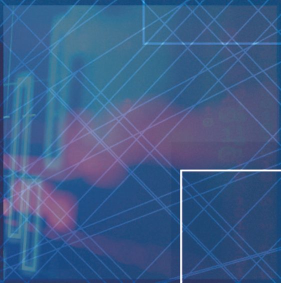
上海瑞威資產管理股份有限公司

SHANGHAI REALWAY CAPITAL ASSETS MANAGEMENT CO., LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock code : 1835.HK

# ANNUAL REPORT 2020



瑞威资本
REALWAY CAPITAL

# Contents



# Corporate Information

## DIRECTORS

### Executive Directors

Mr. ZHU Ping (朱平) *(Chairman and Chief Executive Officer)*
Mr. DUAN Kejian (段克儉)
Ms. SU Yi (蘇怡) (resigned on 15 March 2021)
Ms. CHEN Min (陳敏) (appointed on 15 March 2021)

### Non-executive Directors

Mr. CHENG Jun (成軍)
Mr. WANG Xuyang (王旭陽)

### Independent non-executive Directors

Mr. LIU Yunsheng (劉雲生)
Mr. SHANG Jian (尚健)
Ms. YANG Huifang (楊惠芳)

## SUPERVISORS

Ms. CAI Luyi (蔡璐懿)
Mr. LU Xili (陸希立)
Ms. WANG Juanping (王娟萍)

## AUDIT COMMITTEE

Ms. YANG Huifang (楊惠芳) *(Chairman)*
Mr. SHANG Jian (尚健)
Mr. LIU Yunsheng (劉雲生)

## NOMINATION COMMITTEE

Mr. ZHU Ping (朱平) *(Chairman)*
Mr. SHANG Jian (尚健)
Mr. LIU Yunsheng (劉雲生)

## REMUNERATION COMMITTEE

Mr. LIU Yunsheng (劉雲生) *(Chairman)*
Ms. SU Yi (蘇怡) (resigned on 15 March 2021)
Ms. YANG Huifang (楊惠芳)
Ms. CHEN Min (陳敏) (appointed on 15 March 2021)

## COMPANY SECRETARY

Ms. LAU Wai Yee (劉惠儀)

## REGISTERED OFFICE

Room 26G–3,
No. 828–838,
Zhangyang Road (Even numbers)
Pilot Free Trade Zone,
Shanghai,
PRC

## PRINCIPAL PLACE OF BUSINESS IN PRC

Unit 706-707, 7th Floor, Century Link Tower 1
No. 1198 Century Avenue
Pudong New District
Shanghai 200122
China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1305, 13/F
OfficePlus@Sheung Wan
93–103 Wing Lok Street, Sheung Wan
Hong Kong

## AUTHORISED REPRESENTATIVES

Ms. SU Yi (蘇怡) (resigned on 15 March 2021)
Ms. LAU Wai Yee (劉惠儀)
Ms. CHEN Min (陳敏) (appointed on 15 March 2021)

## LEGAL ADVISOR (AS TO HONG KONG LAW)

Howse Williams
27/F Alexandra House
18 Chater Road
Central, Hong Kong

## H SHARE REGISTRAR

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

## AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

## PRINCIPAL BANKER

China Merchants Bank
Shanghai Gubei Branch
75 Shuicheng Nan Road
Changning District
Shanghai, PRC

## STOCK CODE

1835

## COMPANY'S WEBSITE

http://www.realwaycapital.com

# Chairman's Statement

Chairman's Statement

Dear shareholders,

On behalf of the board (the "**Board**"), I am pleased to present the audited consolidated results for the year ended 31 December 2020 (the "**Year**" or "**Reporting Period**") of Shanghai Realway Capital Assets Management Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**").

The outbreak of coronavirus disease (COVID-19) pandemic (the "**Pandemic**") across the world in 2020 has brought unprecedented challenges to the global economy, especially in the first half of the year. Under the impact of the Pandemic, the central government in the People's Republic of China ("**PRC**") actively took measures to control the Pandemic and took the lead in resuming work and production, so that the Pandemic was effectively controlled in the second half of the year. The gross domestic product (GDP) of the PRC grew by 2.3% year-on-year in 2020, making it the only major economy in the world to achieve positive economic growth and a major driving force for global economic recovery.

Meanwhile, in the real estate industry, the PRC central government reiterated the general principle of "housing is for living in, not for speculation" and adhered to the policy of stabilising land prices, housing prices and expectations. In the context of strict regulation and control, the development of real estate funds is facing challenges, therefore, the fund managers must make two-point adjustments: first is to adapt to the requirements of regulatory policies and second is to adapt to the product requirements.

As a fund manager for real estate and distressed assets, the Group introduced the following measures in 2020 to actively respond to the changes in the current market environment and strive for excellence in active management capabilities and risk control capabilities to achieve healthy and sustainable development of the Company:

(i) as for fundraising, the Group has expanded its fund-raising channels actively, on the basis of maintaining its existing investors, and enriched its product varieties in order to meet the needs of investors for diversified allocation.

(ii) as for investment, the Group adjusted its investment strategy in a timely manner according to the macro-economic situation. As for project selection and risk control, it strictly controlled the investment standards, strengthened the cooperation with large and medium-sized real estate enterprises, adhered to the investment principle of "project quality comes first", and deeply explored and created the value of investment projects, so as to protect the interests of its investors.

(iii) as for fund management, the Group adhered to the goal of managing existing projects, strengthened the communication with the business partners and investors, adopted various effective measures to ensure the safety of investment funds, and properly handled various matters in the process of fund establishment, operation and liquidation.

(iv) as for exit from the investment, the Group enhanced the value of existing projects while stepping up its efforts in project disposal and speeding up the progress of project exit in order to strive for higher value of its existing projects and protect the interests of its investments.

Looking forward to 2021, with the promulgation of the "14th Five-Year Plan", the PRC central government will implement the "dual-circulation" strategy through various measures to fully tap the potential of domestic demand and the economic operation will continue to improve. The continuity and stability of overall control on the real estate industry will sustain, while investment opportunities in the distressed assets industry are increasing as a result of the impact of the Pandemic, enabling investors opportunity to invest in additional quality assets at low prices. Therefore, the "golden decade" for distressed assets is approaching.

