye aims to become a world-class and valued business group that pursues public trust, social responsibility, and leading technology in the green human habitation industry, which translate into a contributory force to increase human habitation values, advance urban and rural development, and promote social sustainability.

OUR BUSINESS MODEL

DIVERSIFIED REVENUE

INTEGRATED DEVELOPMENT

Direct acquisition of land bank through open bidding, funding, development, construction and marketing of project carried out by the Group.

JOINT DEVELOPMENT

Collaboration by the Group with third party land owner where project funding and land being jointly invested by the respective parties and project returns being shared based on respective shareholding.

FAST-GROWING BRAND EQUITY

JOINT VENTURE

Collaboration by the Group with third-party owners of land bank. The Group provides the funding of the operations and the share of attributable profits are contractually pre-determined. (The entire project operation and funding being carried out by the Group).

PROJECT MANAGEMENT

Third party provides both land and funding, the Group provides project development and management services and earns a fee in return.

OUR BUSINESS MODEL

BUILDING PRESENCE, FORGING PARTNERSHIPS

To stay ahead of the evolving landscape, we constantly seek to collaborate with likeminded partners who can reap mutual benefits through sharing knowledge and expertise. Through keeping abreast of market developments and reacting swiftly and appropriately tapping on our innovative strategies and strong team spirits, we are able to pursue stable and sustainable growth, while building on our core competencies and brand name synonymous to quality and value.

CHAIRMAN'S STATEMENT

ZHANG WEI
Executive Chairman and
Chief Executive Officer

DEAR SHAREHOLDERS,

Amid a serious impact on the global economy brought by the COVID-19 pandemic at the beginning of 2020, the world is undergoing unprecedented changes in a century. Confronted with severe and complicated global market conditions in the midst of arduous and onerous national task to forge ahead with domestic development reform, especially the severe impact of the COVID-19 pandemic, China always maintained its strategic commitments to its economy, and accurately gauged the market conditions throughout the year, making it the only major economic power to achieve a positive economic growth in the world this year. As for the property sector, the complicated economic and political conditions at abroad for the same period, coupled with the increasingly stringent domestic property control policies of "houses are reserved for dwelling rather than speculating", property market control measures aimed at "stabilizing land premium, housing price, and market expectation", as well as the financial policy of "three restrictions" on the property sector, brought unprecedented pressure to the property industry which is already in a challenging position.

Weiye Holdings Limited (the "Company", "Weiye", "we" or "us", together with its subsidiaries, the "Group") forges ahead and embraces challenges, while working industriously in a practical approach. Despite complicated and volatile economic conditions at home and abroad in combination with unprecedented pressure and challenges, under the strong leadership of the Board, Weiye Holdings recalibrated its strategic orientation in time, actively changed its development thoughts, and led all of its employees to advance forward resolutely in the spirit of weathering all difficulties. By focusing on both traditional and industrial real estate, we fully implemented the development model of "real estate + industry". As a result, we formulate a strategic development blueprint where "with the real estate development serving as the main business, the industrial real estate as a source of support, and premier projects featuring fast returns with little investments in short periods as supplements, we will selectively carry out our business expansion and development in target cities", which has already started to bear fruit.

As the current COVID-19 pandemic reminds us that the operating environment may experience an overnight transformation, we are committed to implementing a long-term and stable strategy regardless of any unexpected market change, while exploring new business growth and opportunities in the industrial real estate sector.

CHAIRMAN'S STATEMENT

PROPERTY DEVELOPMENT BUSINESS REVIEW

During the year ended 31 December 2020, the Group's total net saleable floor area ("NSFA") handed over to customers was approximately 267,728 square meters, representing an increase of approximately 233% as compared to total NSFA of approximately 80,285 square meters for the corresponding period in 2019. Meanwhile, the Group achieved revenue from property development sales amounting to approximately RMB2,675.8 million, a year-on-year increase of approximately 279%.

Revenue from property development business for the year ended 31 December 2020 was mainly from Yuejiangwan and Yuediwan in Yizheng city, Taihu Tiancui in Huzhou and Weiye Meiyue Wan.

All regional companies of the Group continued to pursue the established development targets, while our traditional property projects proceeded in strict compliance with our development and operation model of "expeditious land acquisition, development, marketing, and money collection", with a particular focus on expansion projects in first-tier and second-tier cities.

As for industrial real estate, by consolidating premier external and internal resources, as well as the top-down investment-operation model, the Group specifically continued to follow up the industrial real estate projects that are driven by policies, market demands, and livelihood protection. Furthermore, the Group established points of entry, including industrial cold-chain smart parks, global healthcare and retirement resorts, smart city parking, and facilitated the advancement of various work aspects to inject momentum to industrial real estate of the Group.

EQUIPMENT MANUFACTURING BUSINESS REVIEW

The sales of equipment mainly comprised sales of clean room equipment, air purification, grilles & diffuser of heating ventilation air conditioning (HVAC).

The performance of our major businesses operations varied from segment to segment in 2020. The decline in our performance was due to the pandemic impact on the HVAC and clean room business, as well as the suspension of construction site activities until the fourth quarter. In addition to our venture into smart doors and windows business through mergers and acquisitions, which not only bridged the gap in our business performance across the Asia-Pacific region, but also almost doubled growth in the sales performance. The equipment manufacturing business recognized approximately RMB102.1 million in the current year, a year-on-year of 79%. Although the Group's comprehensive gross profit margin decreased from approximately 26% in 2019 to approximately 21% due to the impact of our business nature, our sales gross profit increased by approximately 46% year-on-year due to our performance growth.

In 2020, the global economy was hit hard by the COVID-19 pandemic, which is an unprecedented incident over the last hundred years. The lockdown measures implemented around the world led to a large-scale suspension of economic activities during the first half of 2020. The economy was severely weakened, as countries around the world correspondingly published their declined gross domestic product in the second quarter of 2020, which was a record high. Although the performance of the equipment manufacturing business rebounded sharply in the third and fourth quarters due to the reopening of economy amid improved pandemic conditions, a significant increase of COVID-19 cases were reported, increasing uncertainties of economic recovery. Looking into 2021, however, our equipment manufacturing business will technically upgrade our overall business scale during the pandemic, intensify our rectification efforts, adapt to changes and focus on sales growth, so as to ensure the efficient and healthy operation of the Group.

CLOSER COLLABORATIONS WITH STRATEGIC PARTNERS

In 2020, we established strategic partnerships with several well-known large-scale real estate developers to enhance the mutual performance in the expansion, development and operation of traditional real estate projects, and reduce the operation risks of projects through cooperation.

In terms of industrial real estate, we consolidated high-quality resources in various cooperation companies during the progress of industrial projects to support the implementation of industrial real estate projects and facilitate their development progress.

The Group will continue to seek comprehensive strategic cooperation with strategic partners in terms of joint development, industrial development, urban redevelopment, and infrastructure construction, so as to build our presence and extend our reach in the future.

CHAIRMAN'S STATEMENT

STRATEGY AND OUTLOOK

Under stern policies in the People's Republic of China (the "PRC") for real estate regulation and control, finance, and other industries in the midst of the severe COVID-19 pandemic, we will conduct accurate analysis on the combined impacts brought by pandemic conditions and various policies, while accurately capturing the industry development trends. In the spirit of "risk prevention", "healthy development", and "sustainable development", we will optimize our internal structure and attract external investments to resolve issues and prevent risk exposure during our development, while continuing to promote the healthy, sustainable, and efficient business development of the Group.

The Group will focus on the real estate development as its business orientation by starting with land acquisitions, while taking advantage of the development features of various regions to achieve the concurrent development of the "short, medium, and long-term objectives", as well as the industrial upgrade. Supplemented by high-turnover projects featuring fast returns with little investments in short periods, we will selectively carry out our business expansion and development in target cities by differentiating development strategies for various areas to support the healthy and sustainable development of the Group when the risk exposure is brought under control.

In terms of financing, the Group will take the initiative to strategically pursue collaboration with those sizeable financial institutions that remain within the limitation quota. To advance our financing operations, the Group will capitalize on new financing opportunities to consolidate resources and establish financing platforms. Furthermore, the Group will continue to explore and innovate financing solutions.

In terms of cost control, the Group will continue to proceed with the cost standardization using the regulated, procedural, and standardized approaches, while enhancing the cost-effective and risk awareness of our employees as a whole, thereby safeguarding the rationale, lawfulness, and compliance of all work results for practical purposes. This will effectively minimize our business risk and guarantee the profit targets of our projects.

In terms of investment expansion, the Group will double down its efforts to conduct in-depth analysis and research over the market conditions during the medium-term and short-term cycles, and improve our top-level design of the development model by eliminating the conventional development thought. In making full use of the leverage of funds, we consider project expansion from multiple dimensions such as joint development, equity cooperation, independent development, and equity transfer so as to make flexible responses to changing market conditions. We design cooperative models for the purposes of maximizing benefits, providing a solid foundation to achieve overall and phased operating targets of the projects.

In terms of team building, by emphasizing on our corporate culture of team spirits, synergy, hardworking and diligence, we shall continue to strengthen the quality of our work force, and acquire and retain talents, so that an efficient team is built to effectively resolve issues and demonstrate its competence in corporate governance and operation.

IN APPRECIATION

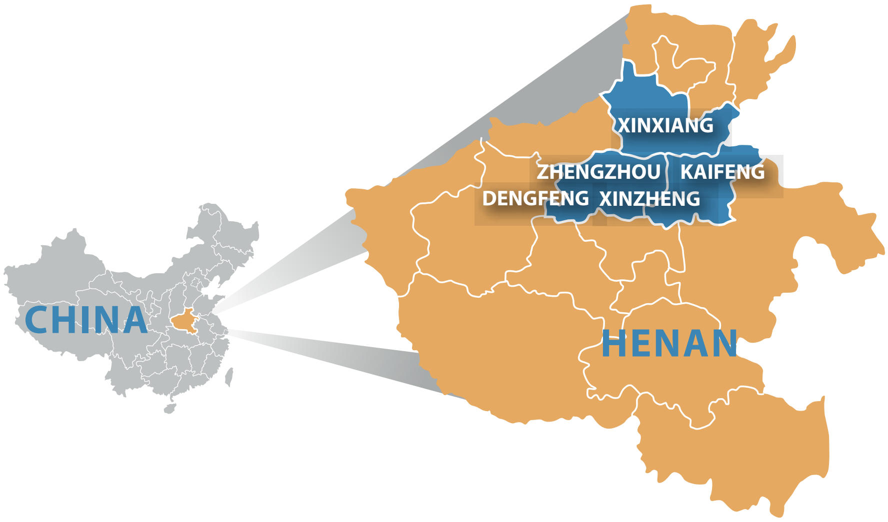
In closing, on behalf of the board (the "Board") of directors (the "Directors") of the Company, I would like to express my heartfelt appreciation to our management team and all employees for their commitments to create greater values for the Group. I would also like to extend my heartfelt gratitude to all our shareholders and strategic partners for your unwavering trust and relentless support all these years. Moving forward, we will remain well positioned to keep pace with time, seize opportunities, and embrace challenges to achieve new heights.

ZHANG WEI
Executive Chairman and
Chief Executive Officer

24 March 2021

OPERATIONS REVIEW

HENAN REGION



HENAN: STRATEGIC LOCATION, GROWING MOMENTUM

The Henan Province is strategically located at the heart of China, and is a major transportation hub vastly connected through highways and railways. Well-placed in the Central Plains Economic Region ("CPER"), the fast-growing capital of Henan Province, Zhengzhou, plays a crucial role in driving the economic growth in this region. In 2019, Zhengzhou officially joined the ranks of megacities due to its total resident population exceeding 10 million. In accordance with the Zhengzhou Action Plan Outline for National Core City Development (2017 to 2035), by 2035, Zhengzhou is expected to become the most influential city across the globe, as its urban population accounts for 85% with a total GDP of RMB3 trillion and GDP per capita of RMB220,000. With a total population amounting to approximately 13.5 million, Zhengzhou has become an influential city across the globe.

PROPERTY MARKET REVIEW

In line with its transformation into a national core city at an accelerated pace, Zhengzhou continues with its growing clout. In view of this, the government actively introduced policies to attract businesses and investments. Coupled with its ease of accessibility, we believe that the property markets in Zhengzhou and its neighbouring cities will continue to grow at a healthy and steady pace. In 2020, the total accumulated saleable floor area of residential properties in Zhengzhou amounted to approximately 11 million square meters, among which, the saleable floor area of residential property sales amounted to approximately 9.67 million square meters at an average selling price of RMB14,635 per square meter.

OPERATIONS REVIEW

COMPLETED PROJECTS


Weiye Ru Guo Ai


Weiye Tiandao Tianheshuian


Weiye Tiandao International


Weiye Paris Impression

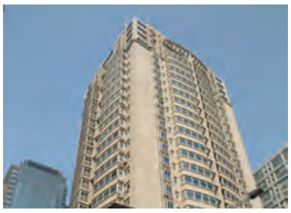

Weiye Shangcheng Yihaoyuan & Erhaoyuan


Weiye Central Park


Hong Jing Jia Garden


Die Cui Garden


Cai Fu Centre


Cai Zhi Guang Chang


Qing Qing Mei Lu


Weiye Xi An


Weiye Zhi Hua Shi


Xingwei Resettlement House Phase I


Weiye Xiangdi Bay Phase I, II & III


Chuangshiji Plaza

DEVELOPMENT PROJECTS & STRATEGY

In 2020, the Group continued to focus on the development of our existing projects in Henan where is the strategic development center of the Group, while gaining a stronger foot hold in Zhengzhou and its surrounding cities within a one-hour travel. Besides constantly undertaking city urban redevelopment projects, quality property projects and land acquisitions, we continued with resource management to facilitate our business development. In addition, we actively explored new operating models, as well as innovative and strategic collaboration in various areas, so that the Group would achieve performance growth. As at 31 December 2020, we had a total of 18 development projects with 16 projects fully completed and 2 projects under development.

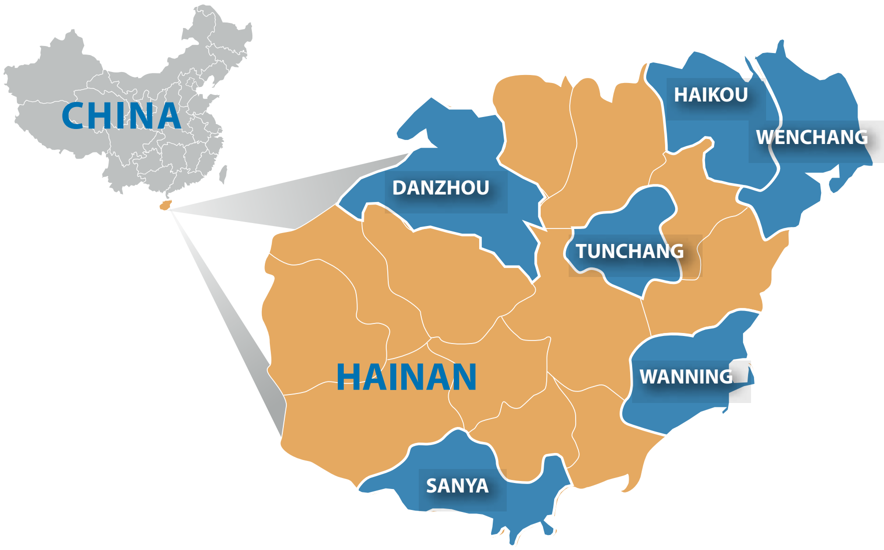
PROJECTS UNDER DEVELOPMENT


Weiye Shangcheng Sanhaoyuan


Chuangshiji Apartment

OPERATIONS REVIEW

HAINAN REGION



HAINAN: BENEFITING FROM ITS OWN PORT FEATURES, HAINAN PILOT FREE TRADE ZONE HAS ENTERED THE ERA OF HIGH-QUALITY ECONOMIC DEVELOPMENT

Benefiting from the "General Plan for the Construction of Hainan Pilot Free Trade Zone" issued on 1 June 2020, Hainan Pilot Free Trade Zone has ushered in a period of accelerated development, during which industries see fast-growing investments, investments in infrastructure and real estate development rally steadily, the market momentum continues on, and foreign trades are improving. Amid rapid economic growth, Hainan has strengthened its efforts to attract talents by introducing various initiatives, including tax concessions and housing subsidies for high-caliber talents, who will facilitate the construction of Hainan Pilot Free Trade Zone, and help deepen a thorough reform in Hainan.

PROPERTY MARKET REVIEW

Hainan continues to impose stringent regulatory policies, without any policy relaxation. On 7 March 2020, Hainan introduced a system for sales of completed properties, and proposed the development of economically affordable commercial properties. In addition to adopting a housing system that achieves a balance between rental and purchase and implementing city-differentiated policy, which is clearly stated in the 14th Five-Year Plan, Hainan proposed to accelerate the construction of economically affordable commercial properties, public rental housing, and talent housing, which is aimed to effectively meet the basic housing needs of local residents and talents introduced. Following gradual implementation of the housing system that achieves a balance between rental and purchase, the real estate market in Haikou will remain stable under a multiple layer of housing support.

OPERATIONS REVIEW

DEVELOPMENT PROJECTS & STRATEGY

The continuous optimization and upgrading of the industrial structure in Hainan gradually reduces its reliance on the real estate sector. In 2021, our subsidiaries in Hainan will focus on the industrial development planning and requirements of various government bodies, and extend our business lines to surrounding cities and counties with a focus on Haikou and Sanya. We consider residential projects as our major project type, and make proper business adjustment to the industrial real estate segment. As at 31 December 2020, we had a total of 7 development projects in the Hainan Province currently held for sales or investment with 6 projects fully completed and 1 project held for future development.

COMPLETED PROJECTS

Weiye Costa Rhine

Weiye Rhine Coast

Weiye Oxygen Cube A

Weiye Oxygen Cube B

Weiye West International Plaza

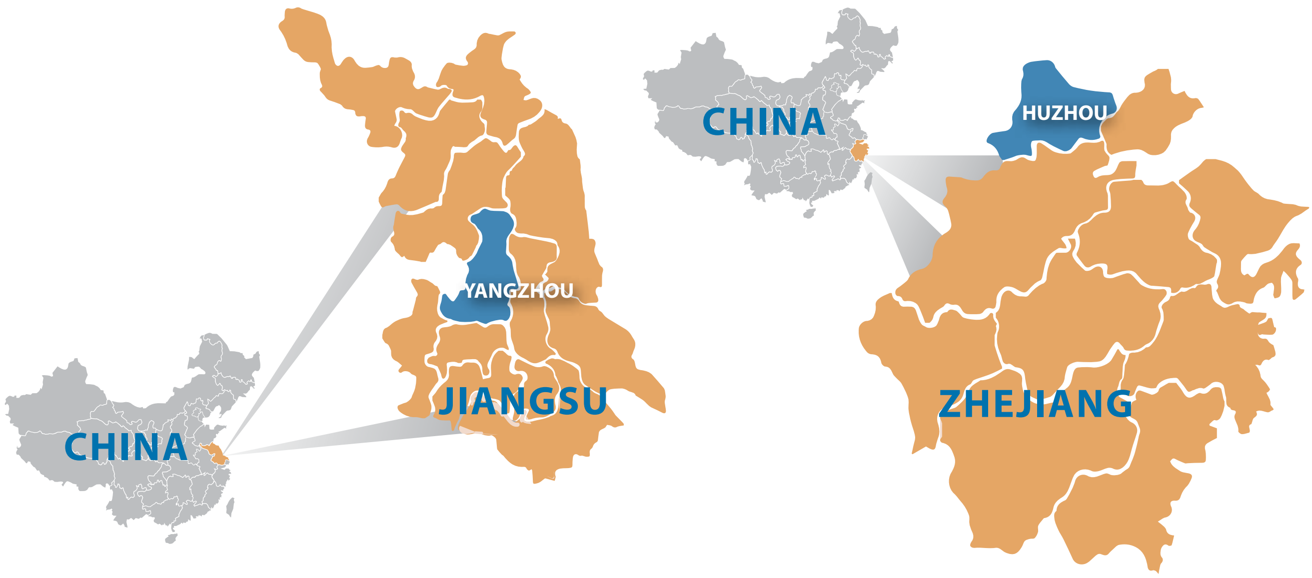
Weiye Yehai Shangcheng

PROJECT HELD FOR FUTURE DEVELOPMENT

Weiye Costa Rhine – Phase II

OPERATIONS REVIEW

YANGTZE RIVER DELTA REGION



YANGTZE RIVER DELTA: HIGH CAPABILITIES, DYNAMIC GROWTH

2020 is the first full year for the implementation of the "Development Plan for an Integrated Yangtze River Delta Region", and the final year for the "Three-year Action Plan for the Integrated Development of the Yangtze River Delta Region (2018–2020)". In the future, the Yangtze River Delta Region shall tap into its own advantages, such as solid economic foundation, enormous market, a complete industry chain and supply chain, and a high degree of liberalization, so that it will take the lead in establishing a new development pattern, wherein domestic macro-circulation will play a leading role with domestic and international dual circulations complementing one another.

PROPERTY MARKET REVIEW

In 2020, we experienced challenges. Specifically, the COVID-19 pandemic had a material adverse impact on the sales for the first quarter, causing a ripple effect throughout the whole year. The tightening regulatory policy in major metropolitan cities along the Yangtze River Delta Region sustained the fluctuation in sales with a lower sales volume as compared to 2019.

OPERATIONS REVIEW

DEVELOPMENT PROJECTS & STRATEGY

In 2020, with the cities in the "five metropolitan areas" along the Yangtze River Delta Region as the core, we gave priority to expanding the cities within "Shanghai as the center of the 1-hour economic ring", and actively sought high-quality regular projects with a total price in moderation, fast flow rate, and loose pre-sale. We accelerated the implementation of new projects through a combination of "bid invitation, auction and listing", "acquisition and merger" and "small stock trading", and achieved our operating objectives of "maintaining a high turnover rate at low costs". As at 31 December 2020, we had a total of 4 development projects in the Yangtze River Delta region currently held for sales or investment with 1 project fully completed and 3 projects under development.

COMPLETED PROJECT

Taihu Tiancui

PROJECTS UNDER DEVELOPMENT

Yuejiangwan

Yuediwan

Sunlight Mansion

OPERATIONS REVIEW

PEARL RIVER DELTA REGION

PEARL RIVER DELTA: FULL-FLEDGED DEVELOPMENT IN GUANGDONG-HONG KONG-MACAU GREATER BAY AREA AND BINHAI XINCHENG IN FUJIAN

As the completion of the regional top-level design of the Guangdong-Hong Kong-Macao Greater Bay Area , various supportive policies by the central government, mature industrial development, and strong talent attraction drive a high demand in the real estate market, the market demonstrates strong momentum to rally in the midst of favorable coordinated development conditions in the region. In December 2020, the Shenzhen government formulated and implemented the Shenzhen Metropolitan Area Development Plan, pursuant to which it will establish a development pattern encompassing central leadership, axis support and sphere-hierarchy synergy, and treat the Shenzhen-Dongguan-Huizhou metropolitan area as the main center, as well as Shenzhen-Shanwei Special Cooperation Zone, Heyuan Metropolitan Area, and Shanwei Metropolitan Area as the sub-center. This plan will promote the integration of national railways, intercity railways and municipal (suburban) railways and urban railways, building an half-hour traffic circle and promoting the development of a livable metropolitan area with Shenzhen-Dongguan-Huizhou as the center.

PROPERTY MARKET REVIEW

In 2020, the regulatory policy still focused on the main principle where "houses are reserved for dwelling rather than speculating" and "implementing city-differentiated policy". Amid the three restrictions on real estate financing and the global outbreak of COVID-19, the saleable floor areas for the core residential properties in the Pearl River Delta region recorded a year-on-year increase of approximately 20.4% in 2020 due to the regional traffic advantages. In the future, the implementation of the Development Plan for the Guangdong-Hong Kong-Macau Greater Bay Area and the gradual completion of infrastructure construction will provide a solid foundation for the steady development of the real estate market.

OPERATIONS REVIEW

DEVELOPMENT PROJECTS & STRATEGY

The implementation of the development plan for the Shenzhen-Dongguan-Huizhou metropolitan area will be another milestone in our development strategy of Guangdong-Hong Kong-Macau Greater Bay Area. With the advantages of its own inter-team resource integration, the Group kept up with the times, and strengthened the efforts in the development strategy of Guangdong-Hong Kong-Macau Greater Bay Area. As at 31 December 2020, we had a total of 4 development projects in the Pearl River Delta region currently held for sales or investment with 1 project fully completed and 3 projects under development.

COMPLETED PROJECT

Weiye Meiyue Wan

PROJECTS UNDER DEVELOPMENT

Weiye Lanting Wan

Pangu – Fujian Tianzhi

Pangu – Fujian Tianjue

Industrial Real Estate Sector

Weiye has established its industry research facility, and plans and prepares for the development of an industry group. By developing the full value chain operation model, we will focus on various areas including "investments, development, construction, and operation", with an emphasis on three major industries, namely, "cold-chain logistics smart parks, global healthcare and retirement resorts, and science innovation base". Currently, our controlled businesses in these three major industries are currently advancing forward.

FINANCIAL HIGHLIGHTS

	2016 (RMB' MIL)	2017 (RMB' MIL)	2018 (RMB' MIL)	2019 (RMB' MIL)	2020 (RMB' MIL)
REVENUE					
Property Development	681.6	1,678.9	1,726.7	706.1	**2,675.8**
Housing Construction	0.2	–	–	–	**–**
Equipment Manufacturing	59.6	69.1	51.3	57.0	**102.1**
Total	741.4	1,748.0	1,778.0	763.1	**2,777.9**
GROSS PROFIT					
Property Development	191.9	206.6	549.3	152.8	**615.1**
Housing Construction	(0.3)	–	–	–	**–**
Equipment Manufacturing	20.8	21.3	16.6	14.8	**21.6**
Total	212.4	227.9	565.9	167.6	**636.7**
GROSS PROFIT MARGIN					
Property Development	28%	12%	32%	22%	**23%**
Housing Construction	(150%)	0%	0%	0%	**0%**
Equipment Manufacturing	35%	31%	32%	26%	**21%**
Total	29%	13%	32%	22%	**23%**

	2016 (RMB' MIL)	2017 (RMB' MIL)	2018 (RMB' MIL)	2019 (RMB' MIL)	2020 (RMB' MIL)
Net Profit/(Loss)	79.1	134.5	160.3	(56.9)	**222.5**
Earnings Before Interest, Tax, Depreciation and Amortisation	141.8	215.5	423.1	33.6	**577.1**
Equity Attributable to Owners of the Company	1,201.3	1,324.1	1,486.7	1,452.6	**1,473.1**
Total Assets	6,210.7	6,279.3	6,923.9	8,881.1	**7,796.2**
Total Liabilities	4,831.5	4,754.6	5,174.7	7,114.2	**5,779.6**
Net Debt*	2,000.7	1,191.6	1,205.6	1,423.7	**1,109.1**
Interest Coverage Ratio (times)	0.7	1.3	2.3	0.1	**2.5**
Earnings/(Losses) per Share (RMB cents)	33.3	63.1	84.8	(15.8)	**11.9**
Net Asset Value per Share (RMB)	6.3	6.8	7.6	7.4	**7.5**
Net Debt to Total Equity Ratio (%)	145%	78%	69%	81%	**55%**

* Interest bearing debts (-) cash and cash equivalents

FINANCIAL REVIEW

2020 proved to be a very challenging year for the Group as there was a huge downward pressure on the economy of the PRC as a result of the outbreak of the novel coronavirus epidemic and the Sino-American trade war and policies from the China Central Government, by adhering to the positioning of "houses are for living, not for speculating", continued to carry out city-differentiated regulation. Under such current condition, the Group has been adjusting its business development plan in response to the changing economic environment.

The total revenue for the year ended 31 December 2020 was approximately RMB2,777.9 million with approximately 264% increase as compared to the corresponding period in 2019. Correspondingly, the Group also reported a profit attributable to owners of the Company of approximately RMB23.3 million during the year ended 31 December 2020, representing a significant increase of approximately 175% as compared to the corresponding period in 2019.

PROPERTY DEVELOPMENT BUSINESS

During the year ended 31 December 2020, there was a significant increase in our total net saleable floor area ("NSFA") handed over to customers to approximately 267,728 square meters (2019: 80,285 square meters).

Revenue from property development business for the year ended 31 December 2020 was mainly from the following projects, namely Weiye Meiyue Wan, Taihu Tiancui, Yuediwan and Yuejiangwan, which contributed approximately RMB895.3 million, RMB840.6 million, RMB304.4 million and RMB531.4 million respectively.

The gross profit ("GP") of the property development business for the year ended 31 December 2020 amounted to approximately RMB615.1 million, representing an increase of approximately 303% as compared to the corresponding period in 2019. The GP margin increased by 1% which is stable with 2019.

EQUIPMENT MANUFACTURING BUSINESS

This segment recorded a revenue of approximately RMB102.1 million for the year ended 31 December 2020 which representing 79% increase as compared to the corresponding period in 2019. This was mainly because the Group expanded its business to the supply and/or installation for smart doors and windows in the PRC through an acquisition of subsidiaries.

This in turn resulted in approximately 46% increase in gross profit to approximately RMB21.6 million for the year ended 31 December 2020, as compared to the corresponding period in 2019. Despite an increase in the revenue, the GP margin for equipment manufacturing business was dropped from approximately 26% for the year ended 31 December 2019 to approximately 21% for the year ended 31 December 2020, mainly due to high volume of low margin business model for smart doors and windows business, lowering the overall gross profit margin reported by the Group.

OTHER INCOME

Other income increased by approximately 292% for the year ended 31 December 2020, primarily due to gain on disposal of a subsidiary, Huiyang Jinlida Property Management Co., Ltd. ("Huiyang Jinlida"), with approximately RMB177.9 million, and it was being set off by a decrease in fair value change of investment properties with approximately RMB3.0 million recorded for the current year.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses amounted to approximately RMB63.3 million for the year ended 31 December 2020, representing an increase of approximately 35% as compared to the corresponding period in 2019. This was mainly due to an increase in salaries incurred for some property projects, with approximately RMB6.6 million and as well as an increase in promotional and marketing related costs of Yuediwan, Yuejiangwan and Weiye Lanting Wan with approximately RMB6.8 million for the year ended 31 December 2020.

FINANCIAL REVIEW

ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended 31 December 2020 was approximately RMB188.2 million, which was approximately 29% higher than the corresponding period in 2019. It was mainly due to additional administrative expenses incurred for newly set up of subsidiaries during the year and additional salaries incurred for Yangtze River Delta Region projects and new industrial real estate sector as compared to the corresponding period in 2019.

NET FINANCE COSTS

Net finance costs was reported for the year ended 31 December 2020 at approximately RMB58.0 million, representing an increase of approximately 47% as compared to the corresponding period in 2019, this was mainly due to an increase in finance costs which cannot be capitalized in development properties during the year ended 31 December 2020.

TAXATION

The significant increase in income tax expense for the year ended 31 December 2020 was mainly due to higher provision of corporate income tax by approximately RMB71.4 million as a result of significant increase in profit during the year ended 31 December 2020 and higher provision of land appreciation tax by approximately RMB58.8 million as a result of significant increase in revenue from property development business for the year ended 31 December 2020.

REVIEW OF FINANCIAL POSITION

The increase in joint ventures of approximately RMB248.0 million as at 31 December 2020 was mainly due to the investment of approximately RMB250.0 million in an equity interest in connection with Hangzhou Yuhang property project during the year ended 31 December 2020.

The decrease in development properties and prepaid cost of approximately RMB416.3 million as at 31 December 2020 was mainly due to the sales of property development units in development projects, mainly Weiye Meiyue Wan, Taihu Tiancui, Yuejiangwan and Yuediwan and set off by the progressive construction costs incurred in property development projects, mainly, Weiye Shangcheng Sanhaoyuan, Fujian Tianzhi and Fujian Tianjue.

The decrease in trade and other receivables (current assets) of approximately RMB741.6 million as at 31 December 2020 was mainly due to the decrease in deposits paid for acquisition of Huiyang Jinlida of approximately RMB350.0 million which was disposed during the year ended 31 December 2020 and reclassification of deposits paid in connection with Hangzhou Yuhang property project of approximately RMB244.7 million as investment in joint venture during the year ended 31 December 2020.

The increase in trade and other payables of approximately RMB337.8 million as at 31 December 2020 was mainly due to increase in trade payables in related to construction work for Taihu Tiancui, Yuejiangwan and Yuediwan projects which were completed near the end of 2020.

The decrease in contract liabilities by approximately RMB1,398.6 million as at 31 December 2020 was mainly due to reversal of contract liabilities caused by sales recognition from projects mainly Weiye Meiyue Wan, Taihu Tiancui, Yuejiangwan and Yuediwan in 2020.

The net decrease in loans and borrowings as at 31 December 2020 was mainly due to repayment of loans and borrowings obtained to finance the development of property projects during the year ended 31 December 2020.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2020, the Group's net current assets amounted to approximately RMB1,768.0 million, representing a decrease in approximately 15% as compared to the corresponding period in 2019, this was mainly due to decrease in development properties and trade and other receivables of approximately RMB1,157.8 million and increase in trade and other payables of approximately RMB337.8 million, partially offset by decrease in contract liabilities of approximately RMB1,398.6 million.

Our loans and other borrowings are denominated in Renminbi (RMB), Hong Kong Dollar (HKD), United States Dollar (USD), Singapore Dollar (SGD) and Malaysia Ringgit (MYR). As at 31 December 2020, our total outstanding loans and borrowings amounted to approximately RMB1,985.6 million. Particulars of loans and borrowings of the Group as at 31 December 2020 are set out in Note 25 to the consolidated financial statements for the year ended 31 December 2020.

TREASURY AND INVESTMENT MANAGEMENT

We prepare our monthly and annual cash flow budgets in accordance with the Group's internal rules and regulations, to forecast and manage the working capital needs of the Group and its subsidiaries for business expansion and other investments, to ensure that there is sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses, or risking damage to the Group's reputation.

In order to ensure the proper application of funds available to the Group investment, we have established policies and procedures on our investment management. Generally, our investment manager is responsible for managing and monitoring our investment portfolio on a daily basis.

FINANCIAL REVIEW

Any fund transfer for trading purpose, acquisition and disposal of any investment shall be reviewed by our senior management and approved by our executive Chairman before execution. Our investment manager will prepare monthly trading summary report comprising the detailed balance of our investment portfolio, balance of our available fund and trading gain or loss as of the month end and report to our senior management and executive Chairman.

EMPLOYEES AND REMUNERATION

As at 31 December 2020, there were 469 employees (2019: 478) in the Group.

Total employee benefits expenses of the Group (including Directors' fee) for the year ended 31 December 2020 were approximately RMB114.1 million (2019: RMB85.0 million). Staff remuneration packages are determined based on each employee's qualifications, experience, position and seniority.

The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and Group's results of operations.

CHARGE OF ASSETS

The loans and borrowings of the Group include banker's acceptance, lease liabilities, bank overdrafts, bank loans, loans from trust finance company and other loans. The borrowings are secured by investment properties, legal mortgages of the property development units, and corporate guarantee from the Company and group companies as well as guarantees from the third party companies. Particulars of charge of assets of the Group as at 31 December 2020 are set out in Notes 4, 7, 20 and 25 to the consolidated financial statements for the year ended 31 December 2020.

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

There was no purchase, redemption or sale of listed securities of the Company for the year ended 31 December 2020.

NET GEARING RATIO

Net gearing ratio is calculated based on our total debt less cash and cash equivalents divided by total equity. Total debt includes interest bearing loans and borrowings. As at 31 December 2020, the Group had net gearing ratio of approximately 55% (31 December 2019: 81%). Details of the gearing ratio are set out in Note 41 to the consolidated financial statements for the year ended 31 December 2020.

FOREIGN EXCHANGE EXPOSURE

The Group's property development and equipment manufacturing businesses are principally conducted in RMB and SGD, which are the functional currencies of the respective subsidiaries of the Group. Most of the Group's monetary assets and liabilities are denominated in RMB and SGD. Our business operations do not involve much of international transactions.

Accordingly, the Group considers that the Group's exposure to foreign currency risk is not significant and hence the Group does not employ any financial instruments for hedging purposes.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in Note 38 to the consolidated financial statements for the year ended 31 December 2020, which included the guarantees given to banks in connection with banking facilities granted to third party property customers.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2020, the Group disposed 100% equity interest in Huiyang Jinlida at the consideration of approximately RMB975.4 million. Except for the above, there was no other material acquisition and disposal of subsidiaries conducted by the Group during the year ended 31 December 2020.

BOARD OF DIRECTORS

ZHANG WEI

Executive Chairman and Chief Executive Officer

Mr. Zhang Wei ("Mr. Zhang"), aged 51, is the chairman of the Board, an executive Director and chief executive officer of the Company. Mr. Zhang is responsible for the Group's strategic planning and the overall business development decision making.

Mr. Zhang has over 26 years of experience in the real estate industry. He joined Henan Weiye in June 2002 and has been the sole director of Great Spirit Management Limited since its establishment in 2009. Mr. Zhang has been the chairman of the Board since the Reverse Takeover in 2011. Mr. Zhang currently holds certain positions in the members of our Group, namely, director of Great Spirit Management Limited and Weiye Holdings (Hong Kong) Limited; and the legal representative, executive director and manager of Hainan Hongji Weiye Property Development Co., Ltd and Hongji Weiye (Hainan) Non-Movable Property Management Group Co., Ltd.

From July 1990 to July 1993, Mr. Zhang was the operation manager, responsible for the company's operations, in China Construction No. 7 Engineering Bureau Zhongyuan Property Development Company* (中國建設第七工程局中原房地產開發公司), which principally engaged the business of construction and property development. From July 1993 to March 1994, Mr. Zhang was the deputy manager of Henan Xinya Property Co., Ltd.* (河南新亞置業有限公司), a company engaged in the business of property development. From March 1994 to August 1998, Mr. Zhang was the general manager, and was later promoted to the managing director, responsible for the overall business operation of the company, in Henan Xinfeng Property Co., Ltd.* (河南新豐置業有限公司), which engaged in the business of property development.

Mr. Zhang was certified as an economist by Henan Province Science Committee* (河南省科技委員會) in November 1996. He obtained a Master's in Business Administration from Macau University of Science and Technology (澳門科技大學) in Macau Special Administrative Region of the PRC in September 2003. Mr. Zhang is the brother-in-law of Mr. Chen Zhiyong, an executive Director and chief operating officer of the Company.

CHEN ZHIYONG

Executive Director and Chief Operating Officer

Mr. Chen Zhiyong ("Mr. Chen"), aged 50, is an executive Director and chief operating officer of the Company. Mr. Chen is responsible for supervising Henan region group in determine their development plans and target and assist regional group in solving operational issues and project financing.

Mr. Chen has over 25 years of experience in the real estate industry. He joined Henan Weiye in July 2000, responsible for property development management, and was later promoted to the position of Chief Executive Officer of Henan Weiye in 2010. He has been an Executive Director and the Chief Executive Officer of our Company since the Reverse Takeover in August 2011. On 27 February 2014, he was re-designated as the Chief Operating Officer of our Company. Mr. Chen currently holds certain positions in the members of our Group, namely, the legal representative and Executive Director of Jinwei (Henan) and Xinxiang Weiye; the legal representative, Executive Director and General Manager of Hongji Weiye, Henan Weiye and Henan Tiandao; and the legal representative of Henan Xingwei, Hanwei Zhiye, Guangdong Leiding, Huizhou Dayawan and Huizhou Dayawan Pengrun.

From 1988 to 1993, Mr. Chen worked in the infrastructure department in Zhengzhou City Heavy Industry Management Authority (鄭州市重工業管理局). From 1993 to 1998, Mr. Chen was the manager of the project management department in the No.2 engineering department of the Zhongjian No.7 Bureau No.4 Construction Engineering Company* (中建七局第四建築工程公司), a company principally engaged in the business of construction where he was responsible for the management of the construction of the property.

Mr. Chen graduated from Naval University of Engineering, PLA (中國人民解放軍海軍工程大學) in Wuhan City, Hubei Province, the PRC, with a degree in project management in June 2006. Mr. Chen is the brother-in-law of Mr. Zhang Wei, the chairman of the Board, an executive Director and chief executive officer of the Company.

* *For identification purpose only*

BOARD OF DIRECTORS

LIU NING
Lead Independent Non-Executive Director

Mr. Liu Ning ("Mr. Liu"), aged 56, was appointed as the Lead Independent Non-Executive Director, the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nominating Committee on 19 December 2018.

Mr. Liu has extensive experience of investment and administration in land property and hotel industry, and he is good at corporate comprehensive management and investment and financing business. Mr. Liu obtained Bachelor's of Engineering from Tongji University (同濟大學) and obtained a master degree of Business Administration from Macau University of Science and Technology (澳門科技大學). Mr. Liu is an engineer and a senior economist.

From June 2000 to June 2003, Mr. Liu was the general manager of Shanghai Jinjiang International Hotels Development Co., Ltd. (formerly known as Shanghai New Asia (Group) Co., Ltd.), a company listed on Shanghai Stock Exchange (stock code: 600745). From July 2003 to April 2005, Mr. Liu was the president assistant, deputy managing director of property department and the general manager of Shanghai Jinjiang International Holdings Co., Ltd. From October 2009 to February 2014, Mr. Liu an executive director, president, vice president, chief operation officer and chief executive officer of Glorious Property Holdings Limited, a company listed on the SEHK, (stock code: 845). From March 2014 to December 2014, Mr. Liu was the executive president and the regional president (China) of Baoneng Group. Mr. Liu is currently the managing director of Shinovation Capital Corporation Co., Ltd

DONG XINCHENG
Independent Non-Executive Director

Mr. Dong Xincheng ("Mr. Dong"), aged 54, was re-designated an Independent Non-Executive Director, appointed as the chairman of the Nominating Committee, a member of the Audit Committee and a member of the Remuneration Committee on 19 December 2018.

Mr. Dong has approximately 18 years of experience in legal practice. Mr. Dong graduated from Zhengzhou University (鄭州大學) in Zhengzhou City, Henan Province, the PRC, with a Bachelor's degree in engineering. Mr. Dong obtained the Legal Professional Qualification Certificate in September 2002.

From 1990 to 1995, Mr. Dong was an officer in Road Administration Division of Henan Province Bureau of Transport* (河南省交通廳公路管理局). From 1996 to 2001, Mr. Dong was a deputy general manager at Shijiazhuang Xinlin Real Estate Development Co., Ltd. (石家莊鑫麟房地產開發有限公司), where he was responsible for its business management. From 2002 to 2004, Mr. Dong practiced law at Henan Guanglei Law Firm (河南光磊律師事務所). From 2004 onwards, Mr. Dong has been practicing law at Henan Zhengfangyuan Law Firm (河南正方圓律師事務所).

* *For identification purpose only*

BOARD OF DIRECTORS

LAM YING HUNG ANDY
Independent Non-Executive Director

Mr. Lam Ying Hung, Andy ("Mr. Lam"), aged 56, was appointed as an Independent Non-Executive Director, the chairman of the Audit Committee, a member of the Nominating Committee and a member of the Remuneration Committee on 19 December 2018.

Mr. Lam has over 28 years of experience in accounting, banking and finance sectors. Mr. Lam is the managing consultant at Lontreprise Consulting Ltd. Mr. Lam obtained a master degree of Professional Accounting and a master degree in e-commerce from Hong Kong Polytechnic University. Mr. Lam is an associate member of various professional organizations, namely The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Company Secretaries and The Hong Kong Institute of Bankers. Mr. Lam is also a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants ("HKICPA").

Mr. Lam is currently an independent non-executive director of Synertone Communication Corporation, a company listed on the SEHK (stock code: 1613), Brilliant Circle Holdings International Limited, a company listed on the SEHK (stock code: 1008) and Xingfa Aluminium Holdings Limited, a company listed on the SEHK (stock code: 98).

SENIOR MANAGEMENT

CHOI WAI HIN
Chief Financial Officer

Mr. Choi Wai Hin ("Mr. Choi"), aged 41, joined the Group in December 2019 and has been appointed as the chief financial officer of the Company, responsible for overseeing the Group's finance and capital market operations.

Prior to joining the Group, Mr. Choi was the chief financial officer of Karrie International Holdings Limited, a company listed on the SEHK (stock code: 1050) from August 2014 to December 2019 and also worked in KPMG for more than ten years. He has extensive experience in auditing, accounting, financial management and has been involved in a number of initial public offering transactions and capital market transactions.

Mr. Choi graduated from The Hong Kong Polytechnic University with a bachelor degree in accountancy. He is a Fellow of the Hong Kong Institute of Certified Public Accountants.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Zhang Wei
(Executive Chairman and Chief Executive Officer)
Mr. Chen Zhiyong
(Executive Director and Chief Operating Officer)
Mr. Liu Ning
(Lead Independent Non-Executive Director)
Mr. Dong Xincheng
(Independent Non-Executive Director)
Mr. Lam Ying Hung Andy
(Independent Non-Executive Director)

AUDIT COMMITTEE

Mr. Lam Ying Hung Andy (Chairman)
Mr. Dong Xincheng
Mr. Liu Ning

NOMINATING COMMITTEE

Mr. Dong Xincheng (Chairman)
Mr. Lam Ying Hung Andy
Mr. Liu Ning

REMUNERATION COMMITTEE

Mr. Liu Ning (Chairman)
Mr. Dong Xincheng
Mr. Lam Ying Hung Andy

COMPANY SECRETARIES

Ms. Shirley Tan Sey Liy *(ACG, ACS)*
Mr. Man Yun Wah *(ACG, ACS)*

REGISTERED OFFICE

100H Pasir Panjang Road #01-01
OC@Pasir Panjang
Singapore 118524

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

33th Floor, Building No. 1
Fangdacheng, Longzhu Forth Road No. 2
Nanshan District, Shenzhen City
Guangdong Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 912, 9/F, Two Harbourfront
22 Tak Fung Street, Hunghom, Kowloon, Hong Kong

AUDITORS

BDO Limited
25th Floor, Wing on Centre
111 Connaught Road Central
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

China Construction Bank (Henan Branch)
80 Garden Road, Zhengzhou City
Henan Province
The PRC 450003

China Construction Bank (Hainan Branch)
Jian Hang Building, Guo Mao Main Road
Haikou City, Hainan Province
The PRC 570125

Shanghai Pudong Development Bank (Shenzhen Branch)
1st Floor, Futian CBD
Fuhua 3rd Road, Futian Qu
Shenzhen City, Guangdong Province
The PRC 518048

United Overseas Bank Ltd
80 Raffles Place
UOB Plaza
Singapore 048624

CORPORATE GOVERNANCE REPORT

WEIYE HOLDINGS LIMITED (the "Company") and its subsidiaries (collectively, the "Group") are committed to maintaining high standards of Corporate Governance to advance its mission to create value for the Group's customers and shareholders.

This Corporate Governance Report states the manner in which the Group has applied the principles and the extent of compliance with the guidelines as set out in the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK") to provide the structure through which the objectives of protection of shareholders' interest and enhancement of long term shareholders' value are met. Throughout the financial year ended 31 December 2020, the Group has complied with the CG Code, except the deviation of code provision A.2.1 of the CG Code as disclosed hereinafter.

BOARD MATTERS

Board's Conduct of its Affairs

The board (the "Board") of directors (the "Directors") of the Company oversees the Group's overall policies, setting Company's values and standards, strategies and objectives, reviewing management performance, identifying key stakeholder groups, key operational initiatives, performance and measurement, internal controls and risk management, major funding and investment proposals, financial performance reviews, corporate governance practices and sustainability issues. Approval of the Board is required for matters such as corporate restructuring, mergers and acquisition, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, share issuance, dividend and other returns to shareholders, acceptances of bank facilities, annual budget, release of the Group's interim and annual financial results and interested person transactions of a material nature.

All Directors exercise due diligence and independent judgement in dealing with the business affairs of the Group and are obliged to act in good faith and objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company.

To assist the Board in the execution of its responsibilities, the Board delegates its decision-making authority to three supporting committees, namely the Audit Committee (the "AC"), the Nominating Committee (the "NC") and the Remuneration Committee (the "RC") (collectively, the "Board Committees"). These Board Committees operate within clearly defined Terms of Reference and they play important roles in ensuring good corporate governance in the Company and within the Group. These Terms of Reference will be reviewed on a regular basis to ensure their continued relevance and are available on the websites of the SEHK and the Company.

The Board conducts regular scheduled Board meetings at least four times a year to, among others, approve the interim and annual results announcement and to review the operations and performance of the Group. The schedule of all the regular Board and Board Committees meetings for the calendar year is usually given to all the Directors well in advance in accordance with the Terms of Reference and the Listing Rules. Board meetings may also be convened as and when they are deemed necessary in between the scheduled meetings to address any specific significant matters that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions.

Notice of regular Board meetings is served to all the Directors at least 14 days before the meetings. For other Board and Board Committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all the Directors at least 3 days before each Board or Board Committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

The Constitution of the Company provides for the Board to convene meetings by ways of tele-conferencing, video conferencing, audio or other similar communications equipment. When a physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means and the circulation of written resolutions for approval by the relevant members of the Board or Board Committees.

CORPORATE GOVERNANCE REPORT

The Directors for the year ended 31 December 2020 and up to the date of this annual report were as follows:

Executive Directors

Mr. Zhang Wei (Chairman and Chief Executive Officer)
Mr. Chen Zhiyong

Independent Non-Executive Directors

Mr. Liu Ning
Mr. Dong Xincheng
Mr. Lam Ying Hung Andy

The attendances of the Directors at the general meetings, Board meetings and Board Committees meetings held during the year ended 31 December 2020 are as follows:

	Attendance/Number of meetings				
	General meetings	**Board meetings**	**Audit Committee meetings**	**Nominating Committee meeting**	**Remuneration Committee meeting**
Mr. Zhang Wei	2/2	4/4	2/2*	1/1*	1/1*
Mr. Chen Zhiyong	2/2	4/4	2/2*	1/1*	1/1*
Mr. Dong Xincheng	2/2	4/4	2/2	1/1	1/1
Mr. Lam Ying Hung Andy	2/2	4/4	2/2	1/1	1/1
Mr. Liu Ning	2/2	4/4	2/2	1/1	1/1

* By invitation

The Board has adopted internal guideline setting forth matters that require Board's approval. The Board has identified, including but not limited to, the following areas for which the Board has direct responsibility for decision making within the Group:

– Approval of the Group's major investments/divestments and funding decisions;

– Approval of the Group's interim and annual financial result announcements for release to the SEHK;

– Approval of any agreement which is not in the ordinary course of business;

– Approval of any major borrowings or corporate guarantees in relation to borrowings;

– Entering into any profit-sharing arrangement;

– Entering into any foreign exchange hedging transactions;

– Appointment or removal of any key executive and legal representative;

– Incorporation or dissolution of any material subsidiary;

– Issuance of shares or declaration of dividends;

– Approval of the annual report and audited financial statements;

– Convening general meetings;

CORPORATE GOVERNANCE REPORT

- Approval of corporate strategies;

- Approval of material acquisition and disposal of assets; and

- Approval of announcements or press releases concerning the Group for release to the SEHK.

The Directors are also updated regularly with the changes to the Listing Rules, risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.

New releases issued by the SEHK which are relevant to the Directors are circulated to the Board. The Company Secretaries informed the Directors of upcoming conferences and seminars relevant to their roles as Directors. Annually, the External Auditors update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

Appropriate briefing and orientation will be arranged for newly appointed Directors to familiarise them with the Group's business operations, strategic directions, directors' duties and responsibilities and the corporate governance practices. They will also be given opportunities to visit the Group's operational facilities and meet the Management so as to gain a better understanding of the Group's business.

The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the Listing Rules that affect the Company and/or the Directors in discharging their duties.

The shares of the Company have been listed on the Main Board of the SEHK since 6 April 2016. In order to comply with Rule A.6.5 of Appendix 14 to the Listing Rules, the Company has provided information related to the changes in the Listing Rules to the Directors to update and refresh the Directors' knowledge on the latest developments to the Listing Rules. The Company will continuously update the Directors on the latest developments to the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance the Directors' awareness of good corporate governance practices. The Company may from time to time arrange the training for the Directors at the Company's costs.

Newly appointed Directors receive appropriate training such as accounting, legal and industry specific knowledge, if required. The Group provides background information about its history, mission and values to its Directors. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company during Board meetings. A service contract or letter of appointment would be furnished to every newly-appointed Director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as member of the Board.

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

There is presently a strong and independent element on the Board. Three independent non-executive Directors make up over a half of the Board and the independence of each independent non-executive Director has been reviewed by the NC. The NC is of the view that all the independent non-executive Directors are independent to the Company.

The criteria for independence are determined based on the definition as provided in the Listing Rules and the independence of each independent non-executive Director is reviewed annually by the NC. The Board considers an independent non-executive Director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment of the Group's affairs.

Mr. Dong Xincheng has served the Board for more than nine years since his first appointment as a Director in August 2011. Notwithstanding his long service to the Board, he is considered remaining independent to the Company by complying with Rule 3.13 of the Listing Rules. The Board considers that Mr. Dong Xincheng's objective and independent advice based on his extensive experience and knowledge remains important and valuable to the Company.

The Board constantly examines its Board size with a view to determining the optimum size for effective decision-making. The Board taking into account the scope and nature of the operations of the Company, the requirement of the business and the need to avoid undue disruptions from the change in commotion of the Board and Board Committees. The Board is of the view that its current size is appropriate, which facilitates effective decision-making.

The Board and Board Committees provide an appropriate balance and diversity of skills. The Directors bring with them a wealth of expertise and experience in areas such as accounting, finance, legal, business or management experience and industry knowledge as well as knowledge of the Company and the Group. Its composition enables the Management to benefit from a diverse and objective perspective on any issues raised before the Board.

Independent non-executive Directors exercise no management functions in the Group. The role of the independent non-executive Directors is particularly important in ensuring that the strategies proposed by Management are fully discussed and rigorously examined and reviewing the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The Company co-ordinates informal meeting sessions between the executive Chairman and the independent non-executive Directors where necessary without the presence of the Management and the other Directors to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the executive Directors.

Chairman and Chief Executive Officer

The Executive Chairman and Chief Executive Officer, Mr. Zhang Wei undertakes the overall business operations and management of the Group and report to the Board of the Group. This deviates from code provision A.2.1 of the CG Code which requires that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. However, the Board considers Mr. Zhang Wei is familiar with the culture and operations of the Company and has extensive experience in the real estate industry. The Directors consider the vesting 2 roles in the same individual will not impair the balance of power and authority between the Directors and the management of the Group. In addition, he is responsible for setting business strategies and managing the Group, which involves high-level decisions about policy and strategy, motivating employees, and driving change within the organization.

CORPORATE GOVERNANCE REPORT

The responsibilities of the Executive Chairman and Chief Executive Officer include, among others:

(1) Leading the Board to ensure its effectiveness on all aspects of its role;

(2) Setting its agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;

(3) Ensuring that all Board meetings are convened and held as and when required;

(4) Ensuring that Directors receive accurate, timely and clear information;

(5) Ensuring effective communication with shareholders;

(6) Promoting a culture of openness and debate at the Board level;

(7) Encouraging constructive relations within the Board and between the Board and Management;

(8) Facilitating the effective contribution of the independent non-executive Directors;

(9) Ensuring that proper procedures are set to comply with the Code and promoting high standards of corporate governance; and

(10) Acting in the best interest of the Group and of the shareholders.