In the coming year, the Group will seize the development opportunities in the distressed assets industry by exploring the quality assets among the enormous amount of distressed assets that are available under the influence of the Pandemic and by conducting acquisitions and mergers as well as restructuring with our professional capabilities and advantageous resources. Meanwhile, the Group will continue to respond to the national summoning for urbanization, strategically participating in urban construction and urban renewal projects to facilitate the development of urban and rural construction. It is undeniable that the existence of the Pandemic has certain impact on the operation of the Group, but we will continue to learn and make progress in the historical cycle to capture the development opportunities. We firmly believe that, despite the risks and difficulties that we are facing, we will eventually overcome all the obstacles amidst this hard time.

On behalf of the Board, I would like to express my gratitude to the management and staff of the Group for their hard work and contributions in the past year. I would also like to thank the shareholders, investors and business partners for their support and trust. As a company aiming for long-term development, the Group will also put forward higher requirements on its own ability, adhere to professionalism, and continue to create value and steady growth in investment returns for the shareholders and investors!

**Zhu Ping**
*Chairman and Chief Executive Officer*
Shanghai, 30 March 2021

# FINANCIAL SUMMARY

| | As at and for the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2020 (audited)** | 2019 (audited) | 2018 (audited) | 2017 (audited) | 2016 (audited) |
| **OPERATING RESULTS** | | | | | |
| Revenue (RMB'000) | **69,074** | 125,234 | 157,417 | 130,875 | 83,422 |
| Profit for the year (RMB'000) | **7,764** | 6,774 | 46,478 | 63,346 | 43,109 |
| Net profit attributable to: | | | | | |
| Owners of the parent (RMB'000) | **4,426** | 9,451 | 45,735 | 65,014 | 43,109 |
| **EARNINGS** | | | | | |
| Basic and diluted earnings per share attributable to ordinary equity holders of the parent (RMB cents) | **2.89** | 6.16 | 38.41 | 59.10 | 42.58 |
| **ASSETS, LIABILITIES AND EQUITY** | | | | | |
| Total assets (RMB'000) | **443,582** | 434,826 | 469,844 | 282,881 | 177,100 |
| Total liabilities (RMB'000) | **37,780** | 34,869 | 68,344 | 59,267 | 18,583 |
| Total equity (RMB'000) | **405,802** | 399,957 | 401,500 | 223,614 | 158,517 |
| **FINANCIAL RATIO** | | | | | |
| Current ratio | **5.9 times** | 3.7 times | 4.6 times | 3.2 times | 6.2 times |
| Return on total assets | **1.8%** | 1.6% | 9.9% | 22.4% | 24.3% |
| Return on equity | **1.9%** | 1.7% | 11.6% | 28.3% | 27.2% |
| Net profit margin | **11.2%** | 5.4% | 29.5% | 48.4% | 51.7% |

# Biographical Details of Directors, Supervisors and Senior Management

## DIRECTORS

### Executive Directors

**Mr. ZHU Ping (朱平)** ("**Mr. Zhu**"), aged 49, has been the chief executive officer and executive director of the Company (the "**Director**") since January 2010. Mr. Zhu is also the chairman of the nomination committee of the Company (the "**Nomination Committee**"). Mr. Zhu is involved in the day-to-day management of the Group and is primarily responsible for the Group's development, strategy planning, positioning and overall business management. Mr. Zhu has obtained the PRC Fund Qualification Certificate* (基金從業人員資格考試成績合格證) in April 2016, a qualification which only became a compulsory requirement for the senior management of investment fund managers in February 2016 pursuant to the Announcement of the Asset Management Association of China ("**AMAC**") on Matters Concerning Further Regulating Several Issues for the Registration of Private Fund Managers (中國基金業協會關於進一步規範私募基金管理人登記若干事項的公告) published by the AMAC and is qualified to practice in fund investment and management. Prior to his joining of the Group, Mr. Zhu became a member of All China Lawyers Association (中國律師協會) in 1996 and had been practising law for over 20 years. From August 1993 to February 1995, Mr. Zhu worked as a clerk in Shanghai Railway Transportation Intermediate Court (上海鐵路運輸中級法院) and from March 1995 to November 1998, Mr. Zhu worked as an associate at Zhenghan Law Firm (虹橋正瀚律師事務所) (previously known as Shanghai Hongqiao Law Firm* (上海虹橋律師事務所)). In May 1999, Mr. Zhu joined the Shanghai office of Boss & Young (上海邦信陽 • 中建中匯律師事務所) (previously known as Shanghai Zhonghui Law Firm* (上海中匯律師事務所) and Shanghai Zhongjian Zhonghui Law Firm* (上海中建中匯律師事務所)), where he has been the managing partner of Boss & Young from December 2008 until January 2014, where he ceased to be the managing partner and took up an honorary role at the firm in order to devote more time towards the management of the Group. In addition to his main practice, Mr. Zhu had been engaged in various commitments. From October 2006 to December 2008, Mr. Zhu served as a senior vice president in E-House China (易居中國). From January 2009 to December 2009, Mr. Zhu served at Tianjin Binhai Lianchuang Fund Management Company Limited* (天津濱海聯創投資基金管理有限公司) as a general manager, and accumulated work experience in fund investment and management. Throughout his career as a legal practitioner as well as serving as management personnel of various private companies, Mr. Zhu had handled numerous private equity fund or related transactions including various investments in real estate assets.

Mr. Zhu obtained a bachelor of laws degree from East China University of Political Science and Law (華東政法大學) in June 1993 and executive master of business administration from Cheung Kong Graduate School of Business (長江商學院) in October 2009. In July 2017, Mr. Zhu obtained a doctorate in business administration in Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University (上海交通大學上海高級金融學院).

**Mr. DUAN Kejian (段克儉)** ("**Mr. Duan**"), aged 51, joined the Group in January 2012 as a general manager of one of the Group's project development teams and was appointed as an executive Director in May 2012. Mr. Duan is primarily responsible for leading project operation of the Group's project development department. Mr. Duan has obtained the PRC Fund Qualification Certificate* (基金從業人員資格考試成績合格證) in September 2015 and is qualified to practice in fund investment and management. Mr. Duan obtained the Qualifications for Constructor* (一級建造師職業資格) in March 2005. Prior to his joining of the Group, he worked as an authorised representative and an executive director of Shanghai Feiding Decoration and Construction Company* (上海飛鼎建築裝飾工程有限公司), a construction company of the PRC, from June 2002 to October 2005. From January 2009 to December 2009, Mr. Duan worked at Tianjin Binhai Lianchuang Fund Management Company Limited* (天津濱海聯創投資基金管理有限公司), and accumulated substantial experience in fund investment and management. Throughout his career as a professional within the construction industry as well as serving as management personnel of various private companies, Mr. Duan was involved in various real estate related private equity fund transactions including acquisitions of real estate assets.

Mr. Duan obtained a bachelor's degree in engineering from Tongji University (同濟大學) in July 1992 and obtained an executive master degree in business administration in Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University (上海交通大學高級金融學院) in December 2018.

**Ms. CHEN Min (陳敏)** ("**Ms. Chen**"), aged 41, was appointed as the chief risk management officer of the Company in January 2010 and is also a member of the remuneration committee of the Company (the "**Remuneration Committee**"). Ms. Chen is primarily responsible for overseeing the legal compliance and risk management of the Group. From August 2001 to May 2004, Ms. Chen worked at Shanghai United Law Firm (上海市聯合律師事務所) with her last position being a practicing lawyer. From February 2004 to October 2019, Ms. Chen has been working at Shanghai office of Boss & Young (上海邦信陽 • 中建中匯律師事務所) (previously known as Shanghai Zhonghui Law Firm* (上海中匯律師事務所) and Shanghai Zhongjian Zhonghui Law Firm* (上海中建中匯律師事務所)) with her last position being a partner. Since March 2017, Ms. Chen has been an independent director of Shenzhen Jiahong Dental Co., Ltd (深圳家鴻口腔醫療股份有限公司), a company whose shares were listed on the National Equities Exchange and Quotations System until September 2017 (stock code: 834566).

Ms. Chen obtained a bachelor of laws degree from Fudan University (復旦大學) in July 2001, a master of international laws degree from Shanghai University of International Business and Economics (上海對外經貿大學) in March 2007, and a master of laws degree from Emory University School of Law in the United States in December 2015. Ms. Chen became a member of All China Lawyers Association (中國律師協會) in 2002, and obtained a Fund Management Qualification Certificate (中國證券投資基金業從業證書) in 2017. Ms. Chen has over 19 years of experience in corporate compliance and management, private equity funds and trusts.

## Non-Executive Directors

**Mr. WANG Xuyang (王旭陽)** ("**Mr. Wang**"), aged 51, joined the Group in June 2015, and was appointed as a non-executive Director in December 2015. Mr. Wang is mainly responsible for advising the Group on strategic development and corporate governance. Prior to his joining of the Group, he has over 16 years of experience in the real estate asset management industry. From December 1992 to July 2004, Mr. Wang worked at Shanghai Yangming Real Estate Limited Company* (上海陽明房地產有限公司) and his last position with Shanghai Yangming Real Estate Limited Company was the general manager. From August 2004 to August 2015, Mr. Wang served as a director and the general manager at Shanghai Gezhouba Yangming Zhiye Limited Company* (上海葛洲壩陽明置業有限公司). Since August 2015, Mr. Wang has been serving as the chairman of the board of Shanghai Tengjun Investment Company* (上海騰駿投資有限公司).

Mr. Wang graduated from Zhejiang University (浙江大學) in December 1991 and obtained a bachelor's degree in architecture. He also obtained a master of business administration degree from China Europe International Business School (中歐國際工商學院) in August 2014.

**Mr. CHENG Jun (成軍)** ("**Mr. Cheng**"), aged 53, joined the Group in January 2010, and was appointed as a non-executive Director in December 2015. Mr. Cheng is mainly responsible for advising the Group on strategic development and corporate governance. Prior to his joining of the Group, Mr. Cheng had over 17 years of management experience. From September 1989 to February 1993, Mr. Cheng worked as a clerical manager at China Eastern Airlines Company (中國東方航空公司). Mr. Cheng worked as a senior vice president at Ctrip Computer Technology (Shanghai) Co., Ltd.* (携程計算機技術(上海)有限公司) from July 1999 to September 2001. From November 2004 to April 2010, Mr. Cheng served as chief development officer and the chief strategy officer of Huazhu Group Limited, a company whose shares are listed on NASDAQ (stock code: HTHT). From May 2017 to September 2020, Mr. Cheng served as an independent director of Haiyue Energy Group Co., Ltd. (海越能源集團股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600387).

Mr. Cheng graduated from Shanghai Jiaotong University (上海交通大學) with a bachelor of applied mechanics in July 1989. He also obtained an executive master of business administration degree from the Cheung Kong Graduate School of Business (長江商學院) in October 2009.

## Independent Non-Executive Directors

**Mr. LIU Yunsheng (劉雲生)** ("**Mr. Liu**"), aged 54, was appointed as an independent non-executive Director on 22 October 2018 and is also the chairman of the Remuneration Committee and a member of the Nomination Committee and the audit committee of the Company (the "**Audit Committee**"). From June 2003 to April 2013, he served as the associate dean of the civil and commercial law department of the school of law of Southwest University of Political Science & Law (西南政法大學). From March 2006 to April 2008, Mr. Liu acted as a postdoctoral fellow of law from East China University of Political Science and Law (華東政法大學). Since November 2013, Mr. Liu has been the director of real estate research centre of the Southwest University of Political Science & Law. From March 2014 to March 2018, Mr. Liu acted as a legal consultant of the government office of Nanchuan, Chongqing, the PRC. Since April 2018, Mr. Liu has been the dean of Real Estate Research Institute of Guangzhou University (廣州大學不動產研究院) and the academic leader of civil and commercial law. Mr. Liu was the chief editor of the book "Analysis of the Real Estate in China". Since December 2018, Mr. Liu has served as a part-time legal advisor for the Guangzhou Municipal Government and a member of the Expert Committee of Guangdong Three Old Renovation Association (廣東省三舊改造協會). Since November 2019, Mr. Liu has served as the vice chairman of the Civil and Commercial Law Research Society of the Guangdong Law Society (廣東省法學會民商法學研究會).