All major decisions are made in consultation with the Board, where over a half of the Board comprises independent non-executive Directors. The Board is of the opinion that the process of decision making by the Board has been independent and based on collective decisions without any individual or small group of individuals dominating the Board's decision making.

The performance and appointment of the Executive Chairman and Chief Executive Officer to the Board are reviewed periodically by the NC and the remuneration package is reviewed periodically by the RC.

The composition of AC, NC and RC comprises independent non-executive Directors only. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

Nominating Committee

The NC, regulated by a set of written Terms of Reference, comprises three independent non-executive Directors.

Mr. Dong Xincheng (Chairman)
Mr. Lam Ying Hung Andy
Mr. Liu Ning

The principal functions of the NC are to, among others:

– Review the structure, size and composition of the Board;

– Review the board succession plans for directors, in particular the Chairman and Chief Executive Officer;

– Develop a process for evaluating the performance of the Board, its committees and directors;

CORPORATE GOVERNANCE REPORT

- Review training and professional development programs for the Board;

- Review the background, academic and professional qualification and make recommendation to the Board on all the candidates nominated for appointment to the Board and Board Committees of the Company and of its subsidiaries;

- Review annually on the independence of the independent non-executive Directors;

- Identify and recommend Directors who are retiring by rotation to be put forward for re-election;

- Review the ability of a Director to adequately carry out his duties as Director when the Director's has multiple Board representations; and

- Assess the effectiveness of the Board as a whole.

The NC makes recommendations to the Board on all Board appointments and is responsible for the re-nomination of Directors at regular intervals, through nomination process which take into consideration the Directors' contribution and performance at Board meetings, including attendance and participation.

The NC is responsible to review the Board Diversity Policy, as appropriate; and review the measurable objectives that the board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and make disclosure of its review results in the Corporate Governance Report annually.

Where a Director has multiple Board representations, the NC will evaluate whether the Director is able to and has adequately carried out his or her duties as Director of the Company by taking into consideration the contribution and the respective Directors' attendance at the Board meeting. The Board is satisfied that Directors who have multiple board representations have devoted sufficient time and attention to the affairs of the Group. Their multiple board representations do not hinder their abilities to carry out their duties as Directors of the Company. Accordingly, the Board, with the concurrence of the NC, has agreed that the Company shall not impose a maximum number of listed board representations on the Directors as the Board is of the opinion that setting a fixed number would not adequately take into account the varied circumstances of each Director and the NC will instead focus on whether a Director has sufficient time to adequately discharge his or her duties to the Company. The NC would monitor and determine annually, on a case-by- case basis, whether Directors have given sufficient time and attention to the affairs of the Company and adequately carry out his or her duties as a Director of the Company.

The Board, based on the recommendations of the NC will conduct search and selection process to ensure that Directors appointed possess the background, experience and knowledge critical to the Group's business and each Director, through his or her unique contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decision to be made.

Each executive Director has entered into a service contract with the Company for a term of 3 years, while each independent non-executive Director has entered into a letter of appointment with the Company for a term of 3 years.

In accordance with the Company's Constitution, each Director is required to retire at least once in every three years by rotation and all Directors newly appointed by the Board will have to retire and, being eligible, offer themselves for re-election at the next annual general meeting (the "AGM") following their appointments.

Each member of the NC shall abstain from voting on any resolutions in respect of his or her re-nomination as a Director.

CORPORATE GOVERNANCE REPORT

The NC recommended that Mr. Liu Ning and Mr. Lam Ying Hung Andy (collectively, the "Retiring Directors"), be nominated for re-election at the forthcoming AGM. The Board had accepted the NC's recommendation and the Retiring Directors will be offering themselves for re- election at the forthcoming AGM.

For the year ended 31 December 2020, the NC is of the view that the independent non-executive Directors are independent (as defined in Listing Rules) and are able to exercise judgment on the corporate affairs of the Group independent of the Management.

Although some of the Directors have other Board representation, the NC is satisfied that these Directors are able to and have adequately carried out their duties as the Directors and given sufficient time and attention to the Company's affairs.

The key information regarding the Directors such as academic and professional qualifications, Board Committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive are set out on pages 20 to 22 of this annual report.

Access to Information

The Board is provided with adequate and timely information on Board affairs and issues that require the Board's decision. All the Directors have separate and independent access to the Group's senior management and the company secretaries at all times. Requests for information from the Board are dealt with promptly by the management. The Board is informed of all material events and transactions as and when they occur. The management also consults with the Board members regularly whenever necessary and appropriate.

All the Directors are provided with complete and adequate information including board papers and related materials in relation to financial such as budgets, forecasts and financial statements, business and background or explanatory information relating to corporate matters of the Group prior to Board meetings and on an ongoing basis so as to enable the Directors to oversee the Group's operational and financial performance. The Directors are also informed of any material variance between projections and actual results or significant developments or events relating to the Group.

The company secretaries or their representative administers attend and prepare minutes of all the Board and the Board Committees meetings and assist the chairman of the Board, AC, RC and NC in ensuring that proper procedures at such meetings are followed and reviewed so that the Board and the Board Committees function effectively. The company secretaries or their representatives' roles are to advise the Board on all governance matters, ensuring that legal and regulatory requirements as well as Board policies and procedures are complied with.

Each Director, the Board or the Board Committees may seek independent professional advice at the Company's expenses, subject to the approval of the Executive Chairman, in fulfilling their duties and responsibilities and such costs will be borne by the Company. The appointment and removal of the company secretaries are subject to the consideration and approval of the Board as a whole.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The RC, regulated by a set of written Terms of Reference, comprises three independent non-executive Directors.

Mr. Liu Ning (Chairman)
Mr. Dong Xincheng
Mr. Lam Ying Hung Andy

The key functions of the RC include, among others:

– Reviewing and approving the policy for determining the remuneration of executives of the Group, including that of our executive Directors, Chief Executive Officers and other key management executives;

– Reviewing the on-going appropriateness and relevance of the executive remuneration policy and other benefit programs;

– Considering, reviewing and approving the remuneration package and service contract terms for individual executive Directors and each member of key management having regard to the executive remuneration policy for each of the companies within the Group and with reference to the Board's corporate goals and objectives;

– Making recommendation to the Board and approving the remuneration framework for non-executive Directors on the relevant boards of directors within the Group;

– Reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

– Reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

– Ensuring that no Director or any of his associates is involved in deciding his own remuneration;

– Considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

– Reviewing and approving the remuneration framework of the Directors and key management executives; and

– Reviewing and submitting its recommendations for endorsement by the Board, any option plans, stock plans and/or other equity based plans which may be set up from time to time.

The RC recommends to the Board a framework for the remuneration for the Directors and key management executives and determines specific remuneration packages for each executive Director and key management executive. The RC's recommendations are made in consultation with the Executive Chairman and are submitted for endorsement by the entire Board.

Each Director shall abstain from voting on any resolution and making any recommendation and/or participating in any deliberation in respect of his or her own remuneration. The payment of Directors' fees is subject to the approval of shareholders of the Company at AGM.

CORPORATE GOVERNANCE REPORT

In reviewing the service agreements of the executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

In setting remuneration packages, the Company takes into consideration the remuneration packages and employment conditions within the industry as well the Group's relative performance and the performance of each of the Directors.

The executive Directors do not receive directors' fees. The remuneration packages of the executive Directors and the key management personnel are structured link to corporate and individual performance as well as commensurate with their respective job scope and the level of responsibilities after taking into account the risk polices of the Company. It comprises primarily a basic salary component and a variable component which is the bonuses and other benefits.

The Company does not have any employee share option scheme or any long-term incentive scheme in place.

The independent non-executive Directors are paid directors' fees taking into account factors such as the effort and time spent and the scope of responsibilities of the independent non-executive Directors. The chairman of each Board Committees is compensated for his or her additional responsibilities. The directors' fees are recommended by the Board for approval at the AGM. The Board ensures that the independent non-executive Directors are not over-compensated to the extent that their independence may be compromised.

The Company currently does not have any scheme(s) to encourage independent non-executive Directors to hold shares of the Company so as to better align the interests of such independent non-executive Directors with the interests of shareholders. However, the Company will consider and review the feasibility for having such scheme, as and when is appropriate.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. Each of the Directors shall have the duties of care and skill and fiduciary duties to the Company. The Company should be able to avail itself to remedies against the Directors in the event of such breach of fiduciary duties.

Immediate Family Members of Directors or Chief Executive Officer

Save as disclosed below, none of the Directors or executive officers are related by blood or marriage to one another nor are they related to any of the substantial shareholders of the Company.

The immediate family members of Directors are as follows:

(a) Mr. Chen Zhiyong is the brother-in-law of Mr. Zhang Wei; and

(b) Mr. Ma Wei, the vice president of Henan region, is the cousin of Mr. Zhang Wei.

Accountability and Audit

The Board understands its accountability to the shareholders on the Group's position, performance and progress. The objectives of the presentation of the annual financial statements and announcements of financial results are to provide shareholders with a balanced and understandable assessment of the Company and Group's performance, position and prospects. The Board acknowledge their responsibilities for preparing the Group's accounts which gives a true and fair view of the financial position of the Group. The statement by the external auditors about their reporting responsibilities on the financial statements is set out in the independent auditor's report on pages 47 to 50 of this annual report.

CORPORATE GOVERNANCE REPORT

The management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a regular basis and when deemed appropriate by particular circumstances.

The management maintains regular contact and communication with the Board by various means including the preparation and circulation to all the Board members of management accounts on financial information and position of the Group. This allows the Board to monitor the Group's performance and position as well as the management's achievements of the goals and objectives determined and set by the Board from time to time.

The Directors are aware of the requirements under the applicable regulations and the Listing Rules for the handling and dissemination of inside information. All the inside information identified by the Directors shall be published and disclosed to the public timely through the Company's publications and communications, unless the information falls within safe harbours as prescribed in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Risk Management and Internal Controls

The Group maintains a system of internal controls for all companies within the Group, but recognises that no cost-effective internal controls system will preclude all errors and irregularities. The system is designed to manage rather than to eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss after taking the Company's risk tolerance and risk polices into consideration. Annually the Board reviews the adequacy of the risk management and internal control system in place which address the financial, operational, compliance and information technology risks and the objectives of these controls are to provide reasonable, but not absolute, assurance that there are no material financial misstatements or material loss, there are maintenance of proper accounting records, financial information, shareholders' investments and the Group's assets are safeguarded.

As the Company does not have a risk management committee, the Board and management assume the responsibility of overseeing the Company's risk management framework and function. The management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. The management reviews significant policies and procedures and highlights significant matters to the Board and the AC.

Relying on the reports from the internal auditors, the AC reviews the effectiveness of the Group's internal controls systems. Any material non-compliance or weaknesses in internal controls or recommendations from the internal auditors to further improve the internal controls were reported to the AC directly. The AC will also follow up on the actions taken by the management and on the recommendations made by the internal auditors against the material non-compliance or weaknesses in relation to internal controls.

The external auditors and internal auditors have not reported to AC any material internal controls weakness identified in the course of audit of the Group's consolidated financial statements for the year ended 31 December 2020.

Based on the discussions with the management and the reports from the internal auditors and external auditors, periodic reviews by the management and to the best knowledge and belief of the Board, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal controls systems were effective and adequate in addressing material financial, operational, compliance and information technology risks of the Group during the year ended 31 December 2020 in meeting the current needs of the Group's business operations and provide reasonable, but not absolute, assurance against material financial misstatements or material loss and to safeguarding the Group's assets.

CORPORATE GOVERNANCE REPORT

Audit Committee

The AC, regulated by a set of written Terms of Reference, comprises three independent non-executive Directors.

Mr. Lam Ying Hung Andy (Chairman)
Mr. Dong Xincheng
Mr. Liu Ning

The AC performs, among others, the following functions:

1. review with the external auditors the audit plan, scope of work, their evaluation of the system of internal accounting controls, their management letter and the management's response, and results of the audits conducted by the Group's internal and external auditors;

2. monitor the integrity of and review the annual and interim financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Listing Rules and any other statutory or regulatory requirements;

3. review the risk profile of the Group, effectiveness and adequacies of its internal controls and risk management procedures, including financial, operational, compliance and information technology controls and procedures and the appropriate steps to be taken to mitigate and manage risks at acceptable levels determined by the Board;

4. ensure co-ordination between the external and internal auditors and the management, and review the assistance given by the management to the external and internal auditors, and discuss problems and concerns, if any, arising from the audits, and any matters which the external and internal auditors may wish to discuss (in the absence of the management where necessary);

5. review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

6. consider the appointment, remuneration, terms of engagement or re-appointment of the external and internal auditors and matters relating to the resignation or dismissal of the auditors;

7. review the appointments of persons (upon appointment and upon renewal of their respective service contracts), occupying managerial positions who are related to the Directors, Chief Executive Officer or the controlling shareholders of the Group, including their remuneration;

8. evaluate the independence of the external auditors;

9. develop and implement policy on engaging an external auditor to supply non-audit services;

10. consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and Management's response to these findings;

11. review the adequacy of the internal audit function and ensure that a clear reporting structure is in place between the AC and the internal auditors;

12. review any potential conflicts of interests;

13. review the adequacy of potential business risk management processes;

CORPORATE GOVERNANCE REPORT

14. review and approve all hedging policies and instruments (if any) to be implemented by the Group;

15. undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

16. review and sight all resignation letters of the legal representatives of the Group's People's Republic of China (the "PRC") subsidiaries, which have been signed in advance, and such letters shall be held in custody by the Company's Company Secretaries;

17. review and establish procedures for receipt, retention and treatment of complaints received by the Group, inter alia, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group; and

18. generally undertake such other functions and duties as may be required by statute or the Listing Rules, and by such amendments made thereto from time to time.

The AC has full access to and co-operation of the management, and has full discretion to invite any Director or executive officer to attend its meetings. It also has reasonable resources to enable it to discharge its functions. The AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rules or regulations (and of any other jurisdictions that imposed upon the Group as and when applicable) which has or is likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC shall abstain from reviewing any particular transaction or voting on such resolution in respect of which he or she is or may be interested in.

The AC recommends to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and approval of the remuneration of the external auditors. The AC has recommended to the Board that Messrs BDO Limited ("BDO") be nominated for re-appointment as external auditors of the Company at the forthcoming AGM. The Company confirmed that Rule 13.88 of the Listing Rules had been complied with.

The AC meets with the external auditors and internal auditors without the presence of the executive Directors and the management, as and when necessary, to review the adequacy of audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the external auditors and internal auditors. The AC, having reviewed the non-audit services provided by the external auditors, is satisfied that the nature and extent of such services does not prejudice the independence and objectivity of the external auditors. For the year ended 31 December 2020, the total amount of audit fees paid to BDO, the auditors of the Company, was approximately RMB2.27 million, of which approximately RMB1.69 million was related to audit fees and approximately RMB0.58 million was related to non-audit service. The non-audit service provided by BDO to the Group for the year ended 31 December 2020 was for the very substantial disposal of the Company.

CORPORATE GOVERNANCE REPORT

The Company has developed a whistle blowing policy. This policy provides well-defined and accessible channels in the Group through which employees are able to raise concerns about improper conduct within the Group free of stress and restrictions by post or email to the chairman of the AC or the company secretaries. As of to-date, there were no reports received through the whistle-blowing mechanism.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors to keep abreast of changes to accounting standards and issues which have direct impact on financial statements. No former partner or director of the Company's existing auditing firm or auditing corporation, within a period of 2 years from the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation, has acted as a member of the AC.

Internal Audit

The Board recognises the importance of the internal audit function which being independent of management is one of the principal means by which the AC is able to carry out its responsibilities effectively. The Company outsources its internal audit function to an external consultant. The internal auditor has unfettered access to all Company's documents, record properties and personnel including access to the AC.

The internal auditor has conducted parts of its audit plan and put forward its findings and recommendations to the AC for review. The internal auditor has a direct and primary reporting line to the AC and assists the AC in overseeing and monitoring the implementation of improvements required on internal control weakness identified. The AC has reviewed the annual internal audit plan for the year ended 31 December 2020 and is satisfied that the internal audit functions have been adequately resourced and having appropriate standing within the Company.

The AC is satisfied that the internal audit function is staffed by appropriate qualified and experienced professionals with the relevant experience. The AC would annually review the adequacy and effectiveness of the internal audit functions of the Company.

COMMUNICATIONS WITH THE SHAREHOLDERS

Shareholder Rights

The Company does not practice selective disclosure. In line with the continuous obligations of the Company under the Listing Rules and the Companies Act, Chapter 50 of the Laws of Singapore, the Board's policy is to facilitate the exercise of ownership rights by all shareholders to ensure that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group.

All shareholders are entitled to attend and are provided the opportunity to participate in the general meetings of the Company. At the general meetings, shareholders are given opportunity to voice their views, raise their concerns with the Directors or question the management on matters relating to the Group and its operations. The company also informed of the rules, including voting procedures, which govern general meetings of shareholders. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance as prescribed by the Company and in accordance with the requirements of the Listing Rules from time to time.

The Directors may, whenever they think fit, convene an extraordinary general meeting (the "EGM") and the EGM shall also be convened on such requisition or, in default, may be convened by such requisitionists, including members holding a minority stake in the Company which have shareholdings not higher than 10.0%. The requisitionists shall deposit a written notice with detailed contact information and items to be considered at such EGM to the Company's registered office in Singapore.

CORPORATE GOVERNANCE REPORT

The Company is committed to disclose to its shareholders the information in a timely, fair and transparent manner via the HKEXnews website. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is made through:

- annual reports that are prepared and sent to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Listing Rules and International Financial Reporting Standards and/or any other requirements that the Company and the Group are required to comply with from time to time;

- interim and annual financial results announcements containing a summary of the financial information and affairs of the Group for that period; and

- notices of explanatory memorandum for the AGM and the EGM. The notice of AGM and EGM are also published on the websites of the Company and the SEHK, and circulated to the shareholders who are entitled to attend and vote at the AGM or the EGM.

The Company's website is at http://www.weiyeholdings.com where our shareholders can access financial information, corporate announcements, press releases, annual reports and profile of the Group. Contact details and channels of communications with shareholders and public remain open and relevant information is duly updated and conveyed via the Company's websites and email channels.

The Company does not practice selective disclosure. Price sensitive information is first publicly released through the HKEXnews website, either before the Company meets with any investors or analysts. All shareholders of the Company will receive the annual report enclosing notice of AGM by post within the prescribed period, which is held within six months after the close of the financial year.

The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

For enquiries about the Company's information, the shareholders of the Company may contact Ms. Shirley Tan Sey Liy or Mr. Man Yun Wah, the company secretaries of the Company, whose contacts are as follows:

Ms. Shirley Tan Sey Liy
Email address: **shirley.tan@incorp.asia**

Mr. Man Yun Wah
Email address: **guy.man@incorp.asia**

or send enquiries in writing to the Company's registered office in Singapore at 100H Pasir Panjang Road #01-01 OC@Pasir Panjang, Singapore 118524; the principal place of business in the PRC at 33th Floor, Building No. 1, Fangdacheng, Longzhu Forth Road No. 2, Nanshan District, Shenzhen City, Guangdong Province, the PRC; or the principal place of business in Hong Kong at Unit 912, 9/F., Two Harbourfront, 22 Tak Fung Street, Hunghom, Kowloon, Hong Kong.

The constitution of the Company has been published on the websites of the SEHK and the Company respectively.

CORPORATE GOVERNANCE REPORT

Conduct of Shareholder Meeting

The shareholders of the Company are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. The Company's constitution made appropriate provisions in to allow for absentia voting at general meetings of shareholders. Notice of general meeting is dispatched to the shareholders of the Company, together with explanatory notes or a circular on items of special businesses (if necessary), at least i) 21 clear business days' notice for any AGM and any EGM at which it is proposed to pass a special resolution or a resolution of which special notice has been given to the Company; and ii) 14 clear business days' notice for all other EGM.

The Board establishes and maintains regular dialogue with the shareholders of the Company to gather views or inputs and welcomes questions from the shareholders of the Company who wish to raise issues or concerns, either informally or formally before or during the general meetings. Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

All the Directors include the chairman of the Board are normally present at the general meeting. The chairmans of the AC, NC and RC are normally present and available to address questions relating to the work of their respective Committees at general meetings. Furthermore, the external auditors are present to assist the Board in addressing any relevant queries raised by the shareholders.

The Company will make available minutes of general meetings to the shareholders of the Company that include substantial and relevant comments or queries from the shareholders of the Company relating to the agenda of the general meetings, and responses from the Board and management, upon their request.

The Company adheres to the requirements of the Listing Rules, all resolutions at the Company's general meetings held are put to vote by poll. For cost effectiveness, the voting for resolutions at the general meetings is conducted by manual polling. The detailed results showing the number of votes cast for and against each resolution are announced via the HKEXnews website after the general meetings.

DEALINGS IN COMPANY'S SECURITIES

In compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, the Company has adopted its own internal compliance code pursuant to the Model Code's best practices on dealings in securities and these are applicable to all its Officers in relation to their dealings in the Company's securities. In furtherance, specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with the Model Code for the year ended 31 December 2020.

The Company and its Officers are not allowed to deal in the Company's shares during the period commencing 30 days immediately before the announcement of the Company's interim results and 60 days immediately before the announcement of the Company's annual results, and ending on the date of the announcement of the relevant results.

The Directors, management and executives of the Group are also expected to observe relevant insider trading laws at all times, even when dealing in securities within permitted trading period or they are in possession of unpublished price-sensitive information of the Company and they are not to deal in the Company's securities on short-term considerations.

CONNECTED TRANSACTION

The Group has established procedures to ensure that all transactions with connected person (as defined under the Listing Rules) are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

The Board and the AC will review all connected transactions to be entered into to ensure that the relevant rules under Chapter 14A of the Listing Rules are complied with.

During the year ended 31 December 2020, there were no connected transactions within the meaning under the Listing Rules.

CORPORATE GOVERNANCE REPORT

CONTINUING CONNECTED TRANSACTIONS

There were no transactions with connected persons which constitute continuing connected transactions within the meaning under the Listing Rules for the year ended 31 December 2020.

RELATED PARTY TRANSACTIONS

The Group entered into certain related party transactions with its related parties during the year ended 31 December 2020. Details of the significant related party transactions are set out in Note 39 to the consolidated financial statements for the year ended 31 December 2020.

MATERIAL CONTRACTS

Save as disclosed in this annual report, no controlling shareholder had a material interest, either directly or indirectly, in any contract of significance (whether for the provision of services to the Company or not) to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2020.

Save as disclosed in this annual report, none of the Directors or senior management had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2020.

CORPORATE GOVERNANCE FUNCTIONS

The Board is performing the corporate governance duties as set out in code provision D.3.1 of the CG Code, which, among other things, are as follows:

i. To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

ii. To review and monitor the training and continuous professional development of Directors and senior management of the Company;

iii. To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

iv. To develop, review and monitor the code of conduct and compliance; and

v. To review the Company's compliance with the CG Code and disclosure in the corporate governance report.

COMPANY SECRETARIES

Ms. Shirley Tan Sey Liy and Mr. Man Yun Wah have been nominated by In. Corp Corporate Services Pte Ltd. (formerly known as RHT Corporate Advisory Pte. Ltd.) and In. Corp Corporate Services (HK) Limited (formerly known as RHT Corporate Advisory (HK) Limited), respectively, to act as the company secretaries.

Mr. Man Yun Wah is one of the company secretaries and has complied with the requirements of the Listing Rules respectively. They have been contacting with the Board and the chief financial officer of the Company directly in respect of company secretarial matters.

DIRECTORS' STATEMENT

Year ended 31 December 2020

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

The Board is of the opinion that:

(a) consolidated financial statements set out on pages 51 to 163 are drawn up so as to give a true and fair view of the financial position of the Group and Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the International Financial Reporting Standards and have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance; and

(b) at the date of this report, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. There were no significant changes in the nature of the Group's principal activity during the year ended 31 December 2020.

OPERATIONS REVIEW

Details of the operations review and the financial review of the Group are set out in the annual report under section headed "Operations Review" on pages 8 to 15 of this annual report and the section headed "Financial Review" pages 17 to 19 of this annual report, respectively.

RESULTS AND DIVIDENDS

The Group's result 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 51 to 53.

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

INVESTMENT PROPERTIES

Investment properties decreased by approximately RMB3.0 million (2019: increased by RMB13.9 million) for the year ended 31 December 2020 mainly due to changes in fair value of investment properties.

Details of movements in the investment properties of the Group during the year ended 31 December 2020 are set out in Note 7 to the consolidated financial statements for the year ended 31 December 2020.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2020 are set out in Note 4 to the consolidated financial statements for the year ended 31 December 2020.

LOANS AND BORROWINGS

Particulars of the loans and borrowings of the Group as at 31 December 2020 are set out in Note 25 to the consolidated financial statements for the year ended 31 December 2020.

DIRECTORS' STATEMENT

Year ended 31 December 2020

SHARE CAPITAL

Details of the Company's issued share capital during the year ended 31 December 2020 are set out in Note 22 to the consolidated financial statements for the year ended 31 December 2020. There were no movements in the Company's issued share capital during the year ended 31 December 2020.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the constitution of the Company or laws of Singapore where the Company is incorporated.

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holdings of the Company's shares.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

There was no purchase, redemption or sale of listed securities of the Company during the year ended 31 December 2020.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity and Note 24 to the consolidated financial statements for the year ended 31 December 2020.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company had no reserve available for distribution as it is in an accumulated loss position.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases to the major customers and suppliers, respectively, during the year ended 31 December 2020 is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
	%	%
The largest customer	0.15	–
Five largest customers in aggregate	0.95	–
The largest supplier	–	13.24
Five largest suppliers in aggregate	–	28.95

To the best of the knowledge of our Directors, none of our Directors, their respective close associates or any shareholder who owns more than 5% of the issued shares of the Company, had any interest in these major customers and suppliers.

DIRECTORS' STATEMENT

Year ended 31 December 2020

DIRECTORS

The Directors for the year ended 31 December 2020 and up to the date of this annual report were as follows:

Executive Directors

Mr. Zhang Wei (Chairman and Chief Executive Officer)
Mr. Chen Zhiyong

Independent Non-Executive Directors

Mr. Liu Ning
Mr. Dong Xincheng
Mr. Lam Ying Hung Andy

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The Company is in compliance with the requirements of the Listing Rules relating to the appointment of at least three (3) independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise, and the independent non-executive directors represented over one-third of the Board.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all the independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the annual report under the section headed "Board of Directors" on pages 20 to 22 of this annual report and section headed "Senior Management" on page 23 of this annual report, respectively.

DIRECTORS' SERVICE CONTRACTS

Each executive Director and independent non-executive Director has entered into a service contract or letter of appointment with the Company for a term of three (3) years.

DIRECTORS' REMUNERATION

The Board has the general power of determining the Directors' remuneration, subject to authorisation of the shareholders of the Company at the AGM each year.

The remuneration and other emoluments are determined by the Board by recommendation of the RC with reference to the duties, responsibilities and performance of the Directors and the results of the Group.

Details of the remuneration of the Directors are set out in Note 31 to the consolidated financial statements for the year ended 31 December 2020.

DIRECTORS' STATEMENT

Year ended 31 December 2020

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group employed a total of 469 (2019: 478) full-time staff.

The Group by reference to performance, contributions and experience determines the remuneration of its staff. The Group depending on necessity may provide internal and external training programme to its staff for enabling them to achieve the high performance standard and self-development.

PERMITTED INDEMNITY PROVISION

Every Director or officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him/her;

(i) in the execution and discharge of his/her duties as an officer or auditor of the Company, unless the same arises through his/her own negligence, wilful default, breach of duty or breach of trust; or

(ii) in defending any proceedings whether civil or criminal (relating to the affairs of the Company) in which judgment is given in his/her favour or in which he/she is acquitted or in connection with any application under the Act in which relief is granted to him/her by the Court unless such proceedings arise through his/her own negligence, wilful default, breach of duty or breach of trust.

Without prejudice to the generality of the foregoing, no Director or officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited or left or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happen through his own negligence, wilful default, breach of duty or breach of trust.

MANAGEMENT CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2020, the interests or short positions of our Directors and chief executive of the Company in the shares of the Company or underlying shares of or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the SEHK pursuant to the provisions of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO") (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to notify the Company and the SEHK pursuant to the Model Code contained in the Listing Rules, will be as follows:

Name of Director	Capacity/ Nature of Interest	Number and class of securities	Approximate percentage of interest
Mr. Zhang Wei (Note)	Beneficial Interest	91,029,648 (L)	46.41%
	Controlled corporation (Note)	15,792,290 (L)	8.05%
Mr. Chen Zhiyong	Beneficial Interest	40,240,256 (L)	20.52%

Note: Mr. Zhang Wei is deemed to be interested in 15,792,290 ordinary shares of the Company held by Fine Skill Holdings Limited, a company wholly-owned by Mr. Zhang Wei.

(L): denotes Long position

DIRECTORS' STATEMENT

Year ended 31 December 2020

Save as disclosed above, as at 31 December 2020, none of the Directors or Chief Executive Officer of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them had taken or deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the SEHK pursuant to the Model Code.

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

As at 31 December 2020, the persons or entities who have interests or short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

Name	Capacity/ Nature of Interest	Number of ordinary shares held	Approximate percentage of interest
Fine Skill Holdings Limited	Beneficial interest	15,792,290 (L)	8.05%

(L): denotes Long position

Save as disclosed above, as at 31 December 2020, the Directors are not aware of any other persons or entities other than our Directors and chief executive of the Company who had an interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Other than disclosed above and in Note 39 to the consolidated financial statements for the year ended 31 December 2020, no transactions, arrangements or contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of or at any time during the year ended 31 December 2020.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group continuously endeavours to promote environmental and social responsibility to employees and contribute to the community. The Group is always in compliance with all the relevant laws and regulations. As a social responsible enterprise, the Group should keep promoting and enhancing the relevant environmental and social sustainable development of the regions and community.

DONATIONS

During the year ended 31 December 2020, the Group made charitable donations amounted to RMB50,000.

DIRECTORS' STATEMENT

Year ended 31 December 2020

COMPLIANCE OF NON-COMPETITION UNDERTAKING

As disclosed in the prospectus of the Company dated 29 March 2016 (the "Prospectus") pursuant to the non-competition undertakings set out in the deed of non-competition dated 10 March 2016, each of our controlling Shareholders, namely Mr. Zhang Wei and Mr. Chen Zhiyong (collectively referred to as the "Controlling Shareholders"), have undertaken to the Company (for itself and on behalf of its subsidiaries) that, amongst other things, each of them is not or will not, and will procure each of their respective close associates not to, directly or indirectly, carry on, participate in, be engaged, interested directly or indirectly, either for their own account or in conjunction with or on behalf of or for any other person in any business in competition with or similar to or is likely to be in competition with the business of the Group upon the Listing of the Company. Particulars of which are set out in the section headed "Relationship with Controlling Shareholders – Independence from Controlling Shareholders – Non-Competition Undertaking" of the Prospectus.

The independent non-executive Directors have reviewed the implementation of the deed of non-competition and are of the view that the Controlling Shareholders had complied with their undertakings given under the deed of non-competition for the year ended 31 December 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company had maintained the prescribed minimum public float as required under Listing Rules.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of, nor at any time during the financial year ended 31 December 2020, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTIONS

The Group had no share option scheme as at the date of this annual report.

AUDITORS

During 2019, KPMG LLP resigned as the auditors of the Company and BDO were appointed as the auditors of the Company. A resolution to re-appoint BDO as the auditors of the Company will be put forth at the forthcoming AGM.

On behalf of the Board of Directors

Zhang Wei
Director

Chen Zhiyong
Director

24 March 2021

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF WEIYE HOLDINGS LIMITED
(incorporated in the Republic of Singapore with limited liability)

OPINION

We have audited the consolidated financial statements of Weiye Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 51 to 163, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flow for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Hong Kong Institute of Certified Public Accountants ("HKICPA")'s "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Assessment of net realisable value of completed properties held for sale and properties under development	
(Refer to Note 20 to the consolidated financial statements)	
The Group has significant completed properties held for sale and properties under development of RMB4,339.1 million in the People's Republic of China (the "PRC"). It represents approximately 56% of the total assets on the consolidated statement of financial position as at 31 December 2020. Completed properties held for sale and properties under development are stated at the lower of their costs and their net realisable values. The determination of the estimated net realisable value of these completed properties held for sale and properties under development is critically dependent upon the Group's estimation of future selling prices and construction costs to complete their projects.	**Our response** Our audit procedures included: – assessing the calculations of net realisable values of completed properties held for sale and properties under development, and challenging the reasonableness and consistency of the assumptions used by the management; – assessing the appropriateness of the Group's estimated selling prices, on a sample basis, by comparing them to, where available, recently transacted prices and prices of comparable properties located in the same vicinity as the development projects; and – assessing the construction costs and interest expenses estimated by the management based on underlying documentation and reasonableness.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Valuation of investment properties	
(Refer to Note 7 to the consolidated financial statements)	
The Group owns a portfolio of investment properties comprising retail units, office units, apartment units and apartment hotel, located in the PRC. Investment properties of RMB478.0 million is significant to the Group as it represents approximately 6% of the total assets on the consolidated statement of financial position as at 31 December 2020. These investment properties are stated at their fair values based on independent external valuations. The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving at the capitalisation, discount and terminal yield rates i.e. a small change in the assumptions can have a significant impact to the valuation.	**Our response** Our audit procedures included: – evaluating the competence, capabilities and objectivity of external valuer; – assessing the methodologies used and the appropriateness of the key assumptions adopted for the valuations; – checking, on a sample basis, the accuracy and relevance of the input data used; and – assessing the adequacy of related disclosures in the notes to the consolidated financial statements.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, 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 these 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 has no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our 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 ISAs 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

From the matters communicated with the directors, 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.

BDO Limited
Certified Public Accountants
Chan Wing Fai
Practising Certificate Number P05443

Hong Kong, 24 March 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	4	84,564	80,788
Intangible assets	5	1,256	1,476
Investment properties	7	478,000	481,000
Joint ventures	9	357,950	110,000
Trade and other receivables	11	192,160	123,160
Deferred tax assets	18	42,923	58,398
		1,156,853	854,822
Current assets			
Inventories	19	17,281	20,592
Development properties and prepaid costs	20	4,339,069	4,755,327
Contract costs	28	39,054	77,259
Trade and other receivables	11	628,654	1,370,221
Contract assets	28	660,736	663,585
Other investments	10	9,000	19,571
Prepaid tax		69,032	138,131
Cash and cash equivalents	21	876,548	981,584
		6,639,374	8,026,270
Total assets		7,796,227	8,881,092
Equity attributable to owners of the Company			
Share capital	22	359,700	359,700
Reserves	24	1,113,444	1,092,877
		1,473,144	1,452,577
Non-controlling interests	27	543,457	314,292
Total equity		2,016,601	1,766,869

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Liabilities			
Non-current liabilities			
Loans and borrowings	25	532,286	787,369
Deferred tax liabilities	18	376,012	370,188
		908,298	1,157,557
Current liabilities			
Loans and borrowings	25	1,453,322	1,617,903
Trade and other payables	26	1,641,790	1,304,010
Contract liabilities	28	1,342,697	2,741,307
Income tax payable		433,519	293,446
		4,871,328	5,956,666
Total liabilities		5,779,626	7,114,223
Total equity and liabilities		7,796,227	8,881,092

On behalf of the Directors of the Group

Zhang Wei
Director

Chen Zhiyong
Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	28	2,777,872	763,062
Cost of sales		(2,141,164)	(595,446)
Gross profit		636,708	167,616
Other income	29	186,503	47,630
Selling and distribution expenses		(63,347)	(46,765)
Administrative expenses		(188,216)	(145,929)
Other operating expenses		(5,289)	(1,730)
Share of loss from joint ventures	9	(3,050)	–
Results from operating activities		563,309	20,822
Net finance costs	30	(58,021)	(39,505)
Profit/(loss) before taxation	31	505,288	(18,683)
Income tax expense	32	(282,775)	(38,183)
Profit/(loss) for the year		222,513	(56,866)
Profit/(loss) attributable to:			
Owners of the Company		23,280	(30,890)
Non-controlling interests	27	199,233	(25,976)
Profit/(loss) for the year		222,513	(56,866)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(3,167)	(4,975)
Total other comprehensive loss for the year, net of income tax		(3,167)	(4,975)
Total comprehensive income/(loss) for the year		219,346	(61,841)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		20,567	(34,110)
Non-controlling interests	27	198,779	(27,731)
Total comprehensive income/(loss) for the year, net of income tax		219,346	(61,841)
Earnings/(losses) per share:			
Basic earnings/(losses) per share (RMB cents)	33	11.87	(15.75)
Diluted earnings/(losses) per share (RMB cents)	33	11.87	(15.75)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company								
	Share capital RMB'000 (Note 22)	Merger reserve RMB'000 (Note 24)	Capital reserve RMB'000 (Note 24)	Foreign currency translation reserve RMB'000 (Note 24)	Statutory reserves RMB'000 (Note 24)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000 (Note 27)	Total RMB'000
At 1 January 2020	359,700	(59,669)	(550)	(21,851)	125,500	1,049,447	1,452,577	314,292	1,766,869
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	23,280	23,280	199,233	222,513
Other comprehensive loss									
Foreign currency translation differences for foreign operations	–	–	–	(2,713)	–	–	(2,713)	(454)	(3,167)
Total other comprehensive loss	–	–	–	(2,713)	–	–	(2,713)	(454)	(3,167)
Total comprehensive income for the year	–	–	–	(2,713)	–	23,280	20,567	198,779	219,346
Transactions with owners, recorded directly in equity									
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	30,386	30,386
Total transactions with owners	–	–	–	–	–	–	–	30,386	30,386
Release of statutory reserve upon disposal of a subsidiary	–	–	–	–	(5,380)	5,380	–	–	–
Transfer from retained earnings to statutory reserves	–	–	–	–	3,307	(3,307)	–	–	–
At 31 December 2020	359,700	(59,669)	(550)	(24,564)	123,427	1,074,800	1,473,144	543,457	2,016,601

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company								
	Share capital RMB'000 (Note 22)	Merger reserve RMB'000 (Note 24)	Capital reserve RMB'000 (Note 24)	Foreign currency translation reserve RMB'000 (Note 24)	Statutory reserves RMB'000 (Note 24)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000 (Note 27)	Total RMB'000
At 1 January 2019	359,700	(59,669)	(550)	(18,631)	119,063	1,086,774	1,486,687	262,446	1,749,133
Total comprehensive loss for the year									
Loss for the year	–	–	–	–	–	(30,890)	(30,890)	(25,976)	(56,866)
Other comprehensive loss									
Foreign currency translation differences for foreign operations	–	–	–	(3,220)	–	–	(3,220)	(1,755)	(4,975)
Total other comprehensive loss	–	–	–	(3,220)	–	–	(3,220)	(1,755)	(4,975)
Total comprehensive loss for the year	–	–	–	(3,220)	–	(30,890)	(34,110)	(27,731)	(61,841)
Transactions with owners, recorded directly in equity									
Acquisition of a subsidiary (Note 35)	–	–	–	–	–	–	–	79,577	79,577
Total transactions with owners	–	–	–	–	–	–	–	79,577	79,577
Transfer from retained earnings to statutory reserves	–	–	–	–	6,437	(6,437)	–	–	–
At 31 December 2019	359,700	(59,669)	(550)	(21,851)	125,500	1,049,447	1,452,577	314,292	1,766,869

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Profit/(loss) before taxation		505,288	(18,683)
Adjustments for:			
Amortisation of intangible assets	31	314	200
Changes in fair value of investment properties	29	3,000	(15,000)
Depreciation of property, plant and equipment	31	13,504	12,609
Gain on disposal of property, plant and equipment	29	(801)	(525)
Gain on disposal of other investments	29	(204)	(13)
Gain on disposal of investment properties	29	–	(24)
Share of loss of an associate	9	3,050	–
Gain on bargain purchase arising from acquisition of a subsidiary	35	–	(17,745)
Gain on disposal of a joint venture	29	–	(4,172)
Gain on disposal of subsidiaries	29	(177,852)	–
Finance costs	30	73,924	53,804
Interest income	30	(15,903)	(14,299)
Allowance for impairment loss made/(reversed) on trade and other receivables, net	31	349	(16)
Allowance for impairment loss reversed on contract assets	31	(42)	(2,755)
Net changes in fair value of other investments	29	(151)	247
Property, plant and equipment written off	31	25	764
Effects of exchange rate changes		1,378	(3,261)
		405,879	(8,869)
Changes in:			
Inventories		2,924	9,061
Development properties and prepaid costs		436,224	(308,215)
Contract costs		38,205	(37,902)
Trade and other receivables		264,067	(401,440)
Contract assets		2,891	105,995
Trade and other payables		583,909	226,799
Contract liabilities		(1,355,994)	1,242,566
Cash generated from operating activities		378,105	827,995
Income taxes paid		(45,964)	(243,815)
Net cash from operating activities		332,141	584,180

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Cash flows from investing activities			
Acquisition of intangible assets	5	(135)	(980)
Interest received		39,298	3,283
Capital injection to an associate	9	(6,264)	–
Net cash inflow from acquisition of a subsidiary	35, 36	475	70,065
Net cash inflow from disposal of subsidiaries	37	379,935	–
Proceeds from disposal of investment properties		–	1,083
Repayment from a joint venture partner		6,000	17,574
Amounts due from non-controlling interests (non-trade)		(152,020)	(81,140)
Amount due from an associate (non-trade)		(86,730)	–
Proceeds from disposal of property, plant and equipment		1,509	654
Proceeds from disposal of other investments		19,926	57,873
Purchase of property, plant and equipment		(4,004)	(2,644)
Purchase of other investments		(9,000)	(65,599)
Net cash from investing activities		188,990	169
Cash flows from financing activities			
Capital contribution from non-controlling interests		30,386	–
Decrease/(increase) in restricted cash		65,530	(292,326)
Interest paid		(182,646)	(286,968)
Repayment of principal portion of the lease liabilities		(8,666)	(5,379)
Repayment of loans and borrowings		(1,261,412)	(893,110)
Amounts due to non-controlling interests (non-trade)		(104,857)	(378,913)
Repayment of loans from third parties		(2,136)	–
Proceeds from loans and borrowings		906,237	1,127,489
Net cash used in financing activities		(557,564)	(729,207)
Net decrease in cash and cash equivalents		(36,433)	(144,858)
Cash and cash equivalents at 1 January		384,041	529,153
Effect of exchange rate fluctuations on cash held		(3,008)	(254)
Cash and cash equivalents at 31 December	21	344,600	384,041

Non-cash transaction:

During the year ended 31 December 2020, the Group acquired right-of-use assets and plant and equipment with an aggregate cost of RMB19,378,000 (2019: RMB30,944,000) of which RMB10,105,000 (2019: RMB2,641,000) was acquired under finance leases and RMB5,269,000 (2019: RMB26,039,000) was addition under leasing arrangements.

During the year ended 31 December 2020, the Group invested in an associate for RMB251,000,000 (Note 9). Such investment cost was transferred from deposits paid for acquisition of property development projects of RMB144,736,000 (Note 16), and prepayment for land use right of RMB100,000,000 (Note 17). Further capital injection of RMB6,264,000 was paid by cash for investment in an associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

These notes form an integral part of the consolidated financial statements.

These consolidated financial statements were authorised for issue by the Board of Directors on 24 March 2021.

1. DOMICILE AND ACTIVITIES

Weiye Holdings Limited (the "Company") is a company incorporated in the Republic of Singapore. The address of the Company's registered office is 100H Pasir Panjang Road #01-01 OC@Pasir Panjang, Singapore 118524. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") since 6 April 2016.

The consolidated financial statements of the Group as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interests in joint ventures.

The principal activities of the Company is investment holding and its subsidiaries are those of property developers for residential and commercial properties in the People's Republic of China (the "PRC"), and the manufacture and trading of heating, ventilation, air-conditioning, air purification and clean room equipment.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK.

2.2 Basis of measurement

The consolidated financial statements have been prepared under historical cost basis except for investment properties and other investments, which are measured at fair values as explained in the accounting policies set out below.

2.3 Functional and presentation currency

The Company's functional currency is the Singapore dollar. As the Group's operations are principally conducted in the PRC, the consolidated financial statements have been presented in the Chinese Renminbi ("RMB"). All financial information presented in RMB has been rounded to the nearest thousand ("RMB'000"), unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 42.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a finance team that has overall responsibility for all significant fair value measurements, including Level 3 fair values (if applicable), and reports directly to the Chief Financial Officer.

The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the finance team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. There were no transfers between the levels for the years ended 31 December 2020 and 31 December 2019.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 7 – Investment properties; and
- Note 41 – Fair value of financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets met the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired included, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

Acquisition

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by IFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of Consolidation (continued)

Business combinations (continued)

Acquisition (continued)

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

The Group's interests in equity-accounted investees comprise interests in joint venture and associate.

Interests in joint venture (equity accounted investees)

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Interests in associate (equity accounted investees)

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions are eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred, they are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of Consolidation (continued)

Interests in associate (equity accounted investees) (continued)

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, all amounts previously recognised in other comprehensive income in relation to that associate are recognised on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest it that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. The results of associate are accounted for by the Group on the basis of dividends received and receivable during the year.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with its joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries, joint venture and associate in the separate financial statements

Investments in subsidiaries, a joint venture and an associate are stated in the Company's statement of financial position at cost less accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to RMB at exchange rates at the end of the reporting date. The income and expenses of foreign operations are translated to RMB at exchange rates approximating the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve ("translation reserve") in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in a joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognised in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

For the purpose of the consolidated statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(vii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(viii) Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3.4 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Freehold land is measured at cost less accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of property changes from owner occupied to investment property, the property is also remeasured to fair value prior to the reclassification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (continued)

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Freehold building	50 years
Leasehold building	20 to 34 years (or lease term, if shorter)
Factory equipment	5 to 20 years
Building and factory improvements	5 years
Plant and machinery	5 to 12 years
Motor vehicles	5 to 10 years
Furniture and fittings and office equipment	3 to 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Intangible assets

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the assets. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the assets for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible assets (continued)

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of intangible assets

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

Software	–	3 years
Development costs	–	3 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as investment properties, its fair value at the date of transfer becomes its cost for subsequent accounting.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Property that is being constructed for future use as investment property is accounted for at fair value.

3.7 Inventories, development properties and prepaid costs and contract costs

(i) Inventories – Equipment manufacturing

Inventories are assets are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

Cost is based on the first-in first-out principle and expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Development properties and prepaid costs

Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

In accordance with IAS 23 Borrowing costs, the borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Inventories, development properties and prepaid costs and contract costs (continued)

(ii) Development properties and prepaid costs (continued)

Completed property held for sale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the company, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(iii) Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventories, property and plant and equipment or intangible assets.

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 e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventories, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the company expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 3.12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECLs") in accordance with the policy set out in Note 3.9 and are reclassified to trade receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

Contract assets and contract liabilities are classified on the consolidated statement of financial position on a contract by contract basis.

3.9 Impairment

(i) Non-derivative financial assets and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised costs; and
- contract assets (as defined in IFRS 15).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (continued)

(i) Non-derivative financial assets and contract assets (continued)

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments measured at amortised cost. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the financial asset remains outstanding beyond management's expected range of past due days taking into consideration past payment trends, macroeconomic, and industry conditions.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (continued)

(i) Non-derivative financial assets and contract assets (continued)

Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default (as defined above);
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Joint venture and associate

An impairment loss in respect of joint ventures and associate are measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (continued)

(iii) Non-financial assets (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for purposes of goodwill impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.10 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to investment properties, development properties, inventories, financial assets, and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of joint ventures ceases once classified as held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

There were no forfeited contributions utilised by the Group to reduce existing level of contributions for each of the years.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.12 Revenue

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added taxes or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group applies the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is 12 months or less.

Further details of the Group's revenue recognition policies are as follows:

Development properties for sale

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under contract liabilities.

When the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under IAS 23 (see Note 3.7(ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Revenue (continued)

Sale of goods and services

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or completing a service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the PO if it relates specifically to those PO.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

3.13 Other income

Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the total rental income to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

Commission income

Commission income is recognised upon completion of the rendering of services.

3.14 Government grants

Grant income is recognised initially as deferred income at fair value where there is reasonable assurance that the grant will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as "other income" on a systematic basis. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Leasing

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Right-of-use assets relating to operating leases and prepaid lease payments in respect of the land use right in PRC is currently recognised as right-of-use assets upon application of IFRS 16 and are included in the same line item as property, plant and equipment as that within which the corresponding assets.

Right-of-use assets related to interests in leasehold land where the interest in the land is held as properties under development and properties held for sale are included in the same item as properties under development and properties held for sale as that within the corresponding assets.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Finance income and finance costs

Finance income comprising interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expenses on loans and borrowings and interest expenses on lease liabilities.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.17 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Tax (continued)

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be utilised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interests may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for some of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences may have an impact on the LAT expenses and the related provision in the period in which the difference realises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Earnings/losses per share

The Group presents basic and diluted earnings/losses per share data for its ordinary shares. Basic earnings/losses per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings/losses per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.20 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.21 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits and highly liquid investments with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

3.23 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these consolidated financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 44.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Freehold building RMB'000	Leasehold building RMB'000	Properties RMB'000	Factory equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fittings and office equipment RMB'000	Building and factory improvements RMB'000	Total RMB'000
Cost										
At 1 January 2019	5,984	26,737	13,305	7,934	2,780	12,688	26,570	6,501	4,932	107,431
Additions	–	75	–	26,039	41	3,386	545	592	266	30,944
Acquired through business combination (Note 35)	–	–	–	–	–	617	696	67	–	1,380
Disposals	–	–	–	–	–	(11)	(1,411)	(11)	–	(1,433)
Written off	–	–	–	–	(91)	(72)	(732)	(158)	(20)	(1,073)
Effects of movements in exchange rates	153	266	–	245	71	282	73	33	92	1,215
At 31 December 2019	6,137	27,078	13,305	34,218	2,801	16,890	25,741	7,024	5,270	138,464
At 1 January 2020	6,137	27,078	13,305	34,218	2,801	16,890	25,741	7,024	5,270	138,464
Additions	–	–	–	5,269	48	10,161	174	1,289	2,437	19,378
Disposals	–	–	–	–	(37)	–	(2,876)	(134)	–	(3,047)
Disposal of subsidiaries	–	–	–	–	–	(544)	(780)	(333)	–	(1,657)
Written off	–	–	–	–	–	–	(81)	(675)	–	(756)
Effects of movements in exchange rates	(278)	(566)	–	(107)	(129)	(595)	(153)	(84)	(191)	(2,103)
At 31 December 2020	5,859	26,512	13,305	39,380	2,683	25,912	22,025	7,087	7,516	150,279
Accumulated depreciation										
At 1 January 2019	–	4,255	1,264	–	2,486	9,485	20,265	4,806	2,401	44,962
Acquired through business combination (Note 35)	–	–	–	–	–	446	661	39	–	1,146
Depreciation charge	–	285	632	7,927	86	994	1,207	711	767	12,609
Disposals	–	–	–	–	–	(6)	(1,298)	–	–	(1,304)
Written off	–	–	–	–	(85)	(64)	(4)	(137)	(19)	(309)
Effects of movements in exchange rates	–	11	–	194	66	184	51	29	37	572
At 31 December 2019	–	4,551	1,896	8,121	2,553	11,039	20,882	5,448	3,186	57,676
At 1 January 2020	–	4,551	1,896	8,121	2,553	11,039	20,882	5,448	3,186	57,676
Depreciation charge	–	282	632	7,525	71	1,996	1,167	672	1,159	13,504
Disposals	–	–	–	–	(20)	–	(2,288)	(31)	–	(2,339)
Disposal of subsidiaries	–	–	–	–	–	(498)	(741)	(323)	–	(1,562)
Written off	–	–	–	–	–	–	(61)	(670)	–	(731)
Effects of movements in exchange rates	–	(104)	–	(48)	(118)	(280)	(109)	(57)	(117)	(833)
At 31 December 2020	–	4,729	2,528	15,598	2,486	12,257	18,850	5,039	4,228	65,715
Carrying amounts										
At 31 December 2019	6,137	22,527	11,409	26,097	248	5,851	4,859	1,576	2,084	80,788
At 31 December 2020	5,859	21,783	10,777	23,782	197	13,655	3,175	2,048	3,288	84,564

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use assets

As at 31 December 2020, right-of-use assets of RMB46,665,000 (2019: RMB40,854,000) (see Note 6) were included in the carrying amount of property, plant and equipment.

Included within additions in 2020 are additions under leasing arrangements amounting to RMB15,374,000 (2019: RMB28,680,000) as disclosed in Note 6 to the consolidated financial statements.

Security

As at 31 December 2020, the Group's property, plant and equipment with a total carrying value of RMB18,302,000 (2019: RMB28,912,000), are subject to a legal charge to secure a subsidiary's bank borrowings with a bank (see Note 25).

5. INTANGIBLE ASSETS

	Software RMB'000	Development costs RMB'000	Total RMB'000
Cost			
At 1 January 2019	834	6,499	7,333
Additions	980	–	980
Effects of movements in exchange rates	20	317	337
At 31 December 2019 and 1 January 2020	1,834	6,816	8,650
Additions	135	–	135
Effects of movements in exchange rates	(44)	(158)	(202)
At 31 December 2020	1,925	6,658	8,583
Accumulated amortisation			
At 1 January 2019	158	6,499	6,657
Amortisation charge	200	–	200
Effects of movements in exchange rates	–	317	317
At 31 December 2019 and 1 January 2020	358	6,816	7,174
Amortisation charge	314	–	314
Effects of movements in exchange rates	(3)	(158)	(161)
At 31 December 2020	669	6,658	7,327
Carrying amounts			
At 31 December 2019	1,476	–	1,476
At 31 December 2020	1,256	–	1,256

Intangible assets comprise software purchased from vendors and development costs. Development costs relate to expenditures capitalised in relation to the development of new products by a subsidiary. The amortisation of intangible assets is included in administrative expenses in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. LEASES

Nature of leasing activities (in the capacity as lessee)

The Group entered into various lease agreements for office premises and employees' accommodation and finance lease of plant and machinery and motor vehicles. These leases have remaining non-cancellable lease terms of between 1 to 4 years. All leases held by the Group comprise fixed payments over the lease term.