In July 1989, Mr. Liu obtained a bachelor of arts from Wuhan University (武漢大學). Mr. Liu obtained a masters of law degree and a doctorate in civil and commercial law from Southwest University of Political Science & Law in July 2001 and July 2004, respectively.

**Mr. SHANG Jian (尚健)** ("**Mr. Shang**"), aged 53, was appointed as an independent non-executive Director on 22 October 2018 and is also a member of the Audit Committee and Nomination Committee of the Company. Mr. Shang has over 22 years of work experience related to fund management and securities. From January 2002 to February 2004, Mr. Shang served at Hua'an Fund Management Co., Ltd. (華安基金管理有限公司) in January 2002, and was employed as the deputy general manager in June 2002 and quitted in February 2004. From January 2004 to April 2006, he served as the general manager of Yinhua Fund Management Co., Ltd. (銀華基金管理有限公司). From September 2006 to November 2012, Mr. Shang served as the general manager of UBS SDIC Fund Management Co., Ltd. (國投瑞銀基金管理有限公司). Since September 2013, Mr. Shang has been serving as the general manager of Shanghai HSAM Management Company* (上海弘尚資產管理中心(有限合夥)). Since May 2014, Mr. Shang has also been serving as an independent director of Huazhu Group Limited, a company whose shares are listed on NASDAQ (stock code: HTHT).

Mr. Shang obtained a bachelor of engineering from Shanghai Jiao Tong University (上海交通大學) in July 1989, and a master of economics in December 1994 and a doctorate in philosophy in business administration from the University of Connecticut in December 1997.

**Ms. YANG Huifang (楊惠芳)** ("**Ms. Yang**"), aged 44, was appointed as an independent non-executive Director on 22 October 2018 and is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Ms. Yang is mainly responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Group. Prior to her joining of the Group, Ms. Yang has over 17 years of accounting and finance related experiences. From September 2001 to August 2004, Ms. Yang served as an associate director in the department of audit in Zhejiang Zhongzhou Accounting Limited Company* (浙江中州會計師事務所有限公司). From September 2004 to August 2011, Ms. Yang served as a deputy general manager in the financial department of Greentown Real Estate Group Co., Ltd* (綠城房地產集團有限公司). From August 2011 to February 2013, Ms. Yang worked as a finance manager of Zhejiang Jiaotong Real Estate Group Co., Ltd* (浙江省交通地產集團有限公司). From February 2013 to December 2015, Ms. Yang served as a deputy general manager of Shanghai Sunac Greentown Investment Holdings Limited* (上海融創綠城投資控股有限公司). From January 2016 to July 2018, Ms. Yang served as a general manager of the financial department of Greentown Service Group Co., Ltd. (綠城服務集團有限公司), a company whose shares are listed on the Stock Exchange (stock code: 2869). From August 2018 to November 2020, Ms. Yang had been serving as a vice president and general manager of the finance department at a regional branch of Xiangsheng Real Estate Group Limited* (祥生地產集團有限公司), the parent company of which is Shinsun Holdings (Group) Co., Ltd. (祥生控股(集團)有限公司) with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 2599). Since February 2021, Ms. Yang has served as the investment director of Shanghai Daohe Long-term Investment Management Co., Ltd.* (上海道禾長期投資管理有限公司).

Ms. Yang graduated from Nanjing Audit University (南京審計學院) with a bachelor's degree in auditing in June 2000. Ms. Yang became a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in September 2003 and the Certified Tax Agents (中國註冊稅務師) in December 2003.

## SUPERVISORS

**Ms. CAI Luyi (蔡璐懿)** (“**Ms. Cai**”), aged 41, joined the Group as a manager of the Group’s archives department in August 2016, and was appointed as a supervisor of the Company (the “**Supervisor**”) in July 2017. Ms. Cai is mainly responsible for supervising and providing independent judgement to the Board. From December 2003 to March 2010, Ms. Cai served as the administrative director of the Shanghai office of Boss & Young (上海邦信陽•中建中匯律師事務所) (previously known as Shanghai Zhonghui Law Firm* (上海中匯律師事務所) and Shanghai Zhongjian Zhonghui Law Firm* (上海中建中匯律師事務所)). From May 2010 to July 2016, Ms. Cai served as the administrative director in Shanghai Zunwei.

Ms. Cai obtained a higher diploma in commercial and residential construction from the Shanghai Construction School (上海市住宅建築學校) in July 1999.

**Mr. LU Xili (陸希立)** (“**Mr. Lu**”), aged 37, was appointed as a Supervisor in January 2016. Mr. Lu became a member of All China Lawyers Association (中國律師協會) in March 2009 and has over 10 years of legal practice experience. From July 2006 to March 2011, Mr. Lu worked as an assistant associate at Jin Mao Law Firm* (上海市金茂律師事務所). Since March 2011, Mr. Lu has been working at Shanghai office of Boss & Young (上海邦信陽 • 中建中匯律師事務所) (previously known as Shanghai Zhonghui Law Firm* (上海中匯律師事務所) and Shanghai Zhongjian Zhonghui Law Firm* (上海中建中匯律師事務所)), and is currently serving as a partner at the firm. While he was serving at the firm, he joined in the international high performers internship programme offered by A&L Goodbody, an international law firm headquartered in the Republic of Ireland, from September 2012 to March 2013 and completed it successfully.