Right-of-Use Assets

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Properties leased for own use, carried at depreciated cost	23,782	26,097
Leasehold building, carried at depreciated cost	10,777	11,409
Plant and machinery, carried at depreciated cost	11,523	3,232
Motor vehicles, carried at depreciated cost	583	116

	Properties RMB'000	Leasehold building RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000
At 1 January 2019	7,934	12,041	653	160
Additions	26,039	–	2,641	–
Depreciation	(7,927)	(632)	(136)	(47)
Effects of movements in exchange rates	51	–	74	3
At 31 December 2019 and 1 January 2020	26,097	11,409	3,232	116
Additions	5,269	–	9,506	599
Depreciation	(7,525)	(632)	(1,070)	(125)
Effects of movements in exchange rates	(59)	–	(145)	(7)
At 31 December 2020	23,782	10,777	11,523	583

The Group elected to include the right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. LEASES (CONTINUED)

Lease Liabilities

	Properties RMB'000	Leasehold building RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000
At 1 January 2019	7,934	–	484	141
Additions	26,039	–	2,261	–
Interest expenses	249	–	78	8
Lease payments	(5,135)	–	(533)	(46)
Effects of movements in exchange rates	40	–	53	2
At 31 December 2019 and 1 January 2020	29,127	–	2,343	105
Additions	5,269	–	9,506	599
Interest expenses	1,140	–	187	11
Lease payments	(8,113)	–	(1,763)	(128)
Effects of movements in exchange rates	(37)	–	(100)	(5)
At 31 December 2020	27,386	–	10,173	582

Future lease payments are due as follows:

	Minimum lease payments 31 December 2020 RMB'000	Interest 31 December 2020 RMB'000	Present value 31 December 2020 RMB'000
Not later than one year	13,802	1,255	12,547
Later than one year and not later than two years	12,694	784	11,910
Later than two years and not later than five years	14,064	380	13,684
	40,560	2,419	38,141

	Minimum lease payments 31 December 2019 RMB'000	Interest 31 December 2019 RMB'000	Present value 31 December 2019 RMB'000
Not later than one year	8,432	1,226	7,206
Later than one year and not later than two years	9,329	944	8,385
Later than two years and not later than five years	16,856	872	15,984
	34,617	3,042	31,575

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For the year ended 31 December 2020

6. LEASES (CONTINUED)

Lease Liabilities (continued)

The present value of future lease payments is analysed as:

	2020 RMB'000	2019 RMB'000
Current liabilities	12,547	7,206
Non-current liabilities	25,594	24,369
	38,141	31,575

Operating leases – lessor

The Group leases out its investment properties (see Note 7). The future minimum lease payments under non-cancellable leases were receivable as follows:

	2020 RMB'000	2019 RMB'000
Not later than one year	5,057	3,539
Later than one year and not later than five years	17,674	6,597
Later than five years	27,646	9,419
	50,377	19,555

During the current year, rental income from investment properties of RMB4,966,000 (2019: RMB4,010,000) was included in 'other income'.

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For the year ended 31 December 2020

7. INVESTMENT PROPERTIES

	2020 RMB'000	2019 RMB'000
At 1 January	481,000	467,059
Disposal	–	(1,059)
	481,000	466,000
Changes in fair value	(3,000)	15,000
At 31 December	478,000	481,000

Determination of fair value

Investment properties are stated at fair value based on valuations as at 31 December 2020 by Cushman & Wakefield International Properties Advisers (Guangzhou) Co., Ltd., an independent professional valuer, who has the appropriate recognised professional qualification and experience in the location and category of property being valued. Independent valuations are obtained annually for all investment properties.

In determining the fair value, the valuers have used valuation methods which involve estimates. Management has exercised its judgment and is satisfied that the valuation methods and estimates are reflective of current market conditions.

The independent professional valuers have considered valuation techniques including direct comparison method, and/or capitalisation approach in arriving at the open market value as at the reporting date. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation rates, estimated unit selling price and expected rental rates.

The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to those reflective of the investment properties. The capitalisation approach capitalises an income stream into a present value using capitalisation rates.

Changes in fair value are recognised as net (loss)/gain in profit or loss and included in "Other income" as applicable. All net gain are unrealised.

Similar to that disclosed in the circular to shareholders dated 20 June 2018, the management had obtained property valuation reports as at 31 December 2020 and 31 December 2019 for one of the investment properties with an aggregate carrying amount of RMB229,000,000 and RMB237,000,000 respectively, but the report has ascribed no commercial value to this property as the building ownership certificate has not been obtained. The valuer noted that the market value of the property in its existing state would be equivalent to its carrying amount as at 31 December 2020 of RMB229,000,000 (2019: RMB237,000,000) had the building ownership certificate been obtained. Management is currently following up closely on the application process of building ownership certificate. Management is of the view that as the consideration of the property has been fully paid, the risks and rewards of ownership of the property has been transferred to the Group.

Fair value hierarchy

The fair values for investment properties of RMB478,000,000 (2019: RMB481,000,000) have been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. INVESTMENT PROPERTIES (CONTINUED)

Valuation technique and significant unobservable inputs

The following table shows the Group's valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Capitalisation approach	– Expected rental of RMB10 per square metre ("psm") to RMB75 psm (2019: RMB10 psm to RMB93 psm) – Capitalisation rates for the year ended 31 December 2020 was from 4.0% to 5.5% (2019: 3% to 5.75%)	A significant increase/(decrease) in expected rental rates and a significant decrease/(increase) in capitalisation rate would result in a higher/(lower) fair value measurement.
Direct comparison method	– Expected unit selling price of RMB12,000 psm to RMB28,000 psm (2019: RMB12,600 psm to RMB36,000 psm)	A significant increase/(decrease) in expected unit price would result in a higher/(lower) fair value measurement.

Security

At 31 December 2020, investment properties with carrying values of RMB155,000,000 (2019: RMB148,000,000) have been mortgaged as security for loan facilities granted by financial institutions to the Group (see Note 25).

8. SUBSIDIARIES

	Company	
	2020	**2019**
	RMB'000	**RMB'000**
Unquoted equity shares, at cost	1,676,437	1,676,437
Less: Allowance for impairment loss	(361,031)	(361,031)
	1,315,406	1,315,406

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For the year ended 31 December 2020

8. SUBSIDIARIES (CONTINUED)

Details of the significant subsidiaries at the end of the financial year are as follows:

	Name	Date of incorporation	Country of incorporation and business/ form of business structure	Registered capital/issued and fully paid up share capital	Principal activities	Equity interest 2020 %	Equity interest 2019 %
+	Great Spirit Management Limited 精誠管理有限公司	24 April 2009	British Virgin Islands/ Limited liability company	USD27,950,000	Investment holding	100	100
+&	Weiye (Singapore) Investment Management Pte. Ltd 偉業（新加坡）投資管理私人有限公司	5 April 2019	Singapore/ Limited liability company	SGD2,000,000	Investment holding	100	100
*	Eindec Corporation Limited 英德集團有限公司	2 April 2015	Singapore/ Limited liability company	SGD14,917,262	Investment holding	66.8***	66.8***
	Held through Eindec Corporation Limited						
*	Eindec Holdings Pte. Ltd. 英德控股私人有限公司	13 May 2015	Singapore/ Limited liability company	SGD9,300,001	Investment holding	100	100
	Held through Eindec Holdings Pte. Ltd.						
*	Eindec Singapore Pte. Ltd. 英德新加坡私人有限公司	19 May 2015	Singapore/ Limited liability company	SGD2,930,001	Manufacturers and traders in air-conditioning, air purification and clean room equipment	100	100
▲	Eindec Technology (Malaysia) Sdn. Bhd.	21 August 1989	Malaysia/Limited liability company	RM1,000,000	Manufacturers and traders in air-conditioning and clean room equipment	100	100
▲&2	Eindec (Shanghai) Co., Ltd. 優多商貿（上海）有限公司	23 November 2005	PRC/Wholly-owned foreign enterprise with limited liability	USD 300,000	Clean room equipment and ventilation equipment wholesale, agency, import and export of industrial products and related supporting businesses	100	100

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8. SUBSIDIARIES (CONTINUED)

	Name	Date of incorporation	Country of incorporation and business/ form of business structure	Registered capital/issued and fully paid up share capital	Principal activities	Equity interest 2020 %	Equity interest 2019 %
	Held through Eindec Holdings Pte. Ltd. (Continued)						
▲&2	Eindec (Shenzhen) Environment Technology Co., Ltd. 英德（深圳）環保科技有限公司	9 July 2015	PRC/Wholly-owned foreign enterprise with limited liability	RMB20,000,000/ RMB8,000,000	Industrial clean room equipment, air purification filter equipment and its part and components, the transfer of technology of its own research and development, technology consultation, technology services and after-sales service	100	100
	Held through Eindec (Shanghai) Co., Ltd.						
▲&1	Henan Yunzhi Anfang Technology Co., Ltd ("Henan Yunzhi") 河南雲智安防科技有限公司	9 December 2016	PRC/Limited liability company	RMB20,000,000	Smart home equipment provider with integrated security system implementation services, trading and distribution of cleanroom equipment, heating, ventilation and air conditioning equipment, marine dampers, air purification and filtration system and equipment and related supporting businesses including technical consultation, research and development technology services and after sales	35^	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. SUBSIDIARIES (CONTINUED)

	Name	Date of incorporation	Country of incorporation and business/ form of business structure	Registered capital/issued and fully paid up share capital	Principal activities	Equity interest	
						2020 %	2019 %
	Held through Eindec (Shenzhen) Environment Technology Co., Ltd.						
▲&1	Henan Eindec Construction & Technology Co., Ltd. 河南英锝建投科技有限公司	13 August 2019	PRC/Limited liability company	RMB20,000,000	Trading and distribution of cleanroom equipment, heating, ventilation and air conditioning equipment, marine dampers, air purification and filtration system and equipment and related supporting businesses including technical consultation, research and development technology services and after sales	51	51
	Held through Great Spirit Management Limited						
+&	Weiye Holdings (Hong Kong) Limited 偉業控股(香港)有限公司	17 September 2009	Hong Kong/ Limited liability company	HKD197,658,000	Investment holding	100	100
+&	Zhaowei Investment (Hong Kong) Company Limited 棹煒投資(香港)有限公司	19 May 2020	Hong Kong/ Limited liability company	HKD10,000	Investment holding	100	–
	Held through Weiye Holdings (Hong Kong) Limited						
+&2	Jinwei (Henan) Trading Limited Company 金偉(河南)商貿有限公司	6 January 2012	PRC/Taiwan, Hong Kong and Macau Corporation-owned enterprise with limited liability	RMB300,000,000	Trader in building construction materials	100	100

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8. SUBSIDIARIES (CONTINUED)

	Name	Date of incorporation	Country of incorporation and business/ form of business structure	Registered capital/issued and fully paid up share capital	Principal activities	Equity interest	
						2020 %	2019 %
	Held through Weiye Holdings (Hong Kong) Limited (Continued)						
+&2	Hongji Weiye (Shenzhen) Trading Company Limited 宏基偉業(深圳)商貿物流有限公司	15 October 2014	PRC/Taiwan, Hong Kong and Macau Corporation-owned enterprise with limited liability	RMB300,000,000/ RMB50,000,000	Trading of construction material and logistics management	100	100
+&2	Hainan Hongji Weiye Property Development Co., Ltd. 海南宏基偉業房地產開發有限公司	12 February 2004	PRC/Taiwan, Hong Kong and Macau Corporation-owned enterprise with limited liability	RMB10,000,000	Investment holding	100	100
	Held through Hongji Weiye (Shenzhen) Trading Company Limited						
+&1	Zhongwei Wisdom Cold Chain Logistics Co., Ltd ("Zhongwei Wisdom Cold Chain") 中偉智慧冷鏈物流有限公司	13 March 2020	PRC/Limited liability company	RMB50,000,000	Cold chain logistics	30	–
+&1	Zhongleng Lian Industrial Co., Ltd ("Zhongleng Lian") 中冷聯實業有限公司	22 June 2020	PRC/Limited liability company	RMB100,000,000	Investment holding	51	–
	Held through Zhongleng Lian Industrial Co., Ltd						
+&1	Zhongwei Wisdom Cold Chain Logistics Co., Ltd ("Zhongwei Wisdom Cold Chain ") 中偉智慧冷鏈物流有限公司	13 March 2020	PRC/Limited liability company	RMB50,000,000	Cold chain logistics	60	–
+&1	Zhongwei Intelligent Parking Management Co., Ltd ("Zhongwei Intelligent Parking") 中偉智慧停車管理有限公司	15 March 2019	PRC/Limited liability company	RMB100,000,000	Development of intelligent parking software and hardware	50	–

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For the year ended 31 December 2020

8. SUBSIDIARIES (CONTINUED)

	Name	Date of incorporation	Country of incorporation and business/ form of business structure	Registered capital/issued and fully paid up share capital	Principal activities	Equity interest 2020 %	Equity interest 2019 %
	Held through Hainan Hongji Weiye Property Development Co., Ltd.						
+&1	Hongji Weiye (Hainan) Non Movable Property Management Group Co., Ltd 宏基偉業（海南）不動產管理集團有限公司	28 April 2010	PRC/Limited liability company	RMB500,000,000/ RMB30,000,000	Investment holding	100	100
	Held through Hongji Weiye (Hainan) Non Movable Property Management Group Co., Ltd						
+&1	Henan Weiye Construction Development Group Co., Ltd. 河南偉業建設開發集團有限公司	30 October 1999	PRC/Limited liability company	RMB200,000,000	Property development and management and ancillary services	100	100
+&1	Weiye Holdings Group (Hainan) Co., Ltd 偉業控股集團（海南）有限公司	16 December 2008	PRC/Limited liability company	RMB50,000,000	Investment holding	49**	49**
+&1	Weiye Holdings (Shenzhen) Group Co., Ltd 煒業控股（深圳）集團有限公司	3 August 2016	PRC/Limited liability company	RMB100,000,000	Investment holding	49	49
+&1	Weiye Property (Tianjin) Co., Ltd 偉業地產（天津）有限公司	9 October 2016	PRC/Limited liability company	RMB100,000,000	Property development	100	100
+&1	Huzhou Ganghong Zhiye Co., Ltd ("Huzhou Ganghong") 湖州港宏置業有限公司	19 October 2017	PRC/Limited liability company	RMB20,000,000	Property development	40^	40^
+&1	Shanghai Yuebo Industrial Group Co., Ltd. 上海悅博實業集團有限公司	20 April 2018	PRC/Limited liability company	RMB100,000,000	Property development	50	50
	Held through Shanghai Yuebo Industrial Group Co., Ltd						
+&1	Yizheng Hongrui Property Development Co., Ltd. ("Yizheng Hongrui") 儀征鴻瑞房地產開發有限公司	13 September 2018	PRC/Limited liability company	RMB40,000,000	Property development	30^	30^

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8. SUBSIDIARIES (CONTINUED)

	Name	Date of incorporation	Country of incorporation and business/ form of business structure	Registered capital/issued and fully paid up share capital	Principal activities	Equity interest	
						2020 %	2019 %
	Held through Shanghai Yuebo Industrial Group Co., Ltd (Continued)						
+&1	Yizheng Honglin Property Co., Ltd. ("Yizheng Honglin") 儀征弘麟置業有限公司	13 September 2018	PRC/Limited liability company	RMB40,000,000	Property development	30^	30^
+&1	Jiangsu Junwei Construction Co., Ltd. 江蘇雋偉建設有限公司	15 August 2019	PRC/Limited liability company	RMB50,000,000	Property development	100	100
	Held through Henan Weiye Construction Development Group Co., Ltd						
+&1	Xinxiang Weiye Property Co., Ltd. ("Xinxiang Weiye") 新鄉偉業置地有限公司	3 April 2007	PRC/Limited liability company	RMB75,000,000	Property development	–	100
+&1	Henan Xingwei Property Co., Ltd. 河南興偉置業有限公司	15 November 2012	PRC/Limited liability company	RMB390,000,000	Property development	100	100
+&1	Tunchang Hongji Weiye Property Development Co., Ltd. 屯昌宏基偉業地產發展有限公司	23 June 2010	PRC/Limited liability company	RMB10,000,000	Property development	10	10
+&1	Henan Tiandao Assets Management Co., Ltd. ("Henan Tiandao") 河南天道資產管理有限公司	19 March 2010	PRC/Limited liability company	RMB10,000,000	Property development	51	51
+&1	Weiye Holdings Group (Hainan) Co., Ltd 偉業控股集團(海南)有限公司	16 December 2008	PRC/Limited liability company	RMB50,000,000	Investment holding	51**	51**
+&1	Hunan Jingke Property Co., Ltd. ("Hunan Jingke") 湖南精科置業有限公司	15 September 2010	PRC/Limited liability company	RMB80,000,000	Property development	37.5^	37.5^
+&1	Henan Xingwei Zhuolian Property Co., Ltd 河南興偉卓聯置業有限公司	2 January 2019	PRC/Limited liability company	RMB10,000,000	Property development	100	100

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8. SUBSIDIARIES (CONTINUED)

	Name	Date of incorporation	Country of incorporation and business/ form of business structure	Registered capital/issued and fully paid up share capital	Principal activities	Equity interest 2020 %	Equity interest 2019 %
	Held through Henan Weiye Construction Development Group Co., Ltd (Continued)						
+&1	Henan Weizhu Industrial Co., Ltd. ("Henan Weizhu") 河南偉築實業有限公司	10 July 2020	PRC/Limited liability company	RMB50,000,000	Property development	70	–
+&1	Zhongwei Intelligent Parking Management Co., Ltd ("Zhongwei Intelligent Parking") 中偉智慧停車管理有限公司	15 March 2019	PRC/Limited liability company	RMB100,000,000	Development of intelligent parking software and hardware	30	30
+&1	Shanghai Yuebo Industrial Group Co., Ltd. 上海悅博實業集團有限公司	20 April 2018	PRC/Limited liability company	RMB100,000,000	Property development	50	50
+&1	Weiye Holdings (Shenzhen) Group Co., Ltd 煒業控股(深圳)集團有限公司	3 August 2016	PRC/Limited liability company	RMB100,000,000	Investment holding	51	51
	Held through Weiye Holdings Group (Hainan) Co., Ltd						
+&1	Wenchang Maoyuan Tourism Co., Ltd. 文昌市茂源旅業有限公司	5 June 1995	PRC/Limited liability company	RMB10,000,000	Property development	100	100
+&1	Wanning Yingde Property Co., Ltd 萬寧英德置業有限公司	17 November 2009	PRC/Limited liability company	RMB20,000,000	Property development	100	100
+&1	Hainan Zhongfang Investment Holdings Co., Ltd. 海南中方投資有限公司	22 June 2009	PRC/Limited liability company	RMB10,000,000	Property development	100	100
+&1	Tunchang Hongji Weiye Property Development Co., Ltd. 屯昌宏基偉業地產發展有限公司	23 June 2010	PRC/Limited liability company	RMB10,000,000	Property development	90	90
+&1	Tunchang Yajing Property Co., Ltd. 屯昌雅境置業有限公司	13 April 2010	PRC/Limited liability company	RMB10,000,000	Property development	100	100

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For the year ended 31 December 2020

8. SUBSIDIARIES (CONTINUED)

	Name	Date of incorporation	Country of incorporation and business/ form of business structure	Registered capital/issued and fully paid up share capital	Principal activities	Equity interest 2020 %	Equity interest 2019 %
	Held through Weiye Holdings (Shenzhen) Group Co., Ltd						
+&1	Huizhoushi Dajinzhou Property Development Co., Ltd. 惠州市大金洲房地產開發有限公司	9 May 2007	PRC/Limited liability company	RMB10,000,000	Property development	100	100
+&1	Guangdong Leiding Property Development Co., Ltd 廣東磊鼎房地產開發有限公司	2 April 2014	PRC/Limited liability company	RMB10,000,000	Property development	100	100
+&1	Huizhou Dayawan Pengrun Industrial Development Co., Ltd. 惠州大亞灣鵬潤實業發展有限公司	15 April 2005	PRC/Limited liability company	RMB50,000,000	Property development	100	100
+&1	Shenzhen Pangu Weiye Property Development Co., Ltd ("Shenzhen Pangu") 深圳市盤古緯業產業發展有限公司	7 November 2018	PRC/Limited liability company	RMB30,000,000	Property development	60	60
	Held through Shenzhen Pangu Weiye Property Development Co., Ltd						
+&1	Fujian Tianjue Corporation Management Co., Ltd ("Fujian Tianjue") 福建天角企業管理有限公司	7 August 2017	PRC/Limited liability company	RMB70,800,000/ RMB15,000,000	Property development	100	100
+&1	Fujian Tianzhi Corporation Management Co., Ltd ("Fujian Tianzhi") 福建天徵企業管理有限公司	7 August 2017	PRC/Limited liability company	RMB78,600,000/ RMB15,000,000	Property development	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. SUBSIDIARIES (CONTINUED)

* Audited by Moore Stephens LLP.

▲ Audited by member firm of Moore Global Network Limited.

+ Audited for the purpose of group consolidation by BDO Limited.

& Audited by other firms of certified public accountants for statutory purposes.

1 Registered in a form of local enterprise under the PRC laws.

2 Registered in a form of wholly-owned foreign enterprise under the PRC laws.

** In 2016, the Group reviewed its Group structure and transferred 51% equity interest in Weiye Holdings Hainan Real Estate Co., Ltd from Hongji Weiye (Hainan) Non Movable Property Management Group Co., Ltd to Henan Weiye Construction Development Group Co., Ltd. The Group continues to hold the entire equity interest in Weiye Holdings Hainan Real Estate Co., Ltd at 31 December 2019 and 31 December 2020.

*** On 16 January 2016, the Group successfully completed the listing of Eindec Corporation Limited ("Eindec Corporation") on the Catalist of the SGX-ST. As part of the listing exercise, Eindec Corporation issued 35.8 million new ordinary shares to third party subscribers. As a result of the new ordinary shares issued, the Group's equity interest in Eindec Corporation was diluted from 100% to 66.8%.

^ Although the Group holds effective interest of less than 50% in Hunan Jingke, Huzhou Ganghong, Yizheng Hongrui, Yizheng Honglin and Henan Yunzhi, it is exposed to and has rights to variable returns from its involvement with Hunan Jingke, Huzhou Ganghong, Yizheng Hongrui, Yizheng Honglin and Henan Yunzhi and has the ability to affect those returns through its power over Hunan Jingke, Huzhou Ganghong, Yizheng Hongrui, Yizheng Honglin and Henan Yunzhi. Consequently, Hunan Jingke, Huzhou Ganghong, Yizheng Hongrui, Yizheng Honglin and Henan Yunzhi have been consolidated as subsidiaries of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. JOINT VENTURES

(a) Investment in joint ventures

	2020 RMB'000	2019 RMB'000
Investment in joint ventures	110,000	110,000

Details of the joint ventures are as follows:

Name of entity	Principal activities	Country of incorporation/ business	Effective equity interest held by the Group	
			2020 %	2019 %
Zhengzhou Daimashi Enterprise Co., Ltd ("Daimashi") 鄭州黛瑪仕實業有限公司	Property development	PRC	–	–
Henan Hanfang Yaoye Co., Ltd ("Hanfang Yaoye") 河南漢方藥業有限責任公司	Property development	PRC	51	51

The unaudited financial information of the joint ventures, based on its financial statements prepared in accordance with IFRS, modified for differences in the Group's accounting policies:

	2020		2019		
	Hanfang Yaoye RMB'000	Total RMB'000	Daimashi RMB'000	Hanfang Yaoye RMB'000	Total RMB'000
Revenue for the year	–	–	–	–	–
Group's interest in net assets of investees					
At 1 January	110,000	110,000	293,144	110,000	403,144
Disposal	–	–	(293,144)	–	(293,144)
At 31 December	110,000	110,000	–	110,000	110,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. JOINT VENTURES (CONTINUED)

(a) Investment in joint ventures (continued)

Daimashi

During the year ended 31 December 2019, the Group has disposed all the shares of Daimashi. Gain on disposal of a joint venture is included in other income (Note 29).

Hanfang Yaoye

In prior year, the Group acquired 51% equity interest in Hanfang Yaoye for a consideration of RMB110 million.

The Group's economic interest in Hanfang Yaoye is limited to its rights over the land use rights held by Hanfang Yaoye, the disclosure of its interest in Hanfang Yaoye is limited to its share of the economic interest in the land use rights.

(b) Investment in an associate

	2020 RMB'000	**2019 RMB'000**
At 1 January	–	–
Transfer from deposits paid for acquisition of property development project (Note 16)	144,736	–
Transfer from prepayment for land use right (Note 17)	100,000	–
Capital injection to a subsidiary held by the associate	6,264	–
Share of loss of an associate	(3,050)	–
At 31 December	247,950	–

In January 2020, the Group invested in Deqing Fengjing Enterprise Management Partnership (Limited Liability Partnership) ("Deqing Fengjing") to acquire approximately 33% of the equity interest in Deqing Fengjing for RMB251 million. The proportion of ownership in the below entity interest is the same as the proportion of voting rights.

Name of entity	**Principal activity**	**Measurement method**	**Country of incorporation/ business**	**Ownership interest 2020 %**	**2019 %**
Deqing Fengjing 德清豐靖企業管理合夥企業（有限合夥）	Investment holding	Equity	PRC	33.3	–

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For the year ended 31 December 2020

9. JOINT VENTURE (CONTINUED)

(b) Investment in an associate (continued)

The following table illustrates the summarised financial information in respect of Deqing Fengjing adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2020 RMB'000
Non-current assets	236
Current assets	1,724,747
Current liabilities	(973,833)
Non-current liabilities	–
Net assets	751,150
Group's share of net assets of the associate	247,950
Period ended 31 December	
Revenue	–
Profit for the period	1,150
Group's share of loss of an associate for the period from date of acquisition to 31 December	(3,050)

10. OTHER INVESTMENTS

	2020 RMB'000	2019 RMB'000
Current		
Debt investments – at FVTPL	3,000	17,500
Debt investments – at amortised cost	6,000	1,500
Quoted equity investment – at FVTPL	–	571
	9,000	19,571

In 2020, debt investments classified at amortised cost have fixed interest rate of 3.5% and 13.5% (2019: 2.9%) per annum and mature within 3 months and 6 months.

In 2020, debt investments at FVTPL have variable returns of 2.4% to 3.2% (2019: 2.5% to 3.6%) per annum.

The Group's exposures to credit and market risks related to the other investments and fair value information related to other investments are disclosed in Note 41.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

11. TRADE AND OTHER RECEIVABLES

	Note	2020 RMB'000	2019 RMB'000
Non-current			
Amounts due from non-controlling interests (non-trade)	12	192,160	123,160
Current			
Trade receivables		69,072	22,853
Less: Allowance for ECLs		(782)	(1,200)
	15	68,290	21,653
Amount due from a joint venture partner (non-trade)	13	–	6,000
Amounts due from non-controlling interests (non-trade)	12	140,160	57,140
Amount due from an associate (non-trade)	14	86,730	–
Other receivables and deposits		212,137	716,390
Less: Allowance for ECLs		(1,329)	(562)
	16	210,808	715,828
Staff loans		216	1,029
Trade and other receivables, current		506,204	801,650
Prepaid VAT		33,954	191,196
Prepayments	17	88,496	377,375
		628,654	1,370,221
Total trade and other receivables		820,814	1,493,381

The staff loans, non-trade amount due from a joint venture partner and non-trade amount due from an associate are unsecured, interest-free, and are repayable on demand.

The Group's exposure to credit and currency risks for trade and other receivables are disclosed in Note 41.

12. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS (NON-TRADE)

In the non-current portion, the balance included the amounts due from non-controlling interests of RMB99,160,000 (2019: RMB99,160,000), representing purchase consideration paid by the Group on behalf of non-controlling shareholders of a subsidiary, Henan Tiandao, in connection with the acquisition of 49% equity interest in the subsidiary and an advance of RMB93,000,000 (2019: RMB24,000,000) granted to a non-controlling shareholder of a subsidiary. These amounts are unsecured and interest free. They are expected to be settled by setting off the amounts against future dividends, the portion attributable to the non-controlling interests, to be declared by the respective subsidiaries.

In the current portion, the balance included amounts due from non-controlling interests of RMB61,997,000 (2019: RMB14,000,000) representing loan advances to non-controlling interests which are secured, bear interest at 6.0% to 18.3% (2019: 18.3%) per annum and repayable within 90 days. The shares held by the non-controlling interests were pledged to the Group as collateral of the loan.