Mr. Lu graduated from East China University of Political Science and Law (華東政法大學) (previously known as the East China College of Political Science and Law (華東政法學院)) and obtained a bachelor of laws in July 2006.

**Ms. WANG Juanping (王娟萍)** (“**Ms. Wang**”), aged 52, was appointed as a Supervisor in January 2016. Before Ms. Wang joined the Group, she was the financial controller of the Shanghai office of Boss & Young (上海邦信陽 • 中建中匯律師事務所) (previously known as Shanghai Zhonghui Law Firm* (上海中匯律師事務所) and Shanghai Zhongjian Zhonghui Law Firm* (上海中建中匯律師事務所)) from February 2002 to April 2015.

Ms. Wang obtained her bachelor of accountancy from Lanzhou University of Finance and Economics (蘭州商學院) in June 1996.

## SENIOR MANAGEMENT

**Mr. WAN Fang (萬方)** (“**Mr. Wan**”), aged 42, was appointed as the project manager of the Group’s project department No.1 in May 2013, and is primarily responsible for managing distressed assets management projects of the Group. Mr. Wan has over 10 years of experience in asset management industry. From July 2001 to May 2002, Mr. Wan worked in a management position at China Vanke Co., Ltd. (萬科企業股份有限公司), and from May 2004 to April 2005, Mr. Wan worked as a sales executive at Forte Land Company Limited (復地(集團)股份有限公司). From November 2004 to October 2005, Mr. Wan worked as a marketing director at Shanghai office of Chengquan Real Estate Consulting Limited* (上海成全置業顧問有限公司). From December 2007 to December 2008, Mr. Wan worked as a branding and marketing manager in Shanghai Zhongkai Real Estate Development Co., Ltd.* (上海中凱房地產開發管理有限公司). From August 2009 to April 2010, Mr. Wan worked at Tianjin Binhai Lianchuang Fund Management Company Limited* (天津濱海聯創投資基金管理有限公司) as the general manager. From October 2010 to May 2013, Mr. Wan worked as a vice general manager and general manager at Shanghai Jiaheng Haofa Real Estate Development Co., Ltd. (上海嘉恒浩發房地產開發管理有限公司). Mr. Wan has obtained the PRC Fund Qualification Certificate* (基金從業人員資格考試成績合格證) in April 2016 and is qualified to practice in fund investment and management. Throughout his career within the private sector, Mr. Wan had handled private equity fund transactions including acquisitions of real estate assets.

Mr. Wan obtained his bachelor of business administration from Fudan University (復旦大學) in July 2001, and further obtained his master of business administration from Fudan University in June 2009.

**Mr. SUN Mao (孫懋)** ("**Mr. Sun**"), aged 37, joined the Company in December 2010 and is currently serving as the chief financial officer and the vice president of the Group responsible for the Group's accounting and financial management, strategic development and operational planning of the Group. Prior to joining the Company, from January 2008 to March 2010, he has been working at Ernst & Young Hua Ming LLP with his last position being a senior auditor. From April 2010 to December 2010, he has been working at Siemens Shanghai Medical Equipment Ltd. (上海西門子醫療器械有限公司) as a senior financial analyst.

Mr. Sun obtained a master of business administration degree from Shanghai Jiao Tong University in 2013 and became a member of the Chinese Institute of Certified Public Accountant (中國註冊會計師協會) in 2010. Mr. Sun has over 10 years of experience in accounting, auditing, financial management and corporate management.

## COMPANY SECRETARY

**Ms. LAU Wai Yee (劉惠儀)** ("**Ms. Lau**"), aged 55, was appointed as the company secretary of the Group on 13 October 2019. Ms. Lau has over 33 years of experience in corporate secretarial and compliance fields. She started working as a company secretarial assistant in KPMG in 1987. Thereafter, she was employed as an assistant company secretarial manager of Deloitte in 1994 and a corporate services manager under the Tax Division of Arthur Andersen in 1999. Ms. Lau also worked as a corporate services manager of PricewaterhouseCoopers (PwC) and Tricor Services Limited in 2002 and 2003 respectively. In 2004, she started her first own business consulting company providing corporate and compliance consulting services to multinational clients, offshore companies as well as private and listed companies. She sold the company in 2012 and started a new consulting company in 2014, namely Immanuel Consulting Limited, a professional service company specializing in integrated business and corporate services. She is currently the director of Immanuel Consulting Limited.

Ms. Lau has become a chartered secretary since 1990. She is a fellow member of the Hong Kong Institute of Chartered Secretaries ("**HKICS**"), the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom and the Hong Kong Institute of Director. Ms. Lau is a holder of the Practitioner's Endorsement from HKICS.

## INDUSTRY REVIEW

In 2020, the Pandemic has brought severe challenges to the global economic development and has had a significant impact on various industries, in particular, the tertiary industry, and its closely-related real estate sector. In view of potential contingencies amidst the complicated and ever-changing financial environment both at home and abroad, the PRC government still adheres to its position that "houses are for living in, not for speculation (房住不炒)" and does not regard real estate investment as a short-term means to stimulate the economy, therefore, the real estate industry is still subject to stringent financial regulations to ensure the stability of the real estate market.

Currently, the real estate investment market of the PRC has entered into a period of adjustment from focusing on investment in first hand property in the previous era to second hand property in the current era. The Pandemic has also reduced the development speed of real estate in terms of areas such as development and redevelopment. Meanwhile, the impact of the Pandemic on the overall economic volatility has caused existing high-net-worth investors and institutional investors to adopt a conservative or "wait and see" approach. Generally, the outbreak of the Pandemic has brought uncertainties to investment.

Against the backdrop of increased liquidity and the development of the second hand property investment market, the government's policy in imposing stringent regulations remains unchanged, leading to the focus return of investors in the real estate market to value investment, and investors pay more attention to the management and risk control capabilities of asset management institutions as well as the intrinsic value of the asset itself. The above factors have increased the requirements for private real estate fund managers, thereby highlighting the competitive advantage of fund managers with quality management and risk control capabilities, standardized operations and value investment philosophy.

## BUSINESS PERFORMANCE

The Group is a private fund manager specialising in the management of real estate and distressed asset investment funds in the PRC. The Group manages two broad types of funds, namely (i) fund(s) structured and managed for the purpose of directly investing in a specific real estate investment project and distressed asset project ("**Project Fund(s)**"); and (ii) flexible funds structured and managed, or co-managed, by the Group which may invest in designated types of funds under the Group's portfolio instead of making direct investment into investment projects and are permitted to invest in multiple investment projects indirectly through a number of funds at the same time ("**FOF(s)**"). The Group's managed funds invest in three main categories of portfolio assets, namely commercial real estate projects, distressed assets projects, and urbanisation and redevelopment projects.

Set out below is a breakdown of the assets under management ("**AUM**") by fund as at the end of relevant years:

| | **As at 31 December 2020** | | As at 31 December 2019 | |
|---|---|---|---|---|
| | **Number of funds** | **AUM RMB million** | Number of funds | AUM RMB million |
| Project Funds | **16** | **4,703.0** | 14 | 4,819.3 |
| FOFs | **9** | **823.0** | 9 | 823.0 |
| Less: FOFs investments in Project Funds | **–** | **(687.5)** | – | (748.2) |
| Total | **25** | **4,838.5** | 23 | 4,894.1 |

Set out below is a breakdown of project fund assets under management by portfolio asset type as at the end of relevant years:

| | As at 31 December 2020 | | | As at 31 December 2019 | | |
|---|---|---|---|---|---|---|
| | Number of projects | AUM RMB million | Proportion % | Number of projects | AUM RMB million | Proportion % |
| Commercial real estate projects | 7 | 2,067.0 | 43.2% | 6 | 1,666.3 | 34.6% |
| Urbanisation and redevelopment projects | 6 | 1,782.9 | 37.2% | 5 | 1,187.7 | 24.6% |
| Distressed assets projects | 4 | 936.4 | 19.6% | 3 | 1,965.3 | 40.8% |
| Total | 17 | 4,786.3 | 100.0% | 14 | 4,819.3 | 100.0% |

*Note:* The amount which FOFs had invested in Project Funds was eliminated to avoid double counting, but the new distressed asset project, namely the Yundu Project* (雲都項目), invested by our FOF during the Year is included although the Project Fund investment specified has not been established. For details of the project, please refer to the below introduction of new projects.

During the Year, the Group commenced and implemented the following major tasks:

(i) During the Year, the Group completed the realisation and exited from the Xintian Impression Project* (新田印象項目), a commercial real estate project, and the Dianshanhu Project* (淀山湖項目), an urbanisation and redevelopment project.

(ii) During the Year, the Group added two new urbanisation and redevelopment projects, two commercial real estate projects and one distressed assets project. The urbanisation and redevelopment projects are the CIFI Wenzhou Project* (旭輝溫州項目) and the Beijing Miyun Project* (北京密雲項目), which are jointly developed by the Group and CIFI Holdings (Group) Co. Ltd.* (旭輝控股(集團)有限公司), one of the top 20 real estate enterprises in the PRC and the shares of which are listed on the Stock Exchange (stock code: 884.HK), in Wenzhou and Beijing respectively, with a total gross floor area of over 170,000 sq.m. The commercial real estate projects are the Zhongnan Lishui Project* (中南麗水項目) and the Kangqiao Project* (康橋項目). Details of the Zhongnan Lishui Project* (中南麗水項目) are set out in the section headed "Management Discussion and Analysis — Business Performance" in the 2020 interim report of the Company. The Kangqiao Project* (康橋項目) is a commercial complex jointly constructed by the Group and Zhengzhou Kangqiao Real Estate Development Co., Ltd.* (鄭州康橋房地產開發有限責任公司) (the "**Kangqiao Group**", one of the top 100 real estate enterprises of the PRC) in Zhengzhou with a total gross floor area of over 100,000 sq.m. The distressed assets project is the Yundu Project* (雲都項目), the underlying asset of which is a commercial building in Shanghai acquired through judicial auction.

(iii) On 16 January 2020, Realway (Hong Kong) Assets Management Limited* (瑞威(香港)資產管理有限公司) ("**Hong Kong Realway**"), a wholly-owned subsidiary of the Company obtained the licences granted by the Securities and Futures Commission (the "**SFC**") to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

(iv) The Company officially launched the H Share full circulation programme during the Year and received the letter of acceptance from the China Securities Regulatory Commission (the "**CSRC**") on 9 May 2020 in relation to the application submitted by the Company to the CSRC for the implementation of the H Share full circulation. We shall continue to follow up on the application for full circulation of H Shares and make further announcement(s) on the progress in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and applicable regulations.

## FUTURE OUTLOOK

In 2020, China achieved significant results in the prevention and control of the Pandemic and was the only country among major economies in the world to achieve positive economic growth. Year 2021 will also be a year of opportunities and challenges for the real estate and distressed asset fund management industry. The economic recovery after the Pandemic has injected vitality into the industry. Concurrently, in February 2021, relevant national departments issued policies to encourage financial institutions to set up distressed asset disposal funds and participate in corporate restructuring, it is expected that the distressed asset management industry will experience in a new round of development in 2021.

Looking forward, in face of a complex and ever-changing external environment and a highly competitive market, the Group will continue to enhance its competitiveness and actively respond to the possible adverse impact of the Pandemic on our business operations and the liquidity risks faced, with a focus on the following development strategies:

(i) To continue to develop our distressed assets portfolio. Under the multiple effects of current strict regulation, deleveraging and tightening of refinancing channels, the distressed asset investment with counter-cyclical characteristics faces certain development opportunities, and the cyclical changes in the economy of China will bring greater room for development for the distressed asset investment business. We are committed to identifying suitable distressed asset projects in the complicated economic environment, and focusing our resources to further develop the acquisition and restructuring of distressed assets, so as to increase the income from project realisation and enhance its core competitiveness and profitability.