The remaining balances of amounts due from non-controlling interests of RMB78,163,000 (2019: RMB43,140,000) are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

13. AMOUNT DUE FROM A JOINT VENTURE PARTNER (NON-TRADE)

In 2019, the amount due from a joint venture partner represent an interest free loan of RMB6,000,000 extended to a property development partner pursuant to the collaboration agreement entered between the Group and the joint venture partner to jointly develop the land use rights under Hanfang Yaoye.

In 2020, the loan amount of RMB6,000,000 (2019: RMB17,574,000) has been repaid.

14. AMOUNT DUE FROM AN ASSOCIATE (NON-TRADE)

In 2020, a non-trade balance of RMB86,730,000 was advanced to an associate. The amount is unsecured, interest-free and repayable on demand.

15. TRADE RECEIVABLES

Trade receivables of the Group are non-interest bearing and are normally settled between 30 and 180 days.

The following is an analysis of trade receivables by age, presented based on invoices date:

	2020 RMB'000	2019 RMB'000
0–30 days	22,253	7,700
31–90 days	32,615	6,591
91–180 days	5,727	4,089
181–365 days	2,697	2,076
Over 365 days	5,780	2,397
	69,072	22,853

16. OTHER RECEIVABLES AND DEPOSITS

	2020 RMB'000	2019 RMB'000
Advances to contractors	15,454	15,627
Deposits paid for acquisition of property development projects	1,081	560,817
Other deposits	63,156	70,458
Other receivables	128,186	41,194
Interest receivables	–	23,395
Others	2,931	4,337
	210,808	715,828

Included in other receivables and deposits of the Group is allowance for ECLs on other receivables of RMB1,329,000 (2019: RMB562,000).

Advances to contractors

The advances to contractors are unsecured, interest-free, and are expected to be utilised against future purchase.

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For the year ended 31 December 2020

16. OTHER RECEIVABLES AND DEPOSITS (CONTINUED)

Deposits paid for acquisition of property development projects

The deposit paid for acquisition of property development projects as at 31 December 2019 of RMB65,000,000 relate to deposits paid to Henan Tianlong Transportation Equipment Co., Ltd. (河南天隆輸送裝備有限公司) as security deposit for the acquisition of Xinxiang Weirun Industrial Co., Ltd. (新鄉偉潤實業有限公司) ("Xinxiang Weirun"). During the year ended 31 December 2020, the requirements were not fulfilled by Xinxiang Weirun and the deposit was refunded to the Group.

As at 31 December 2019, the security deposit of RMB350,000,000 was paid to Shenzhen Huibang Holdings Co., Ltd. (深圳薈邦控股有限公司) for the acquisition of Huiyang Jinlida Property Management Co., Ltd. (惠陽金利達物業管理有限公司) ("Huiyang Jinlida"). The deposit was settled upon the completion of acquisition of 100% interest in Huiyang Jinlida during the year. The subsidiary was disposed on 24 December 2020, for details of the disposal, please refer to Note 37(a).

The remaining deposits as at 31 December 2019 of RMB144,736,000 relate to deposits paid to Yuhang Branch of Hangzhou Planning and Natural Resources Bureau (杭州市規劃和自然資源局餘杭分局) and RMB1,081,000 (2019: RMB1,081,000) relate to deposits paid to Danzhou Zhongfang Property Development Co., Ltd (儋州中方房地產開發有限公司) as a security deposit for acquisition of land use rights. During the year ended 31 December 2020, the land use right in Hangzhou was obtained by a subsidiary of an associate. The deposit was transferred to the cost of the Group's investment in Deqing Fengjing.

Other deposits

Included in other deposits as at 31 December 2020 are:

(i) RMB20,952,000 (2019: RMB20,952,000) paid to Zhengzhou Land Resource Bureau (鄭州市國土資源局) for the participation of a land tender in Zhengzhou city. The deposit will be used to partially offset the purchase price of land awarded.

(ii) As at 31 December 2020, RMB20,000,000 (2019: RMB20,000,000) paid to Zhengzhou Jinshui Science and Education Zone Management Committee (鄭州金水科教園區管理委員會) represents 5% of the construction sum that are retained by Zhengzhou Jinshui Science and Education Zone Management Committee and is refundable to the Group after the completion of the resettlement house project.

Other receivables

Included in other receivables as at 31 December 2020 are:

(i) On 24 December 2020, Huiyang Jinlida was disposed for a consideration of approximately RMB975,430,000. An amount of approximately RMB55,347,000 was receivable from the purchaser, Dongguan City Zhongtian Huijing Industry Investment Co., Ltd. (東莞市中天薈景實業投資有限公司) as at 31 December 2020. The amount was subsequently settled before the date of this annual report. Details of the disposal of Huiyang Jinlida are set out in Note 37(a).

(ii) During the year ended 31 December 2020, upon the issuance of project completion certificates of several projects held by the Group, maintenance funds of approximately RMB12,923,000 was paid and kept by respective local government authorities. Maintenance funds are calculated based on a percentage of the actual saleable area and kept by the government authorities for any further maintenance on properties sold. The amount would be repaid by the property owners during the handover of properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

17. PREPAYMENTS

	2020 RMB'000	2019 RMB'000
Construction costs and construction material costs	49,311	59,094
Prepayment for land use right	–	100,000
Prepayment for resettlement housing projects	13,018	184,458
Others	26,167	33,823
	88,496	377,375

Construction costs and construction material costs

Included in construction costs and construction material costs is an amount of RMB49,311,000 (2019: RMB59,094,000) for the purchase of construction materials which have not been delivered to the Group as at 31 December 2020.

Prepayment for land use right

Included in prepayment for land use right is an amount of RMB100,000,000 for the grant of a new land use right during the year ended 31 December 2019. As the legal title to the land use right have not yet been obtained by the Group as at 31 December 2019, this amount was classified as prepayment. As at 31 December 2020, the legal title of the land use right was obtained by a subsidiary of an associate. The amount was included in the Group's investment in Deqing Fengjing.

Prepayment for resettlement housing projects

Included in prepayment for resettlement housing projects as at 31 December 2020 is an amount of RMB4,458,000 (2019: RMB184,458,000) held in trust by a local government agency in relation to a resettlement housing project (see Note 25). The amount will be accrued in development properties and prepaid costs progressively when the Group obtain lists of payment to villagers from the local government agency.

As at 31 December 2020, an amount of RMB8,560,000 was prepaid to Changsha Finance Bureau for the project of constructing education facilities for Chuangshiji Apartment, a project held by Hunan Jingke. The amount will be accrued in development properties when the whole project was completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

18. DEFERRED TAXATION

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following temporary differences:

	2020 RMB'000	2019 RMB'000
Tax losses	292,418	308,488

Tax losses carried forward

The Group's tax losses carried forward mainly comprise tax losses arising from its operations in Singapore and the PRC. Under the applicable PRC tax legislation, tax losses as at 31 December 2020 and 2019 with expiry dates are as follows:

	2020 RMB'000	2019 RMB'000
Expiry dates:		
– Within 1 to 5 years	259,400	276,072

The remaining tax losses of RMB33,018,000 (2019: RMB32,416,000) mainly relating to tax losses arising from the Group's Singapore operations are not expected to expire under the current applicable tax legislation subject to continuity of shareholders.

Deferred tax assets have not been recognised in respect of these items because of the uncertainties over the availability of future taxable profits against which the subsidiaries can utilise the tax benefits.

Movements in temporary differences during the year are as follows:

	Balance as at 1 January 2019 RMB'000	Acquisition of a subsidiary (Note 35) RMB'000	Recognised in profit or loss (Note 32) RMB'000	Balance as at 31 December 2019 and 1 January 2020 RMB'000	Acquisition of a subsidiary (Note 36) RMB'000	Disposal of subsidiaries (Note 37) RMB'000	Recognised in profit or loss (Note 32) RMB'000	Balance as at 31 December 2020 RMB'000
Deferred tax liabilities								
Property, plant and equipment	914	–	(17)	897	–	–	(8)	889
Investment properties	63,762	–	3,689	67,451	–	–	(750)	66,701
Development properties and contract assets	67,032	173,988	(111,639)	129,381	66,394	(68,391)	(478)	126,906
Contract costs	9,165	–	10,150	19,315	–	–	(9,551)	9,764
Withholding tax on the profits of the Group's PRC subsidiaries	143,449	–	9,695	153,144	–	–	18,608	171,752
	284,322	173,988	(88,122)	370,188	66,394	(68,391)	7,821	376,012
Deferred tax assets								
Land appreciation tax	27,370	25,129	2,222	54,721	–	(828)	(13,197)	40,696
Accrued interest on financing component	2,119	–	1,558	3,677	–	–	(1,450)	2,227
	29,489	25,129	3,780	58,398	–	(828)	(14,647)	42,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. INVENTORIES

	2020 RMB'000	2019 RMB'000
Finished goods	4,538	3,653
Work in progress	2,993	2,724
Raw materials	9,750	14,215
	17,281	20,592

During the current year, inventories of RMB80,527,000 (2019: RMB42,149,000) were recognised as an expense during the year and included in 'cost of sales'.

The Group recognised a net reversal of RMB446,000 (2019: Nil) from provision for stock obsolescence upon the sale of inventory items. Inventories have been reduced by Nil (2019: RMB309,000) as a result of write-down to net realisable value.

20. DEVELOPMENT PROPERTIES AND PREPAID COSTS

	2020 RMB'000	2019 RMB'000
Properties under development and prepaid costs:		
Land costs	888,313	1,826,339
Development costs incurred to-date	2,190,001	2,253,781
	3,078,314	4,080,120
Completed properties held for sale	1,260,755	675,207
	4,339,069	4,755,327

Properties under development of the Group are all located in the PRC. The relevant lands are on leases of 31 to 69 years.

During the current year, development properties sold and recognised in cost of sales amounted to RMB2,060,637,000 (2019: RMB553,297,000).

During the current year, borrowing costs of RMB175,432,000 (2019: RMB233,853,000) arising from loans and borrowings obtained specifically for the development properties were capitalised. Borrowing costs have been capitalised at rates ranging from 5.23% to 18% (2019: 5.23% to 18%) per annum.

Certain development properties with carrying amounts of RMB456,536,000 (2019: RMB998,668,000) have been mortgaged to banks and trust finance company as securities for borrowings granted to the Group, the details of which are set out in Note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

21. CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Fixed deposits with financial institutions	181,500	230,000
Cash at bank and on hand	695,048	751,584
Cash and bank balances	876,548	981,584
Less: restricted cash	(527,528)	(593,058)
Less: bank overdraft	(4,420)	(4,485)
Total cash and cash equivalents in consolidated statement of cash flows	344,600	384,041

The Group's effective interest rate relating to fixed deposits with financial institutions, at reporting date is 1.90% (2019: 3.58%) per annum.

Included in cash and cash equivalents are cash and bank balances of Group entities that are denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC Government.

Certain subsidiaries are required to set aside approximately 5% of the customers' bank loan amounts as restricted cash. The restricted cash held in the designated bank accounts of the Group are pledged to the banks until the customers' building ownership certificate of the respective properties have been obtained and transferred to the banks. The restricted cash earns interest at floating rates based on the prevailing monthly bank deposit rates.

22. SHARE CAPITAL

	Group			
	2020		2019	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Fully paid ordinary shares, with no par value:				
At 1 January and 31 December	196,133	359,700	196,133	359,700

	Company			
	2020		2019	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Fully paid ordinary shares, with no par value:				
At 1 January and 31 December	196,133	1,737,554	196,133	1,737,554

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. All shares rank equally with regard to the Company's residual assets.

At 31 December 2020, there were no share options issued by the Company (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

23. THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	Note	2020 RMB'000	2019 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		4	11
Subsidiaries	8	1,315,406	1,315,406
		1,315,410	1,315,417
Current assets			
Trade and other receivables		122,484	195,034
Cash and cash equivalents		60	2,645
		122,544	197,679
Total assets		1,437,954	1,513,096
Equity attributable to owners of the Company			
Share capital	22	1,737,554	1,737,554
Reserves	24	(465,938)	(460,465)
Total equity		1,271,616	1,277,089
Liabilities			
Non-current liability			
Loans and borrowings		147,120	–
Current liabilities			
Trade and other payables		9,518	2,967
Loans and borrowings		9,700	233,040
		19,218	236,007
Total liabilities		166,338	236,007
Total equity and liabilities		1,437,954	1,513,096

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24. RESERVES

	Company	
	2020	2019
	RMB'000	RMB'000
Foreign currency translation reserve	2,600	742
Employee share option reserve	582	582
Accumulated losses	(469,120)	(461,789)
	(465,938)	(460,465)

The following describes the nature and purpose of each reserve within owners' equity.

Statutory reserves

In accordance with the Foreign Enterprise Law applicable to entities in the PRC, the Company's PRC subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the profit after tax as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the PRC entity's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the PRC entity. The SRF is not available for dividend distribution to shareholders.

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Merger reserve

This represents the difference between the consideration paid and the paid-in capital of the subsidiaries when entities under common control are accounted for by applying the pooling of interest method.

Capital reserve

This represents the difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid that is recognised directly in equity and attributed to the parent as a result of changes in the Company's ownership interest in a subsidiary. Such changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Employee share option reserve

This represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options in past years. The share option scheme had expired.

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For the year ended 31 December 2020

25. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and liquidity risks, see Note 41.

	Note	2020 RMB'000	2019 RMB'000
Current liabilities			
Secured bank loans		429,249	671,036
Secured loans from trust finance company		852,120	800,711
Lease liabilities	6	12,547	7,206
Bank overdraft	21	4,420	4,485
Other loans		154,986	134,465
		1,453,322	1,617,903
Non-current liabilities			
Secured bank loans		482,292	313,000
Secured loans from trust finance company		–	450,000
Lease liabilities	6	25,594	24,369
Other loans		24,400	–
		532,286	787,369
Total loans and borrowings		1,985,608	2,405,272

	2020 RMB'000	2019 RMB'000
Carrying amount of loans and borrowings analysed between:		
– within one year	1,453,322	1,617,903
– more than one year but not exceeding two years	191,520	408,387
– more than two years but not exceeding five years	340,766	378,982
	1,985,608	2,405,272

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For the year ended 31 December 2020

25. LOANS AND BORROWINGS (CONTINUED)

The Group has interest bearing bank loans, loans from trust finance company, other loans and lease liabilities which carry interest ranging from 3.0% to 17.0% (2019: 3.0% to 16.0%).

The currencies of the Group's loans and borrowings are set out below:

	2020 RMB'000	2019 RMB'000
RMB	1,689,123	2,018,934
MYR	14,458	18,833
SGD	1,937	233,040
HKD	123,270	134,465
USD	156,820	–
	1,985,608	2,405,272

The secured loans for the Group are served by a pledge of property, plant and equipment, investment properties and development properties of certain Group entities (see Notes 4, 7 and 20) and guarantees provided by third parties and group companies (see Note 41).

Secured loans from a trust finance company are used to fund a resettlement housing project performed for the local government. As at 31 December 2020, secured loan of RMB802,120,000 (2019: RMB772,120,000) from the trust finance company was held by a local government agency who is responsible for the funding of works on the resettlement housing project (see Note 17).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

25. LOANS AND BORROWINGS (CONTINUED)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Asset	Liabilities								Equity	
	Restricted cash RMB'000 (Note 21)	Secured loans RMB'000 (Note 25)	Bank overdraft RMB'000 (Note 25)	Other loans RMB'000 (Note 25)	Contract liabilities RMB'000 (Note 28)	Lease liabilities RMB'000 (Note 6)	Interest payables RMB'000 (Note 26)	Other payables RMB'000 (Note 26)	Amounts due to non-controlling interests RMB'000 (Note 26)	Non-controlling interests RMB'000 (Note 27)	Total RMB'000
Balance at 1 January 2020	(593,058)	2,234,747	4,485	134,465	2,741,307	31,575	2,923	37,000	127,167	314,292	5,034,903
Changes from financing cash flows											
Decrease in restricted cash	65,530	–	–	–	–	–	–	–	–	–	65,530
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	30,386	30,386
Repayment of loans and borrowings	–	(1,215,657)	–	(45,755)	–	–	–	–	–	–	(1,261,412)
Repayment of loans from third parties	–	–	–	–	–	–	–	(2,136)	–	–	(2,136)
Proceeds from loans and borrowings	–	815,561	–	90,676	–	–	–	–	–	–	906,237
Amounts due to non-controlling interests (non-trade)	–	–	–	–	–	–	–	–	(104,857)	–	(104,857)
Repayment of principal portion of lease liabilities	–	–	–	–	–	(8,666)	–	–	–	–	(8,666)
Interest paid	–	–	–	–	–	(1,338)	(181,308)	–	–	–	(182,646)
Total changes from financing cash flows	65,530	(400,096)	–	44,921	–	(10,004)	(181,308)	(2,136)	(104,857)	30,386	(557,564)
The effect of change in foreign exchange rates	–	–	–	–	–	(142)	–	–	–	–	(142)
Liability-related other changes											
Acquisition of a subsidiary (Note 36)	–	23,970	–	–	–	–	–	–	–	–	23,970
Disposal of subsidiaries (Note 37)	–	(94,960)	–	–	(42,616)	–	–	–	–	–	(137,576)
Decrease in bank overdraft	–	–	(65)	–	–	–	–	–	–	–	(65)
Finance costs capitalised in development properties	–	–	–	–	–	–	175,432	–	–	–	175,432
Finance expenses	–	–	–	–	–	1,338	72,586	–	–	–	73,924
Changes from operating activities	–	–	–	–	(1,355,994)	15,374	–	–	–	–	(1,340,620)
Total liability-related other changes	–	(70,990)	(65)	–	(1,398,610)	16,712	248,018	–	–	–	(1,204,935)
Total equity-related other changes	–	–	–	–	–	–	–	–	–	198,779	198,779
Balance at 31 December 2020	(527,528)	1,763,661	4,420	179,386	1,342,697	38,141	69,633	34,864	22,310	543,457	3,471,041

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25. LOANS AND BORROWINGS (CONTINUED)

Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Asset	Liabilities								Equity	
	Restricted cash RMB'000 (Note 21)	Secured loans RMB'000 (Note 25)	Bank overdraft RMB'000 (Note 25)	Other loans RMB'000 (Note 25)	Contract liabilities RMB'000 (Note 28)	Lease liabilities RMB'000 (Note 6)	Interest payables RMB'000 (Note 26)	Other payables RMB'000 (Note 26)	Amounts due to non-controlling interests RMB'000 (Note 26)	Non-controlling interests RMB'000 (Note 27)	Total RMB'000
Balance at 1 January 2019	(300,732)	2,034,833	3,099	–	1,017,136	8,559	2,234	37,000	506,080	262,446	3,570,655
Changes from financing cash flows											
Increase in restricted cash	(292,326)	–	–	–	–	–	–	–	–	–	(292,326)
Repayment of loans and borrowings	–	(893,110)	–	–	–	–	–	–	–	–	(893,110)
Proceeds from loans and borrowings	–	993,024	–	134,465	–	–	–	–	–	–	1,127,489
Amounts due to non-controlling interests (non-trade)	–	–	–	–	–	–	–	–	(378,913)	–	(378,913)
Repayment of principal portion of lease liabilities	–	–	–	–	–	(5,379)	–	–	–	–	(5,379)
Interest paid	–	–	–	–	–	(335)	(286,633)	–	–	–	(286,968)
Total changes from financing cash flows	(292,326)	99,914	–	134,465	–	(5,714)	(286,633)	–	(378,913)	–	(729,207)
The effect of change in foreign exchange rates	–	–	–	–	–	95	–	–	–	–	95
Liability-related other changes											
Acquisition of a subsidiary (Note 35)	–	100,000	–	–	481,605	–	–	–	–	79,577	661,182
Increase in bank overdraft	–	–	1,386	–	–	–	–	–	–	–	1,386
Finance costs capitalised in development properties	–	–	–	–	–	–	233,853	–	–	–	233,853
Finance expenses	–	–	–	–	–	335	53,469	–	–	–	53,804
Changes from operating activities	–	–	–	–	1,242,566	28,300	–	–	–	–	1,270,866
Total liability-related other changes	–	100,000	1,386	–	1,724,171	28,635	287,322	–	–	79,577	2,221,091
Total equity-related other changes	–	–	–	–	–	–	–	–	–	(27,731)	(27,731)
Balance at 31 December 2019	(593,058)	2,234,747	4,485	134,465	2,741,307	31,575	2,923	37,000	127,167	314,292	5,034,903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

26. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	892,378	529,290
Amounts due to non-controlling interests (non-trade)	22,310	127,167
Accrued operating expenses	8,927	7,261
Interest payables	69,633	2,923
Retention deposits payable to contractors	76,269	41,994
Other payables	572,273	595,375
	1,641,790	1,304,010

The Group's exposure to currency and liquidity risk related to trade and other payables are disclosed in Note 41.

The non-trade amounts due to non-controlling interests of RMB22,310,000 (2019: RMB127,167,000) are unsecured, interest-free and repayable on demand.

In 2020, included in other payables are amounts of RMB34,864,000 (2019: RMB37,000,000) due to third parties which bear fixed interests of 7.2% and 9.72% per annum (2019: 7.2% and 9.72% per annum). The amounts due to third parties are unsecured and repayable within one year.

Ageing profile

The ageing profile of trade payables of the Group at the reporting date, based on invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
Current	860,558	504,854
1 – 30 days	2,010	2,185
31 – 60 days	1,212	8,583
61 – 90 days	1,508	28
More than 90 days	27,090	13,640
	892,378	529,290

Retention deposits payable to contractors

The retention deposits payable to contractors are normally ranging from 3% to 6% of the construction sum that are retained by the Group and are payable to the contractors in one year after the completion of the development projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

27. NON-CONTROLLING INTERESTS

The following summarises the financial information the Group's subsidiaries with material non-controlling interests ("NCI"), based on the subsidiaries' financial statements prepared in accordance with IFRS.

	Henan Tiandao	
	2020	**2019**
	RMB'000	**RMB'000**
Percentage of ownership of NCI	49%	49%
Revenue	3,522	34,610
(Loss)/profit for the year	(3,935)	7,181
Other comprehensive income	–	–
Total comprehensive (loss)/income	(3,935)	7,181
Attributable to NCI:		
– (Loss)/profit for the year	(1,928)	3,519
– Other comprehensive income	–	–
– Total comprehensive (loss)/income	(1,928)	3,519
Non-current assets	15,053	15,660
Current assets	441,073	439,526
Non-current liabilities	(1,068)	(1,068)
Current liabilities	(97,703)	(92,828)
Net assets	357,355	361,290
Net assets attributable to NCI	175,104	177,032
Cash flows used in operating activities	(599)	(2,513)
Cash flows in investing activities	–	–
Cash flows in financing activities (dividends to NCI: 2020: Nil; 2019: Nil)	–	–
Net decrease in cash and cash equivalents	(599)	(2,513)

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For the year ended 31 December 2020

27. NON-CONTROLLING INTERESTS (CONTINUED)

	Eindec Corporation	
	2020	**2019**
	RMB'000	**RMB'000**
Percentage of ownership of NCI	33.2%	33.2%
Revenue	102,123	56,953
Loss for the year	(3,560)	(8,006)
Other comprehensive loss	(1,367)	(5,289)
Total comprehensive loss	(4,927)	(13,295)
Attributable to NCI:		
– Loss for the year	(1,182)	(2,658)
– Other comprehensive loss	(454)	(1,755)
– Total comprehensive loss	(1,636)	(4,413)
Non-current assets	36,108	24,978
Current assets	91,273	59,121
Non-current liabilities	(12,791)	(2,420)
Current liabilities	(77,425)	(42,404)
Net assets	37,165	39,275
Net assets attributable to NCI	11,553	13,040
Cash flows used in operating activities	(13,192)	(7,074)
Cash flows (used in)/generated from investing activities	(1,119)	901
Cash flows generated from/(used in) financing activities (dividends to NCI: 2020: Nil; 2019: Nil)	8,006	(1,600)
Net decrease in cash and cash equivalents	(6,305)	(7,773)

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27. NON-CONTROLLING INTERESTS (CONTINUED)

	Huzhou Ganghong	
	2020	**2019**
	RMB'000	**RMB'000**
Percentage of ownership of NCI	60%	60%
Revenue	840,573	–
Profit/(loss) for the year	145,809	(8,661)
Other comprehensive income	–	–
Total comprehensive income/(loss)	145,809	(8,661)
Attributable to NCI:		
– Profit/(loss) for the year	87,485	(5,197)
– Other comprehensive income	–	–
– Total comprehensive income/(loss)	87,485	(5,197)
Non-current assets	93,287	27,467
Current assets	395,217	831,970
Non-current liabilities	–	–
Current liabilities	(344,712)	(861,454)
Net assets/(liabilities)	143,792	(2,017)
Net assets/(liabilities) attributable to NCI	86,275	(1,210)
Cash flows generated from operating activities	134,015	372,494
Cash flows used in investing activities	(69,000)	(23,978)
Cash flows used in financing activities (dividends to NCI: 2020: Nil; 2019: Nil)	(122,206)	(263,400)
Net (decrease)/increase in cash and cash equivalents	(57,191)	85,116

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27. NON-CONTROLLING INTERESTS (CONTINUED)

	Shenzhen Pangu	
	2020	**2019**
	RMB'000	**RMB'000**
Percentage of ownership of NCI	40%	40%
Revenue	–	–
Loss for the year	(6)	(4,545)
Other comprehensive income	–	–
Total comprehensive loss	(6)	(4,545)
Attributable to NCI:		
– Loss for the year	(3)	(1,818)
– Other comprehensive income	–	–
– Total comprehensive loss	(3)	(1,818)
Non-current assets	–	–
Current assets	91,517	66,448
Non-current liabilities	–	–
Current liabilities	(96,069)	(70,994)
Net liabilities	(4,552)	(4,546)
Net liabilities attributable to NCI	(1,821)	(1,818)
Cash flows (used in)/generated from operating activities	(1,151)	698
Cash flows (used in)/generated from investing activities	(43)	6
Cash flows in financing activities (dividends to NCI: 2020: Nil; 2019: Nil)	–	–
Net (decrease)/increase in cash and cash equivalents	(1,194)	704

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27. NON-CONTROLLING INTERESTS (CONTINUED)

	Fujian Tianzhi	
	2020	**2019**
	RMB'000	**RMB'000**
Percentage of ownership of NCI	40%	40%
Revenue	–	–
Loss for the year	(1,958)	(784)
Other comprehensive income	–	–
Total comprehensive loss	(1,958)	(784)
Attributable to NCI:		
– Loss for the year	(783)	(314)
– Other comprehensive income	–	–
– Total comprehensive loss	(783)	(314)
Non-current assets	978	313
Current assets	73,643	59,020
Non-current liabilities	–	–
Current liabilities	(62,404)	(45,158)
Net assets	12,217	14,175
Net assets attributable to NCI	4,887	5,670
Cash flows used in operating activities	(1,192)	(1,946)
Cash flows generated from/(used in) investing activities	34	(62)
Cash flows used in financing activities (dividends to NCI: 2020: Nil; 2019: Nil)	(1)	(118)
Net decrease in cash and cash equivalents	(1,159)	(2,126)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. NON-CONTROLLING INTERESTS (CONTINUED)

	Fujian Tianjue	
	2020	**2019**
	RMB'000	**RMB'000**
Percentage of ownership of NCI	40%	40%
Revenue	–	–
Loss for the year	(1,971)	(1,433)
Other comprehensive income	–	–
Total comprehensive loss	(1,971)	(1,433)
Attributable to NCI:		
– Loss for the year	(788)	(573)
– Other comprehensive income	–	–
– Total comprehensive loss	(788)	(573)
Non-current assets	1,186	544
Current assets	43,989	58,449
Non-current liabilities	–	–
Current liabilities	(33,631)	(45,478)
Net assets	11,544	13,515
Net assets attributable to NCI	4,618	5,406
Cash flows used in operating activities	(613)	(3,009)
Cash flows used in investing activities	(5)	(80)
Cash flows used in financing activities (dividends to NCI: 2020: Nil; 2019: Nil)	(1)	(107)
Net decrease in cash and cash equivalents	(619)	(3,196)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

27. NON-CONTROLLING INTERESTS (CONTINUED)

	Yizheng Hongrui	
	2020	**2019**
	RMB'000	**RMB'000**
Percentage of ownership of NCI	70%	70%
Revenue	304,401	–
Profit/(loss) for the year	63,871	(8,823)
Other comprehensive income	–	–
Total comprehensive income/(loss)	63,871	(8,823)
Attributable to NCI:		
– Profit/(loss) for the year	44,710	(6,176)
– Other comprehensive income	–	–
– Total comprehensive income/(loss)	44,710	(6,176)
Non-current assets	31	2,997
Current assets	994,009	578,701
Non-current liabilities	–	–
Current liabilities	(899,257)	(550,786)
Net assets	94,783	30,912
Net assets attributable to NCI	66,348	21,638
Cash flows generated from operating activities	157,272	111,252
Cash flows used in investing activities	(26,503)	(44,951)
Cash flows in financing activities (dividends to NCI: 2020: Nil; 2019: Nil)	–	–
Net increase in cash and cash equivalents	130,769	66,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

27. NON-CONTROLLING INTERESTS (CONTINUED)

	Yizheng Honglin	
	2020	**2019**
	RMB'000	**RMB'000**
Percentage of ownership of NCI	70%	70%
Revenue	531,373	–
Profit/(loss) for the year	121,067	(10,833)
Other comprehensive income	–	–
Total comprehensive income/(loss)	121,067	(10,833)
Attributable to NCI:		
– Profit/(loss) for the year	84,747	(7,583)
– Other comprehensive income	–	–
– Total comprehensive income/(loss)	84,747	(7,583)
Non-current assets	167	3,716
Current assets	642,610	747,532
Non-current liabilities	–	–
Current liabilities	(492,947)	(722,485)
Net assets	149,830	28,763
Net assets attributable to NCI	104,881	20,134
Cash flows generated from operating activities	27,936	192,223
Cash flows used in investing activities	(4,745)	(111,562)
Cash flows in financing activities (dividends to NCI: 2020: Nil; 2019: Nil)	–	–
Net increase in cash and cash equivalents	23,191	80,661

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. NON-CONTROLLING INTERESTS (CONTINUED)

	Hunan Jingke	
	2020	**2019**
	RMB'000	**RMB'000**
Percentage of ownership of NCI	62.5%	62.5%
Revenue	10,646	391,426
Loss for the year	(16,324)	(8,282)
Other comprehensive income	–	–
Total comprehensive loss	(16,324)	(8,282)
Attributable to NCI:		
– Loss for the year	(10,202)	(5,176)
– Other comprehensive income	–	–
– Total comprehensive loss	(10,202)	(5,176)
Non-current assets	26,517	26,060
Current assets	618,780	590,553
Non-current liabilities	(222,239)	(172,239)
Current liabilities	(320,342)	(325,334)
Net assets	102,716	119,040
Net assets attributable to NCI	64,198	74,400
Cash flows used in operating activities	(209,599)	(4,496)
Cash flows generated from/(used in) investing activities	29,860	(30)
Cash flows from/(used in) financing activities (dividends to NCI: 2020: Nil; 2019: Nil)	140,000	(10,000)
Net decrease in cash and cash equivalents	(39,739)	(14,526)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

27. NON-CONTROLLING INTERESTS (CONTINUED)

	Zhongleng Lian 2020 RMB'000
Percentage of ownership of NCI	49%
Revenue	–
Loss for the year	(2,533)
Other comprehensive income	–
Total comprehensive loss	(2,533)
Attributable to NCI:	
– Loss for the year	(1,241)
– Other comprehensive income	–
– Total comprehensive loss	(1,241)
Non-current assets	37,250
Current assets	4,597
Non-current liabilities	–
Current liabilities	(36,145)
Net assets	5,702
Net assets attributable to NCI	2,794
Cash flows used in operating activities	(2,091)
Cash flows used in investing activities	(5,663)
Cash flows generated from financing activities (dividends to NCI: 2020: Nil)	8,235
Net increase in cash and cash equivalents	481

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27. NON-CONTROLLING INTERESTS (CONTINUED)

	Henan Weizhu 2020 RMB'000
Percentage of ownership of NCI	30%
Revenue	–
Loss for the year	(49)
Other comprehensive income	–
Total comprehensive loss	(49)
Attributable to NCI:	
– Loss for the year	(15)
– Other comprehensive income	–
– Total comprehensive loss	(15)
Non-current assets	–
Current assets	999
Non-current liabilities	–
Current liabilities	(49)
Net assets	950
Net assets attributable to NCI	285
Cash flows used in operating activities	(300)
Cash flows in investing activities	–
Cash flows generated from financing activities (dividends to NCI: 2020: Nil)	1,000
Net increase in cash and cash equivalents	700

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For the year ended 31 December 2020

27. NON-CONTROLLING INTERESTS (CONTINUED)

	Zhongwei Wisdom Cold Chain 2020 RMB'000
Percentage of ownership of NCI	39.4%
Revenue	–
Loss for the year	(2,102)
Other comprehensive income	–
Total comprehensive loss	(2,102)
Attributable to NCI:	
– Loss for the year	(828)
– Other comprehensive income	–
– Total comprehensive loss	(828)
Non-current assets	47
Current assets	48,940
Non-current liabilities	–
Current liabilities	(1,089)
Net assets	47,898
Net assets attributable to NCI	18,872
Cash flows used in operating activities	(7,201)
Cash flows used in investing activities	(12,197)
Cash flows generated from financing activities (dividends to NCI: 2020: Nil)	19,700
Net increase in cash and cash equivalents	302

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27. NON-CONTROLLING INTERESTS (CONTINUED)

	Zhongwei Intelligent Parking 2020 RMB'000
Percentage of ownership of NCI	44.5%
Revenue	–
Loss for the year	(1,660)
Other comprehensive income	–
Total comprehensive loss	(1,660)
Attributable to NCI:	
– Loss for the year	(739)
– Other comprehensive income	–
– Total comprehensive loss	(739)
Non-current assets	136
Current assets	12,464
Non-current liabilities	–
Current liabilities	(324)
Net assets	12,276
Net assets attributable to NCI	5,463
Cash flows used in operating activities	(2,486)
Cash flows used in investing activities	(3,333)
Cash flows generated from financing activities (dividends to NCI: 2020: Nil)	6,202
Net increase in cash and cash equivalents	383

The total net assets attributable to NCI of RMB543,457,000 (2019: RMB314,292,000).

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28. REVENUE

	2020 RMB'000	2019 RMB'000
Sales of development properties	2,675,749	706,109
Sales of goods and installation services	102,123	56,953
	2,777,872	763,062

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Sales of development properties

Nature of development properties	The Group develops residential and commercial properties for sale to end customers in the PRC.
When revenue is recognised	Revenue is recognised at a point in time being when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property (i.e. when control of the property has been transferred to the customer). The transfer of control is typically evidenced at the earlier of: (i) the transfer of legal title or (ii) equitable interest in the property transfers to the buyer upon signing the property handover notice. Deposits, instalments or advances received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under 'Contract liabilities'.
Significant payment terms	Payment is typically made in advance. In certain instances, payment is agreed based on an instalment schedule at the point of sale.
Obligations for warranties	The Group does not provide any form of warranty to end customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

28. REVENUE (CONTINUED)

Sales of goods and installation services

Nature of goods or services	The Group manufactures clean air environmental technology solutions equipment and clean room equipment based on the customer's specification. There is no significant customisation of the clean room equipment. In addition, the Group also installs certain equipment for their customers at the delivery of the equipment.
When revenue is recognised	For sales of goods, revenue is recognised at a point in time when goods are delivered to the customer and criteria for acceptance have been satisfied. For installation service, revenue is recognised at the completion of the installation service. The installation service is typically completed shortly after delivery of goods. The lead time between the delivery of goods and installation of the delivered goods is insignificant.
Significant payment terms	Invoices are issued upon delivery of goods or the completion of service and are payable within 30–60 days. In cases where, the Group received cash paid in advance of goods delivered and to the extent that they remain undelivered at balance sheet date, the Group defers recognition of revenue and recognise such amounts in the consolidated statement of financial position as 'Contract liabilities'.
Obligations for warranties	In certain cases, sales of equipment includes a standard warranty of one year, under which customers are able to return and replace any defective products. The standard warranty is consistent with market practice. There is no right to return the goods. There are no variable considerations such as volume discounts or sales rebates provided to customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

28. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customer

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 40).

	Reportable segment					
	Property development		Equipment manufacturing		Total	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Primary geographical markets						
PRC	2,675,749	706,109	53,428	3,707	2,729,177	709,816
Singapore	–	–	36,553	53,082	36,553	53,082
Others	–	–	12,142	164	12,142	164
	2,675,749	706,109	102,123	56,953	2,777,872	763,062
Major products/service lines						
Sales of development properties	2,675,749	706,109	–	–	2,675,749	706,109
Sales of goods and installation services	–	–	102,123	56,953	102,123	56,953
	2,675,749	706,109	102,123	56,953	2,777,872	763,062
Timing of revenue recognition						
At a point in time	2,675,749	706,109	102,123	56,953	2,777,872	763,062

Contract balances

The following table provides information about trade receivables, contract costs, contract assets and contract liabilities from contracts with customers.

	Note	2020 RMB'000	2019 RMB'000
Trade receivables	15	68,290	21,653
Contract costs		39,054	77,259
Contract assets		660,736	663,585
Contract liabilities		(1,342,697)	(2,741,307)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

28. REVENUE (CONTINUED)

Contract balances (continued)

The Group has applied the practical expedient and recognised the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

Contract assets relate to the Group's rights to consideration for work completed or goods delivered but not billed at the reporting date.

Contract liabilities primarily relate to advances from customer for sales of development properties and sales of equipment before the criteria for revenue recognition have been met.

Success-based sales commissions

The Group pays sales commissions to property sales agents for securing property sales contracts for the Group on a success basis. Upon adoption of IFRS 15, the Group capitalises these incremental costs as contract costs.

Significant changes in the contract assets and the contract liabilities balances during the year are as follows.

	Contract assets		Contract liabilities	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	–	–	2,666,146	232,908
Increase due to cash received, excluding amounts recognised as revenue during the year	–	–	(1,315,948)	(1,950,848)
Decrease due to disposal of a subsidiary	–	–	42,616	–
Accrued interest on financing component	–	–	5,796	(6,231)
Decrease due to work billed	(2,891)	(105,995)	–	–
Impairment loss reversed on contract assets	42	2,755	–	–

Judgements are used to estimate these total contract costs to complete. In making these estimates, management has relied on the expertise of engineering department to determine the progress of the revenue contract and also on past experience of completed projects. The estimated total contract costs are reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about its remaining PO if the PO is part of a contract that has an original expected duration of one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

29. OTHER INCOME

	Note	2020 RMB'000	2019 RMB'000
Changes in fair value of investment properties		(3,000)	15,000
Gain on bargain purchase arising from acquisition of a subsidiary	35	–	17,745
Gain on disposal of property, plant and equipment		801	525
Gain on disposal of investment properties		–	24
Gain on disposal of a joint venture	9	–	4,172
Gain on disposal of other investments		204	13
Gain on disposal of subsidiaries	37	177,852	–
Government grants		2,984	1,213
Net changes in fair value on other investments		151	(247)
Compensation income		1,225	878
Rental income		4,966	4,010
Others		1,320	4,297
		186,503	47,630

30. NET FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest income	15,903	14,299
Interest expenses on loans and borrowings	(247,218)	(286,865)
Interest expenses on lease liabilities	(1,338)	(335)
Others	(800)	(457)
Finance expenses, net	(233,453)	(273,358)
Finance cost capitalised in development properties	175,432	233,853
Net finance costs recognised in profit or loss	(58,021)	(39,505)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

31. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging/(crediting) the followings:

	Note	2020 RMB'000	2019 RMB'000
Audit fees paid/payable		2,683	2,025
Non-audit fee paid/payable		578	–
Amortisation of intangible assets	5	314	200
Allowance for impairment loss made/(reversed) on trade and other receivables		349	(16)
Allowance for impairment loss reversed on contract assets	28	(42)	(2,755)
Depreciation of property, plant and equipment	4	13,504	12,609
Gain on disposal of investment properties		–	(24)
Gain on disposal of a joint venture	9	–	(4,172)
Gain on disposal of other investment		(204)	(13)
Gain on disposal of subsidiaries	37	(177,852)	–
Net changes in fair value on other investments		(151)	247
Changes in fair value of investment properties	7	3,000	(15,000)
Raw materials, changes in finished goods and work-in-progress recognised	19	80,527	42,149
Property, plant and equipment written off		25	764
Inventories written off	19	–	195

	2020 RMB'000	2019 RMB'000
Employee benefits expenses		
Directors' fees	660	660
Salaries, bonuses and other costs	99,359	73,186
PRC statutory welfare fund	368	296
Contributions to defined contribution plan	13,705	10,812
	114,092	84,954

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

31. PROFIT/(LOSS) BEFORE TAXATION (CONTINUED)

Directors' remuneration

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2020					
Chairman					
Zhang Wei	–	2,936	–	118	3,054
Executive director					
Chen Zhiyong	–	303	–	55	358
Independent non-executive directors					
Dong Xincheng	200	–	–	–	200
Lam Ying Hung Andy	200	–	–	–	200
Liu Ning	260	–	–	–	260
	660	3,239	–	173	4,072

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2019					
Chairman					
Zhang Wei	–	3,090	–	145	3,235
Executive director					
Chen Zhiyong	–	380	–	93	473
Independent non-executive directors					
Dong Xincheng	200	–	–	–	200
Lam Ying Hung Andy	200	–	–	–	200
Liu Ning	260	–	–	–	260
	660	3,470	–	238	4,368

No directors of the Company waived or agreed to waive any remuneration during the current and previous financial years. During the current and previous financial years, there were also no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out below 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

31. PROFIT/(LOSS) BEFORE TAXATION (CONTINUED)

Directors' remuneration (continued)

Individuals with highest emoluments

Of the five (2019: five) individuals with the highest emoluments, there is one director (2019: one director) of the Group for the year ended 31 December 2020, whose emoluments are reflected in the analysis presented above. The aggregate of the emoluments paid and/or payable to the remaining four (2019: four) individuals are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other emoluments	4,044	3,640
Retirement scheme contributions	127	268
	4,171	3,908

The emoluments of remaining individuals with the highest emoluments are within the following bands:

	2020 RMB'000	2019 RMB'000
Nil to HKD1,000,000	1	1
HKD1,000,001 – HKD1,500,000	2	2
HKD1,500,001 – HKD2,000,000	1	1
HKD2,000,001 – HKD2,500,000	–	–
	4	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

32. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Current tax expense		
Current year income tax	142,779	71,351
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	3,860	(101,597)
Withholding tax on the profits of the Group's PRC subsidiaries	18,608	9,695
	22,468	(91,902)
Land appreciation tax ("LAT") expense		
LAT	117,528	58,734
Total tax expense	282,775	38,183
Reconciliation of effective tax rate		
Profit/(loss) before taxation	505,288	(18,683)
Tax using PRC tax rate of 25% (2019: 25%)	126,322	(4,671)
Tax effects of:		
– difference in tax rate in different jurisdictions	5,274	5,060
– expenses not deductible for tax purposes	13,526	7,376
– deferred tax asset not recognised	35,519	31,895
– withholding tax at 10% on the profits of the Group's PRC subsidiaries	18,608	9,695
– income not subject to tax	(7,541)	(56,009)
– LAT	117,528	58,734
– effect of tax deduction for LAT	(29,382)	(14,683)
– others	2,921	786
	282,775	38,183

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. INCOME TAX EXPENSE (CONTINUED)

Singapore and PRC income tax liabilities are calculated at the applicable rates in accordance with the relevant tax laws and regulations in Singapore and the PRC.

Pursuant to a PRC Enterprise Income Tax Law promulgated on 16 March 2007, the enterprise income tax for both domestic and foreign-invested enterprises have been unified at 25% effective from 1 January 2008.

According to the Implementation Rules of the Corporate Income tax Law of PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profit earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognised for the dividends that have been declared, and deferred tax liability is recognised for those to be declared in the foreseeable future.

Certain subsidiaries within the Group are paying corporate income tax on a deemed tax basis as agreed with the local tax authorities. The tax obligations are determined by applying the corporate income tax rate on the deemed profit generated. The deemed profit generated is calculated based on a deemed profit rate on the revenue generated by the subsidiaries.

LAT is levied on properties in the PRC developed for sale by the Group at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds from the sale of properties less deductible expenditures which include lease charges of land use rights, borrowing costs and all property development expenditures. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for some of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the difference realises.

33. EARNINGS/(LOSSES) PER SHARE

The following tables reflect the profit or loss and share data used in the computation of basic and diluted earnings/(losses) per share for the years ended 31 December:

	2020	2019
Earnings/(losses) per share is based on		
Profit/(loss) for the year attributable to owners of the Company (RMB'000)	23,280	(30,890)
Weighted average number of ordinary shares ('000)	196,133	196,133
Basic and diluted earnings/(losses) per share (RMB cents)	11.87	(15.75)

Basic earnings/(losses) per share is calculated on the Group's profit/(loss) for the financial year attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings/(losses) per share is calculated on the same basis as basic earnings/(losses) per share as the Group did not issue dilutive instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

34. CAPITAL COMMITMENTS

Capital commitments contracted for as at the end of the reporting period but not recognised in the consolidated financial statements are as follows:

	2020 RMB'000	2019 RMB'000
Development expenditures authorised and contracted for	497,736	1,127,373

35. BUSINESS ACQUISITION

On 9 December 2019, the Group subscribed 37.5% of the voting capital of Hunan Jingke, a company whose principal activity is property development. The acquisition was made with the aims to further expand into central China and enhance the Group's position in the PRC real property market.

The provisional fair value of identifiable assets and liabilities of the acquiree as at the date of acquisition were:

	9 December 2019 RMB'000
Property, plant and equipment	234
Trade and other receivables	32,268
Cash and cash equivalents	100,065
Development properties	859,939
Prepaid tax	28,405
Deferred tax assets recognised upon fair value adjustments	25,129
Trade and other payables	(163,125)
Contract liabilities	(481,605)
Loans and borrowings	(100,000)
Deferred tax liabilities recognised upon fair value adjustments	(173,988)
Total identifiable net assets at fair value	127,322
Non-controlling interest	(79,577)
Gain on bargain purchase	17,745
Satisfied by:	
Cash	(30,000)
Net cash inflow arising from acquisition	70,065

The amount of the non-controlling interest at the acquisition date amounted to RMB79,577,000.

Since the acquisition date, Hunan Jingke has contributed RMB391,426,000 and RMB8,282,000 to the Group's revenue and loss for the year respectively. If the acquisition had occurred on 1 January 2019, Group revenue and loss for the year ended 31 December 2019 would have been RMB763,062,000 and RMB72,712,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. ACQUISITION OF ASSET THROUGH ACQUISITION OF A SUBSIDIARY

In November 2018, the Group entered into an equity transfer agreement with an independent third party ("Previous Owner") for the acquisition of the 51% equity shares of Huiyang Jinlida for a consideration of RMB350,000,000 with the land premium in respect of change in land use of land held by Huiyang Jinlida to be paid by the Previous Owner. The Group paid the Previous Owner a refundable deposit of RMB150,000,000 in 2018 and RMB200,000,000 as security deposit in 2019, which were recorded as deposits paid for acquisition of property development projects by the Group (Note 16). In April 2020, the Group and the Previous Owner entered into a supplementary agreement to acquire the entire equity interest instead of 51% equity interest in Huiyang Jinlida and the consideration was changed from RMB350,000,000 to RMB200,000,000, but the Group would be responsible for paying the land premium in respect of change in land use of the land hold by Huiyang Jinlida. The principal activity of Huiyang Jinlida is property development, and its identifiable asset are mainly properties for sale and under development. The total cost, being the sum of consideration of RMB200,000,000 and capital injection of RMB49,500,000 was approximately RMB249,500,000. The transaction is accounted for as acquisition of asset.

Details of net assets acquired in respect of the above transaction are summarised below:

	RMB'000
Development properties	782,742
Prepayment and deposits	195
Cash and cash equivalents	475
Trade and other payables	(109,828)
Loans and borrowings	(23,970)
Amount due to the Group	(333,720)
Deferred tax liabilities	(66,394)
	249,500

	RMB'000
Net cash inflow arising on acquisition:	
Cash consideration paid in current period	–
Cash and bank balances acquired	475
	475

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For the year ended 31 December 2020

37. DISPOSAL OF SUBSIDIARIES

(a) On 29 October 2020, the Group entered into an equity transfer agreement to dispose its entire interests in Huiyang Jinlida at a cash consideration of approximately RMB975,430,000. Within the equity transfer agreement, the Group is obliged to settle certain liabilities of Huiyang Jinlida upon completion of the disposal. Huiyang Jinlida was engaged in property development in the PRC. The disposal of Huiyang Jinlida was completed on 24 December 2020. The net assets of Huiyang Jinlida at the date of disposal were as follows:

	24 December 2020 RMB'000
Development properties	861,489
Trade and other receivables	2,363
Cash and cash equivalents	–*
Trade and other payables	(164,274)
Amount due to the immediate holding company	(334,934)
Loans and borrowings	(44,960)
Deferred tax liabilities	(66,394)
Net assets disposed of	253,290
Transaction costs	9,304
Settlement of certain liabilities of Huiyang Jinlida	534,997
	797,591
Total consideration	975,430
Gain on disposal of a subsidiary	177,839

An analysis of the net inflow of cash and bank balances in respect of the disposal of Huiyang Jinlida was as follows:

	RMB'000
Total consideration	975,430
Consideration receivable from the purchaser	(55,347)
Settlement of certain liabilities of Huiyang Jinlida	(534,997)
Cash and bank balances disposed of	–*
	385,086

* Represent the amount lower than RMB1,000

The remaining consideration receivable from the purchaser was included in other receivables (Note 16) and was subsequently settled before the date of this annual report.

(b) On 30 November 2020, the Group disposed its entire interests in Xinxiang Weiye at a cash consideration of approximately RMB5,393,000. Xinxiang Weiye was engaged in the property development in the PRC. The disposal of Xinxiang Weiye was completed on 30 November 2020. The net assets of Xinxiang Weiye at the date of disposal was RMB5,380,000. A gain of approximately RMB13,000 was resulted from the disposal of Xinxiang Weiye.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

38. CONTINGENT LIABILITIES

(a) At the respective reporting dates, the contingent liabilities of the Group were as follows:

	2020 RMB'000	2019 RMB'000
Guarantees granted to financial institutions on behalf of purchasers of property units	2,182,873	2,387,549

The Group arranges with various domestic banks in the PRC to provide loan and mortgage facilities to purchasers of its properties prior to the transfer of land title deeds. In line with the consumer banking practices in the PRC, these banks require the Group to provide guarantees in respect of these loans including the principal, interest and other incidental costs. The Group is required to maintain certain amounts of cash in designated bank accounts which are pledged to the banks (see Note 21). If a purchaser defaults on a loan, the relevant mortgagee bank is entitled to deduct the amount repayable from the restricted cash account.

These guarantees provided by the Group to the banks would be released by the banks upon the receipt of the building ownership certificate of the respective properties by the banks from the customers when it is issued by the relevant authorities.

(b) **Litigation with contractor**

During the year, a claim against two subsidiaries of the Group, Huizhoushi Dajinzhou Property Development Co., Ltd. and Guangdong Leiding Property Development Co., Ltd. was filed for outstanding construction cost for approximately RMB115,660,000 by a contractor in the PRC. The contractor claimed that the two subsidiaries did not settle the overdue bills and claimed for extra construction costs. The original contract amount for the construction contracts with the contractor was approximately RMB280,000,000 and the two subsidiaries paid approximately RMB266,399,000 in aggregate as at 31 December 2020. On 21 January 2021, Huizhou Intermediate People's Court (廣東省惠州市中級人民法院) handled the first hearing of the case. Based on the court's judgement, the result of the case depend on the appraised value of construction cost of the property project by an independent qualified surveyor.

Having sought legal advices, the directors believe that above contingent liabilities are unlikely to materialise and no provision for liabilities in this respect has been made in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

39. RELATED PARTIES

Key management personnel compensation comprises:

	2020 RMB'000	2019 RMB'000
Directors' fees paid to directors of the Company	660	660
Salaries paid to key management personnel	4,626	4,999
PRC statutory welfare fund	74	135
Contributions to defined contribution plans	114	193
	5,474	5,987

	2020 RMB'000	2019 RMB'000
Comprises amounts paid/payable to:		
– directors of the Company	4,072	4,368
– other key management personnel	1,402	1,619
	5,474	5,987

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following significant transactions between the Group and related parties took place during the year on terms agreed between the parties:

Sale and purchase of goods and services

A number of key management personnel, or their related parties, hold positions and/or interests in other entities that result in them having control or significant influence over the financial or operating decisions of those entities.

The Group transacted with these entities in prior years. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably to be available, or similar to third party entities and were on an arm's length basis.

Loan from a controlling shareholder

As at 31 December 2020, the Group obtained a loan from a connected entity controlled by a controlling shareholder which was amounted to HKD145,000,000 (equivalent to RMB122,148,000) (2019: HKD150,000,000 (equivalent to RMB134,465,000), interest bearing at 16% per annum and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

40. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is organised into business units based on the products and services offered, and has two reportable operating segments as follows:

I. Property development

Property development includes the development and sales of both commercial and residential property units, construction of resettlement houses in the PRC and the leasing of investment properties to generate rental income and to derive capital gains from the investment properties in the long term.

II. Equipment manufacturing

A clean room provides an environment where the humidity, temperature and particles in the air are precisely controlled. Clean room equipment includes fan filter units, air showers, clean booths, pass boxes, clean hand dryers and clean benches, amongst others. Heat ventilation and air-conditioning products are essentially deflection grilles and air diffusers installed to channel and regulate the airflow into the environment within the building to ensure an even distribution of air within the confined space. Air purification equipment (also referred to as air cleaners) are electrical devices that remove solid and gaseous pollutants from the air such as formaldehyde and PM2.5 which may pose adverse health risks that include breathing difficulties, asthma and allergies. Through the function of air filters or sterilising systems built into each air purification equipment, the concentration of dust, contaminants, fine particles and volatile organic compounds in the air are reduced to the benefit of individuals within the immediate vicinity. Integrated with air purification system, other solutions such as smart home equipment with integrated security system implementation services, renovation materials, and supply and installation of smart door and window system have been included.