(ii) To cooperate with large-to-medium-size real estate enterprises with recognised brand to develop urban renewal projects. At present, the global asset allocation has entered a new period of fluctuation, and the "dual-circulation" strategy to focus on expanding domestic demand as a driver of growth is an important historical opportunity for the real estate industry and the real estate finance industry. China's urbanisation will continue for a long time in the future. Therefore, we shall leverage our own brand reputation to expand fund-raising channels, and shall further explore and enhance the asset value of investment projects by cooperating with large-to-medium-sized property developers with recognised brand to jointly invest in projects and developing financial products.

(iii) Based on our business development and the need to improve the efficiency of internal operation and management, we shall integrate resources used in our organisational structure as well as the business segment, by means of optimising the internal management structure, improving management efficiency and reducing operating costs, so that our management and operation can be conducted more efficiently and sustainably.

With the advent of COVID-19 vaccines and the easing of the Pandemic, we expect a full recovery for China's economy in 2021. As a real estate and distressed asset fund manager, we will leverage our established foundation to consolidate and strengthen our existing business, while exploring new business opportunities both at home and abroad to form positive interaction, so as to bring sustainable returns to shareholders of the Company ("**Shareholders**") and investors by leveraging our professional capabilities in the fields of asset management and risk management.

## FINANCIAL REVIEW

**Revenue**

The Group derived its revenue mainly from the fees charged on the Project Funds and FOFs established and managed by it. Such fees comprised of regular management fees, performance fees and one-off fund establishment fees and advisory fees. During the Year, we recognised revenue of approximately RMB69.1 million, representing a decrease of approximately RMB56.2 million or approximately 44.8% as compared to the corresponding period last year, which was mainly due to the combined effect of the decrease in regular management fee and one-off fund establishment fee on the Project Funds as well as the increase in performance fee on the Project Funds.

Set out below is a breakdown of the revenue by income source during the indicated period:

| | **2020 (RMB'000)** | 2019 (RMB'000) | Change (RMB'000) | Rate of change (%) |
|---|---|---|---|---|
| **Project Funds** | | | | |
| — regular management fees | **37,039** | 102,054 | (65,015) | 63.7% |
| — performance fees | **6,105** | 95 | 6,010 | 6,326.3% |
| — one-off fund establishment fees | **12,686** | 11,616 | 1,070 | 9.2% |
| **Sub-total** | **55,830** | 113,765 | (57,935) | (50.9%) |
| **FOFs** | | | | |
| — regular management fees | **11,172** | 11,065 | 107 | 1.0% |
| — performance fees | **–** | – | – | – |
| — one-off fund establishment fees | **–** | – | – | – |
| **Sub-total** | **11,172** | 11,065 | 107 | 1.0% |
| Advisory fees | **2,447** | 943 | 1,504 | 159.5% |
| Less: sales-related taxes | **(375)** | (539) | 164 | (30.4%) |
| **Total** | **69,074** | 125,234 | (56,160) | (44.8%) |

## REGULAR MANAGEMENT FEES

Our revenue from regular management fees for the Year was approximately RMB48.2 million, accounting for approximately 69.8% of our total revenue for the Year and representing a decrease of 57.4% as compared to the corresponding period last year. On one hand, many funds have entered or gradually entered the liquidation period, resulting in a decrease in revenue from regular management fees. On the other hand, as affected by the Pandemic, regular management fees of the Huaqiao Cheng Commercial Real Estate Project* (華僑城商業不動產項目) ("**Huaqiao Cheng Project**") has been suspended. In addition, the progress of implementation of new investment projects, the progress of new fund raising and the scale of investment projects have also been adversely affected by the Pandemic. Specifically, (i) the funds under the Dongfang Baorui Distressed Assets Project* (東方保瑞不良資產項目) ("**Dongfang Baorui Project**") which were managed by the Group, have entered the liquidation period in 2020, and the regular management fees under the entrusted management agreement were terminated, resulting in a decrease of approximately RMB44.0 million in the regular management fees for the Dongfang Baorui Project as compared to the previous year; (ii) in order to support the development of the Huaqiao Cheng Project* (華僑城項目) and alleviate the cash flow pressure of the project company, so as to facilitate the smooth operation of the Huaqiao Cheng Shopping Centre* (華僑城商業購物中心) during the Pandemic, Shanghai Ruixiang Investment Management Co., Ltd.* (上海瑞襄投資管理有限公司) ("**Shanghai Ruixiang**"), our wholly-owned subsidiary and the fund manager of Shanghai Shengyu Investment Limited Partnership* (上海晟羽投資合夥企業(有限合夥)) ("**Shanghai Shengyu**"), a fund managed by the Group and holding the project company for the Huaqiao Cheng Project* (華僑城項目), has suspended the collection of regular management fees from Shanghai Shengyu generated from 1 January 2020 until the exit from the Huaqiao Cheng Project* (華僑城項目) upon liquidation of Shanghai Shengyu, resulting in a decrease of approximately RMB10.7 million in the regular management fees of the Huaqiao Cheng Project* (華僑城項目) as compared to the corresponding period last year; (iii) the Yuhang Xinhua Garden Project* (余杭馨華園項目) has entered the liquidation period, and pursuant to the entrusted management agreement, the provision for regular management fees ceased in 2020, resulting in a decrease of approximately RMB16.9 million in regular management fees for the Year as compared to the corresponding period last year; and (iv) the addition of new projects between the second half of 2019 and 2020, leading to the increase in regular management fees due to the increase in the scale of such projects. In conclusion, we have recorded a decrease in regular management fees of approximately RMB64.9 million as compared to the corresponding period last year.

## PERFORMANCE FEES

Revenue from performance fees for the Year amounted to approximately RMB6.1 million, accounting for approximately 8.8% of the total revenue for the Year and representing an increase of approximately RMB6.0 million as compared to that of last year. The performance fees were mainly generated as payout from the funds of the Xintian Impression Project* (新田印象項目) and paid out in the priority of the Project Funds of the Shengsi Project (嵊泗項目), which we exited during the Year.