The Group's Executive Chairman ("Chief Operating Decision Maker") monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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For the year ended 31 December 2020

40. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Reconciliations of reportable revenue, profit or loss, assets and liabilities:

	Property development		Equipment manufacturing		Total	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Revenue:						
External customers	2,675,749	706,109	102,123	56,953	2,777,872	763,062
Inter-segment revenue	–	–	–	–	–	–
Segments results from operating activities	572,322	40,058	(9,013)	(19,236)	563,309	20,822
Interest income	15,626	14,028	277	271	15,903	14,299
Finance costs	(64,937)	(43,695)	(8,987)	(10,109)	(73,924)	(53,804)
Reportable segment profit/(loss) before taxation					505,288	(18,683)
Income tax expense					(282,775)	(38,183)
Non-controlling interests					(199,233)	25,976
Profit/(loss) attributable to owners of the Company					23,280	(30,890)
Reportable segment assets	7,668,609	8,794,222	127,618	86,870	7,796,227	8,881,092
Reportable segment liabilities	(3,739,433)	(4,681,659)	(54,585)	(27,292)	(3,794,018)	(4,708,951)
Loans and borrowings	(1,798,766)	(2,161,574)	(186,842)	(243,698)	(1,985,608)	(2,405,272)
Total liabilities					(5,779,626)	(7,114,223)
Other segment information						
Capital expenditure	3,674	905	465	2,719	4,139	3,624
Allowance for impairment loss made/(reversed) on trade and other receivables (excluding prepayments) and contract assets	226	(2,559)	81	(212)	307	(2,771)
Depreciation of property, plant and equipment	8,579	8,470	4,925	4,139	13,504	12,609
Amortisation of intangible assets	236	200	78	–	314	200

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40. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Geographical segment

The Group's geographical segments are based on the location of the Group's assets. Revenue to external customers disclosed in geographical segments are based on the geographical location of its customers.

The following table presents revenue and certain non-current assets information regarding the Group's geographical segments as at and for the years ended 31 December 2020 and 31 December 2019.

	PRC RMB'000	Singapore RMB'000	Other countries RMB'000	Total RMB'000
31 December 2020				
Revenue	2,729,177	36,553	12,142	2,777,872
Non-current assets*	897,593	3,843	20,334	921,770
31 December 2019				
Revenue	709,816	53,082	164	763,062
Non-current assets*	645,654	5,699	21,911	673,264

* Excludes trade and other receivables and deferred tax assets.

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For the year ended 31 December 2020

41. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables and contract assets from customers.

The carrying amount of financial assets and contract assets represent the Group's maximum exposure to credit risk, before taking into account any collateral held. The Group does not require any collateral in respect of their financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

ECLs on financial assets and contract assets recognised in profit or loss were as follows:

	2020 RMB'000	2019 RMB'000
Allowance for ECLs (reversed)/made on:		
Trade receivables	(418)	(212)
Other receivables	767	196
Contract assets arising from contract with customers	(42)	(2,755)

Trade receivables and other receivables and contract assets

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is kept to the minimal.

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk associated with the industry and country in which customers operate, as these factors may have an influence on credit risk.

As at 31 December 2020, the Group held amounts due from its non-controlling interests of RMB332,320,000 (2019: RMB180,300,000) and an amount due from a joint venture partner of Nil (2019: RMB6,000,000) and an amount due from an associate of RMB86,730,000 (2019: Nil), respectively, which represents 51% (2019: 12%) of trade and other receivables.

Except for these amounts, there were no other concentrations of credit risk at the Group level.

In addition, the Group is exposed to credit risk in connection with financial guarantees that it has issued. The credit risk represents the loss that would be recognised upon a default by the party for which the guarantee was issued on behalf of the subsidiaries. At the reporting date, the Group does not consider it is probable that a claim will be made against the Group entities.

A summary of the Group's exposure to credit risk for trade and other receivables (excluding prepayments) and contract assets is as follows:

	2020		2019	
	Non credit–impaired RMB'000	Credit–impaired RMB'000	Non credit–impaired RMB'000	Credit–impaired RMB'000
Trade receivables of customers within:				
– two or more years trading history with the Group*	682,024	–	669,469	–
– less than two years trading history with the Group*	48,732	–	17,959	–
Other receivables and deposits	631,403	–	903,719	–
Total gross carrying amount	1,362,159	–	1,591,147	–
Allowance for ECLs	(3,059)	–	(2,752)	–
	1,359,100	–	1,588,395	–

* Excluding 'other receivables'

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For the year ended 31 December 2020

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Expected credit loss assessment

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different geographic region.

The following table provides information about the exposure to credit risk and ECLs for trade receivables for customers as at 31 December 2020 and 31 December 2019:

2020	Weighted average loss rate %	Gross carrying amount RMB'000	Allowance for ECLs RMB'000	Credit impaired
Current (not past due)	0.55	25,577	(141)	No
1 – 30 days past due	0.54	7,993	(43)	No
31 – 60 days past due	0.07	24,030	(17)	No
61 – 90 days past due	1.67	1,319	(22)	No
More than 90 days past due	5.51	10,153	(559)	No
		69,072	(782)	

2019	Weighted average loss rate %	Gross carrying amount RMB'000	Allowance for ECLs RMB'000	Credit impaired
Current (not past due)	0.41	7,760	(32)	No
1 – 30 days past due	0.58	3,276	(19)	No
31 – 60 days past due	0.93	2,377	(22)	No
61 – 90 days past due	1.66	2,644	(44)	No
More than 90 days past due	15.94	6,796	(1,083)	No
		22,853	(1,200)	

Loss rates are based on actual credit loss experience over the past two years. In calculating the ECL rates, the Group considers historical loss of their customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables over the expected life of the receivables.

ECLs of RMB948,000 (2019: RMB990,000) and RMB1,329,000 (2019: RMB562,000) was recognised for contract assets and other receivables, respectively. Loss rates for contract assets and other receivables are calculated based on the probability of default and recovery rate of comparable PRC companies from Bloomberg.

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For the year ended 31 December 2020

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Trade receivables that are past due

As at 31 December 2020, the Group had trade receivables that are past due amounting to RMB42,854,000 (2019: RMB13,925,000). Included in these trade receivables are amounts of RMB14,826,000 and RMB28,028,000 (2019: RMB11,521,000 and RMB2,404,000) attributed primarily to the equipment manufacturing and development properties operations, respectively.

Movements in allowance for ECLs in respect of trade and other receivables (excluding prepayments) and contract assets

The movement in the allowance for ECLs in respect of trade and other receivables (excluding prepayments) and contract assets during the year were as follows:

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
At 1 January 2019	366	5,157	5,523
Provision/(reversal) of ECLs	196	(2,967)	(2,771)
At 31 December 2019 and 1 January 2020	562	2,190	2,752
Provision/(reversal) of ECLs	767	(460)	307
At 31 December 2020	1,329	1,730	3,059

Non-trade amounts due from non-controlling interests

Amounts due from NCIs are assumed to have low credit risk. The Group has considered qualitative and quantitative factors that are indicative of the risk of default. This includes factors such as the progress and expected performance of the property development projects in the relevant subsidiaries and the financial ability of relevant subsidiaries.

Non-trade amounts due from a joint venture partner

The Group assessed that the non-trade amount due from the joint venture partner to have low credit risk. The Group considered the latest payment history of the joint venture partner and also took into account the Group's ability to exercise its rights to take over the underlying land of Hanfang Yaoye, which has an estimated value higher than the balance outstanding.

Non-trade amount due from an associate

Amount due from an associate is assumed to have low credit risk. The Group has considered qualitative and quantitative factors that are indicative of the risk of default. This includes factors such as progress and expected performance of the property development project in a subsidiary of the associate and the financial ability of the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Debt investment at amortised cost

The Group limits its exposure to credit risk on investments held by investing only in liquid debt securities and only with counterparties that have a credit rating of at least Baa3 from Moody's.

Impairment on debt investments are measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group assessed that the risk of impairment allowance on the debt investment at amortised cost is insignificant. The Group had received the proceeds (i.e. principal plus related returns) for investment amounting to RMB3,614,000 on 24 March 2021.

Cash and cash equivalents

The Group held cash and cash equivalents of RMB876,548,000 as at 31 December 2020 (2019: RMB981,584,000). The cash and cash equivalents are held with bank and financial institution counter parties with sound credit ratings.

Impairment on cash and cash equivalents have been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt investments. The amount of the allowance on cash and cash equivalents is negligible.

Guarantees

The Group's policy is to provide financial guarantees only to liabilities arising from wholly-owned subsidiaries.

The maximum exposure of the Group in respect of the intra-group financial guarantee at the reporting date is if the bank facility is drawn down by the subsidiaries in the total amounts of RMB626,417,000 (2019: RMB990,862,000). At the reporting date, the Group does not consider it probable that a claim will be made against the Group entity under the intra-group financial guarantee.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. Approximately 73% (2019: 67%) of the Group's loans and borrowings will mature in less than one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The following are the contractual maturities at the end of reporting period of the Group's financial liabilities based on undiscounted cash flows, including estimated interest payments computed using contractual rates or if floating, based on rates current at the reporting date and excluding the impact of netting arrangements:

		Cash flows		
	Carrying amount RMB'000	Contractual undiscounted cash flows RMB'000	Within 1 year RMB'000	Between 2 to 5 years RMB'000
31 December 2020				
Non-derivative financial liabilities				
Trade and other payables	(1,516,630)	(1,519,579)	(1,519,579)	–
Loans and borrowings	(1,985,608)	(2,223,950)	(1,595,903)	(628,047)
	(3,502,238)	(3,743,529)	(3,115,482)	(628,047)
31 December 2019				
Non-derivative financial liabilities				
Trade and other payables	(1,057,378)	(1,060,508)	(1,060,508)	–
Loans and borrowings	(2,405,272)	(2,669,625)	(1,902,923)	(766,702)
	(3,462,650)	(3,730,133)	(2,963,431)	(766,702)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

Foreign currency risk of the Group arises from subsidiaries operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. The Group is also exposed to the effects of foreign exchange rate fluctuations because of its foreign currency denominated operating revenue and expenses. The Group is mainly exposed to the United States Dollar ("US Dollar").

The Group does not hedge its exposures to these foreign currency risks but the management considers that a natural hedge exists between the assets and liabilities in each of its subsidiaries.

The Group manages its transactional exposure by a policy of matching, as far as possible, receipts and payments in each individual currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk (continued)

Exposure to currency risk

The summary of quantitative data about the Group's exposure to foreign currency risk as provided to the management of the Group based on its risk management policy is as follows:

	2020 RMB'000	2019 RMB'000
US Dollar		
Trade and other receivables	1,102	518
Cash and cash equivalents	810	373
Trade and other payables	(188)	(766)
Loans and borrowings	(156,820)	–
	(155,096)	125

Sensitivity analysis for foreign currency risk

A strengthening of the RMB, as indicated below, against the US dollar at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2019, as indicated below:

	Profit or loss RMB'000
2020	
US dollar (5%)	7,755
2019	
US dollar (5%)	(6)

A 5% weakening of the RMB against the US dollar would have had an equal but opposite effect on the US dollar to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its interest-bearing loans and receivables, and loans and borrowings. The Group's policy is to obtain the most favourable interest rates available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management, was as follows:

	Carrying amount	
	2020	**2019**
	RMB'000	**RMB'000**
Fixed rate instruments		
Amounts due from non-controlling interests	61,997	14,000
Fixed deposits	181,500	230,000
Lease liabilities	(38,141)	(31,575)
Bank overdraft	(4,420)	(4,485)
Other loan	(179,386)	(134,465)
	21,550	73,475
Variable rate instruments		
Secured loans	(1,763,661)	(2,234,747)
Other payables	(34,864)	(37,000)
	(1,798,525)	(2,271,747)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have (decreased)/increased profit or loss by the amounts shown below. This analysis assumes that all other variable, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2019.

	Profit or loss	
	100 bp increase RMB'000	**100 bp decrease RMB'000**
31 December 2020		
Variable rate instruments	(17,985)	17,985
31 December 2019		
Variable rate instruments	(22,717)	22,717

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 2019.

The Company's PRC subsidiaries are required by the relevant laws and regulations of the PRC to contribute to and maintain a non-distributable statutory reserve fund for which the utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiaries for the financial years ended 31 December 2020 and 2019.

The Group monitors capital using an adjusted net debt to equity ratio, which is adjusted net debt (loans and borrowings less cash and cash equivalents) divided by total equity.

	Note	2020 RMB'000	2019 RMB'000
Loans and borrowings	25	1,985,608	2,405,272
Less: Cash and cash equivalents	21	(876,548)	(981,584)
Net debt		1,109,060	1,423,688
Total equity		2,016,601	1,766,869
Gearing ratio		55%	81%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value.

		Carrying amount					Fair value			
	Note	Debt investment at amortised cost RMB'000	Debt investments at FVTPL RMB'000	Amortised cost RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
31 December 2020										
Financial assets measured at fair value										
Other investments	10	–	3,000	–	–	3,000	–	3,000	–	3,000
Financial assets not measured at fair value										
Other investments	10	6,000	–	–	–	6,000				
Trade and other receivables*	11	–	–	698,364	–	698,364				
Cash and cash equivalents	21	–	–	876,548	–	876,548				
		6,000	–	1,574,912	–	1,580,912				
Financial liabilities not measured at fair value										
Loans and borrowings	25	–	–	–	(1,985,608)	(1,985,608)	–	(1,985,608)	–	(1,985,608)
Trade and other payables	26	–	–	–	(1,516,630)	(1,516,630)	–	(1,516,630)	–	(1,516,630)
		–	–	–	(3,502,238)	(3,502,238)				

* Excludes prepayment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting classifications and fair values (continued)

		Carrying amount						Fair value			
	Note	Debt investment at amortised cost RMB'000	Equity investment at FVTPL RMB'000	Debt investments at FVTPL RMB'000	Amortised cost RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
31 December 2019											
Financial assets measured at fair value											
Other investments	10	–	571	17,500	–	–	18,071	571	17,500	–	18,071
Financial assets not measured at fair value											
Other investments	10	1,500	–	–	–	–	1,500				
Trade and other receivables*	11	–	–	–	924,810	–	924,810				
Cash and cash equivalents	21	–	–	–	981,584	–	981,584				
		1,500	–	–	1,906,394	–	1,907,894				
Financial liabilities not measured at fair value											
Loans and borrowings	25	–	–	–	–	(2,405,272)	(2,405,272)	–	(2,405,272)	–	(2,405,272)
Trade and other payables	26	–	–	–	–	(1,057,378)	(1,057,378)	–	(1,057,378)	–	(1,057,378)
		–	–	–	–	(3,462,650)	(3,462,650)				

* Excludes prepayment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Debt investment	The fair value is determined by using the present value of expected future cash flows, discounted using a market discount rate.	Not applicable	Not applicable

Financial instruments not measured at fair value

Type	Valuation technique
Other financial liabilities*	Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.

* Other financial liabilities relate to loans and borrowings and certain other payables.

There were no transfers between Level 1 and 2 in 2020 and 2019.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including debt investment at amortised cost, trade and other receivables, cash and cash equivalents, and certain trade and other payables) approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

42. ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group believes the following critical accounting policies involve significant judgements and estimates used in the preparation of the consolidated financial statements.

Key sources of estimation uncertainty

Valuation of development properties

The Group evaluates whether there is any objective evidence that the net realisable value of the development properties fall short of their carrying values. The Group estimates the net realisable value based on the Group's expectation of future selling prices, through valuation reports obtained from reputable independent third party valuers or recent market transactions involving comparable properties and the estimated total project costs for each project.

The net realisable value could change significantly as a result of changes in market conditions or government property control measures.

Valuation of investment properties

The fair values of investment properties are estimated based on valuations carried out by an external and independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. In determining fair value, the valuer used the direct comparison income and capitalisation approaches, all of which involve the use of estimates. Management examined its judgment of the valuation methods adopted and the estimates used which included their assessment of the reasonableness of the estimation used taking into account the market conditions at the time. The key assumptions used to estimate the fair value of investment properties include market corroborated capitalisation rates, estimated unit selling price and expected rental rates.

Income taxes

Significant judgements are required in determining the tax allowances, taxability of certain income and deductibility of certain expenses during the estimate of the provision of taxes and deferred taxes.

The Group exercises significant judgement to determine the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. The Group also exercises significant judgement to determine the land appreciation tax rates to be applied to the different types of properties sold and the deductibility of expenditures due to differences in the implementation of the legislation across the respective provincial government (Note 32).

Critical judgments made in applying accounting policies

Classification of investments in subsidiaries and joint ventures

The Group assessed the terms and conditions of relevant shareholder's agreement, collaboration agreement or other cooperative agreement entered into for its investment in subsidiaries and joint ventures. The Group made critical judgments over its ability to exercise control or joint control over its investees. The Group's judgment included consideration of control or joint control exercised at the board of the respective investees, and their rights and obligations arising from board resolved matters as agreed with other shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

42. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical judgments made in applying accounting policies (continued)

Classification of investments in subsidiaries and joint ventures (continued)

In the Group's assessment of its ability of control over its investee companies, management considered the:

(a) ability to exercise power over its investees;

(b) exposure or rights to variable returns for its investments with those investees; and

(c) ability to use its power to affect those returns.

The Group's judgement included considerations of their power exercised at the board of the respective investees and rights and obligations arising from board reserve matters as agreed with the other shareholders.

43. ADOPTION OF NEW/REVISED IFRSs

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosure (Amendment – Interest Rate Benchmark Reform)
- IFRS 3 Business Combinations (Amendment – Definition of a Business)
- IFRS 16 Leases (Amendment – COVID-19-Related Rent Concessions)
- Revised Conceptual Framework for Financial Reporting

Other than the Amendment to IFRS 16, COVID-19-Related Rent Concessions, the Group has not early applied any new/revised standard or interpretation that is not yet effective for the current accounting period. Impact of new/revised IFRSs are discussed below:

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information or both.

IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosure (Amendment – Interest Rate Benchmark Reform)

The amendments to IFRS 9, IAS 39 and IFRS 7 modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform (the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark). In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

43. ADOPTION OF NEW/REVISED IFRSs (CONTINUED)

IFRS 3 Business Combinations (Amendment – Definition of a Business)

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

The adoption of the above amendments does not have any significant impact on the consolidated financial statements.

IFRS 16 Leases (Amendment – COVID-19-Related Rent Concessions)

IFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in IFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of IFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

44. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective:

	Effective for annual periods beginning on or after
• IAS 39 Financial Instruments: Recognition and Measurement, IFRS 4 Insurance Contracts, IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IFRS 16 Leases (Amendment – Interest Rate Benchmark Reform – Phase 2)	1 January 2021
• IFRS 3 Business Combinations (Amendment – Reference to the Conceptual Framework)	1 January 2022
• IFRS 16 Leases (Amendment – Proceeds Before Intended Use)	1 January 2022
• IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)	1 January 2022
• Annual Improvements to IFRSs 2018–2020	1 January 2022
• IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)	1 January 2023
• IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (Amendment – Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture)	To be determined
• IFRS 17 Insurance Contract	1 January 2023

The directors of the Company do not anticipate the application of these new or amended IFRSs in future will have any significant impact on the Group's financial statements.

ADDITIONAL INFORMATION

Year ended 31 December 2020

LIST OF PROPERTY DEVELOPMENT PROJECTS

Completed Projects

Location (City)	Projects Name	Location (Address)	Name of ownership	% owned	Proposed development	Completed Gross Floor Area (sq.m)	Site area (sq.m)	Percentage of completion	Completion Date
Zhengzhou	Weiye Ru Guo Ai	Shang Cheng East Road, North, Shang Mao Road West, Zhengzhou City, Henan Province, the PRC	Henan Weiye Construction Development Group Co., Ltd	100	High-rise apartments and commercial centre	57,908	17,922	100%	December 2008
Zhengzhou	Weiye Tiandao Tianheshuian	West of Yangqiao Road, north of Ruifeng Road, Zhongmu County, Zhengzhou, Henan Province, the PRC	Henan Tiandao Assets Management Co., Ltd.	51	High-rise apartments and small commercial centre	69,248	21,671	100%	December 2014
Zhengzhou	Weiye Tiandao International	West of Yangqiao Road, north of Ruifeng Road, Zhongmu County, Zhengzhou, Henan Province, the PRC	Henan Tiandao Assets Management Co., Ltd.	51	Offices and retail shops	110,353	20,996	100%	December 2015
Wanning	Weiye Costa Rhine	Taiyanghe Hotspring Resorts, Xinglong District, Wanning, Hainan Province, the PRC	Wanning Yingde Property Co., Ltd.	100	Apartment hotel and retail shops	32,054	49,454	100%	December 2011
Tunchang	Weiye Oxygen Cube B	East of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province, the PRC	Tunchang Yajing Property Co., Ltd.	100	Mid-rise apartments with street-level retail shops	16,997	12,977	100%	August 2012
Danzhou	Weiye West International Plaza	East of Lanyangbei Road, Northern District, Nada District, Danzhou, Hainan Province, the PRC	Hainan Zhongfang Investment Holdings Company Limited	100	High-rise apartments and small commercial centre	58,586	20,003	100%	December 2011
Tunchang	Weiye Oxygen Cube A	Zhong San Road South, Tun Cheng Zhen, Hainan Province, the PRC	Tunchang Hongji Weiye Property Development Co., Ltd.	100		112,010	54,811[i]	100%	December 2017
	Phase I			100	Mid-rise apartments with street-level retail shops	52,189			August 2012

ADDITIONAL INFORMATION

Year ended 31 December 2020

Location (City)	Projects Name	Location (Address)	Name of ownership	% owned	Proposed development	Completed Gross Floor Area (sq.m)	Site area (sq.m)	Percentage of completion	Completion Date
	Phase II			100	Mid-rise and high-rise apartments with street-level retail shops	43,497			May 2015
	Phase III			100	High-rise apartments	16,324			December 2017
Haikou	Weiye Yehai Shangcheng	West area of Haikou City, Hainan Province, the PRC	Weiye Holdings Group (Hainan) Co., Ltd.	100	High-rise apartments and commercial centre	73,531	23,711	100%	December 2018
Zhengzhou	Weiye Shangcheng Yihaoyuan	Intersection between Xin Zhuang Road East and Jing Yi Road South, Zhengzhou City, Henan Province, the PRC	Henan Xingwei Property Co., Ltd	100	High-rise apartments	195,119	55,353	100%	June 2017
	Weiye Shangcheng Erhaoyuan	Intersection between Xin Zhuang Road East and Jing Yi Road South, Zhengzhou City, Henan Province, the PRC	Henan Xingwei Property Co., Ltd	100	High-rise apartments	80,363	23,060	100%	November 2018
Changsha	Chuangshiji Plaza	Tianxin District, Changsha City, Hunan Province, the PRC	Hunan Jingke Property Co., Ltd.	37.5	High-rise apartments with street-level retails shops	151,328	27,537	100%	December 2019
Huizhou	Weiye Meiyue Wan	Autou Huangyuyong, Huizhou City, Guangdong province, the PRC	Huizhoushi Dajinzhou Property Development Co., Ltd & Guangdong Leiding Property Development Co., Ltd	100	High-rise apartments and commercial centre	130,274	29,381	100%	August 2020
Huzhou	Taihu Tiancui	Binhunan unit, Taihu Resort, Huzhou City, Zhejiang province, the PRC	Huzhou Ganghong Zhiye Co., Ltd	40	High-rise apartments and villa	137,995	57,734	100%	November 2020

ADDITIONAL INFORMATION

Year ended 31 December 2020

Location (City)	Projects Name	Location (Address)	Name of ownership	% owned	Proposed development	Completed Gross Floor Area (sq.m)	Site area (sq.m)	Percentage of completion	Completion Date
Yangzhou	Yuediwan 4,5,10,11,16,17 haolou	Binjiang Xincheng, Yizheng City, Yangzhou, Jiangsu Province, the PRC	Yizheng Hongrui Property Development Co., Ltd.	30	High-rise residential buildings and bungalow	65,924	29,961	100%	December 2020
Yangzhou	Yuejiangwan 2–8, 11–13 haolou	Binjiang Xincheng, Yizheng City, Yangzhou, Jiangsu Province, the PRC	Yizheng Honglin Property Co., Ltd.	30	High-rise residential buildings and bungalow	101,045	45,684	100%	December 2020

Properties Under Development

Location (City)	Projects Name	Location (Address)	Name of ownership	% owned	Proposed development	Completed Gross Floor Area (sq.m)	Site area (sq.m)	Percentage of completion	Completion Date
Huizhou	Weiye Lanting Bay	Autou Yaqian, Huizhou City, Guangdong province, the PRC	Huizhou Dayawan Pengrun Industrial Development Co., Ltd	100	High-rise apartments and commercial centre	56,644	11,000	95%	September 2021
Zhengzhou	Weiye Shangcheng Sanhaoyuan	Intersection between Xin Zhuang Road East and Jing Yi Road North, Zhengzhou City, Henan Province, the PRC	Henan Xingwei Zhuolian Property Co., Ltd	100	High-rise apartments	67,887	20,107	90%	November 2021
Fuzhou	Pangu – Fujian Tianjue	Intersection between Binhai Xincheng Huwen Road and Jinbin Yi Road, Fuzhou City, Fujian Province, the PRC	Fujian Tianjue Corporation Management Co., Ltd	60	Data Industry Experimental Center	36,919	15,702	30%	December 2022
Fuzhou	Pangu – Fujian Tianzhi	Intersection between Binhai Xincheng Huwen Road and Jinbin Road, Fuzhou City, Fujian Province, the PRC	Fujian Tianzhi Corporation Management Co., Ltd	60	Data Industry Experimental Center	42,190	17,437	95%	December 2021

ADDITIONAL INFORMATION

Year ended 31 December 2020

Location (City)	Projects Name	Location (Address)	Name of ownership	% owned	Proposed development	Completed Gross Floor Area (sq.m)	Site area (sq.m)	Percentage of completion	Completion Date
Yangzhou	Yuediwan 1-3,6-9, 12-15 haolou	Binjiang Xincheng, Yizheng City, Yangzhou, Jiangsu Province, the PRC	Yizheng Hongrui Property Development Co., Ltd.	30	High-rise residential buildings and bungalow	107,473	39,827	60%	December 2021
Yangzhou	Yuejiangwan 1,9,10 haolou	Binjiang Xincheng, Yizheng City, Yangzhou, Jiangsu Province, the PRC	Yizheng Honglin Property Co., Ltd.	30	High-rise residential buildings and bungalow	70,028	20,674	90%	May 2021
Changsha	Chuangshiji Apartment	Tianxin District, Changsha City, Hunan Province, the PRC	Hunan Jingke Property Co., Ltd.	37.5	High-rise residential buildings and bungalow	51,186	8,827	65%	December 2021
Hangzhou	Sunlight Mansion	Yuhang Tangqi intelligent manufacturing center, the cultural belt of the Grand Canal, Linping City, Zhejiang Province, the PRC	Hangzhou Junwei Real Estate Co., Ltd	36.7	High-rise residential buildings	108,128	34,868	35%	December 2022

Properties Held for Future Development

Location (City)	Projects Name	Location (Address)	Name of ownership	% owned	Proposed development	Gross Floor Area (sq.m)	Site area (sq.m)	Percentage of completion	Completion Date
Wanning	Weiye Costa Rhine Phase II	Puzhai Po West Road, Du Guan District, Chang Feng Zhen, Haiyu East Road, Wanning City, Hainan Province, the PRC	Wanning Yingde Property Co., Ltd.	100	High-end residential	70,000	66,667	N/A	June 2023

(i) Represent the aggregate site area of phases I, II and III of Weiye Oxygen Cube A.

ADDITIONAL INFORMATION

Year ended 31 December 2020

List of investment properties

Projects Name	Location (Address)	Property Type	Gross Floor Area held for investment (sq.m)	% owned	Expiry date of land used rights
Weiye International Square	North of Shangdu Road, east of Xinyi Road, Zhengdong New District, Zhengzhou, Henan Province, the PRC	Retail units and office units	12,591	100	9 October 2050
Weiye Ruguo Ai	No.50 Yingxie Road, Jinshui District, Zhengzhou, Henan Province, the PRC	Retail units	2,384	100	27 August 2074
Weiye Costa Rhine	Taiyanghe Hotspring Resorts, Xinglong District, Wanning, Hainan Province, the PRC	Apartment units and retail units	8,345	100	31 December 2063
Weiye Rhine Coast	Fengjia Bay, Huiwen Town, Wenchang, Hainan Province, the PRC	Apartment hotel	15,824	100	8 September 2064