## ONE-OFF FUND ESTABLISHMENT FEES

One-off fund establishment fees represent the fees charged by the Group in relation to the establishment of the funds and investors sourcing. Revenue of the Group generated from one-off fund establishment fees for the Year was approximately RMB12.7 million, mainly attributable to the new Project Fund established during the Year.

## ADVISORY FEES

Advisory fees are the relevant fees charged for the specific investment advisory services for particular projects offered by the Group as a professional service provider. During the Year, we recorded revenue from advisory fees of approximately RMB2.4 million, representing an increase of approximately RMB1.5 million as compared to the corresponding period last year, which was mainly attributable to the additional advisory fees for the provision of consultancy services by our subsidiaries for projects such as the Huangshan Town* (黃山小鎮).

## Other income and gains

Other income and gains increased from approximately RMB5.1 million in 2019 to approximately RMB21.2 million for the Year. The increase was mainly due to the substantial increase of dividend income derived from IAFV.

Set out below is a breakdown of other income and gains during the indicated period:

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2020** | 2019 | Change | Rate of change |
| | (RMB'000, except percentages) | | | |
| Dividend income from IAFV | **17,526** | 808 | 16,718 | 2,069.1% |
| Gain on disposal of distressed assets | **1,673** | – | 1,673 | 100.0% |
| Government grants | **1,862** | 3,977 | (2,115) | (53.2%) |
| Interest income | **102** | 331 | (229) | (69.2%) |
| Other | **41** | – | 41 | 100.0% |
| Gain on disposal of items of property, plant and equipment | **7** | 11 | (4) | (36.4%) |
| Total | **21,211** | 5,127 | 16,084 | 313.7% |

## Dividend income from IAFV

Dividend income from IAFV increased from approximately RMB0.8 million for the year ended 31 December 2019 to approximately RMB17.5 million for the Year. During the Year, the dividend income recorded mainly included (i) the dividends of approximately RMB8.5 million received from our equity investment in FOF IV (Shanghai Weiyi Investment Limited Partnership* (上海威弋投資合夥企業(有限合夥)); (ii) the dividends of approximately RMB6.5 million received from our equity investment in Ningbo Meishan Bonded Harbor Yujin Investment Management Partnership (Limited Partnership)* (寧波梅山保稅港區裕瑾投資管理合夥企業(有限合夥)); and (iii) the dividends of approximately RMB2.1 million received from our equity investment in FOF X (Hangzhou Fuyang Huiqin Investment Management Partnership (Limited Partnership)* (杭州富陽匯欽投資管理合夥企業(有限合夥)).

## Gain on disposal of distressed assets

In 2020, the fund life of the Project Fund managed by the Group which invested in the Dongfang Baorui Project* (東方保瑞項目) was due and the Project Fund made a distribution in kind of distressed assets with fair value of approximately RMB26.3 million in settlement of the Group's account receivables of approximately RMB37.0 million with provision for individually impaired trade receivables of approximately RMB11.2 million recognised for the year ended 31 December 2019.

In December 2020, the above mentioned distressed assets had been disposed of to a third party for a consideration of approximately RMB28.0 million, which was fully settled subsequently in February 2021, therefore, the Group recognised a disposal gain of approximately RMB1.7 million into profit or loss for the Year.

## Government grants

Government grants, which mainly comprised income tax and value-added tax refunds from the government, decreased from approximately RMB4.0 million in the year ended 31 December 2019 to approximately RMB1.9 million for the Year, representing a year-on-year decrease of approximately 53.2% and mainly due to the decrease in income tax and value-added tax paid by the Group.

## Administrative expenses

Administrative expenses of the Group for the Year were approximately RMB58.1 million, representing a decrease of approximately RMB23.7 million or 29.0% year-on-year as compared to approximately RMB81.8 million recorded in the previous year. Such decrease was mainly due to:

(i) our optimized personnel allocation and improved labour efficiency. The number of employees for the Year decreased as compared to the corresponding period of last year. Due to the impact of the outbreak of the Pandemic, the government reduced social insurance in stages and the management took the initiative to reduce salaries. As a result, the staff costs for the Year decreased by approximately RMB10.8 million as compared to the corresponding period last year.

(ii) Due to the outbreak of the Pandemic, the frequency of business trips of employees has decreased significantly, as the expansion of business has been affected, leading to a decrease in business enquiries, and thus a decrease of approximately RMB10.0 million in total advisory fees and travel expenses for the Year as compared to the corresponding period last year.

(iii) Lease expenses and amortisation and depreciation expenses for the Year decreased by approximately RMB2.8 million as compared to the corresponding period last year, mainly due to the decrease in lease expenses and amortisation and depreciation expenses as we adjusted the leasing of the office premises according to our staffing.

## Impairment loss on trade receivables

The Group applies the IFRS 9 simplified approach to measure the provision for expected credit loss ("**ECL**"). According to the policy, the Group: (i) made provision for collectively impaired trade receivables using aging analysis and determined the receivable group by using aging as a credit risk characteristic with adjustments with reference to forward-looking factors specific to the debtors and the economic environment; and (ii) made provision for individually impaired trade receivables based on the recoverability of individual receivables and financial position of the debtor.

The Group recognised provision for impairment loss on trade receivables of approximately RMB1.6 million in the Year, of which provision for individually impaired trade receivables amounted to approximately RMB0.4 million, reversal of provision for individually impaired trade receivables recognised for the year ended 31 December 2019 amounted to approximately RMB0.5 million and provision for collectively impaired trade receivables amounted to approximately RMB1.7 million.

During the Year, the Group made detailed evaluation of circumstances affecting the recoverability of trade receivables due from Project Funds, including the impact of the Pandemic on the Project Funds investing in distressed assets projects and the increased challenges in the disposal and collection process in particular during the liquidation period of Project Funds. The Group assessed the progress of disposal and collection for the Project Fund investing in the Dongfang Baorui Project* (東方保瑞項目), which is a distressed assets project of which the investment portfolio comprises a range of debt instruments secured by underlying assets, mainly including a commercial complex under construction, land parcels designated for commercial usage, land parcels designated for industrial usage, shops and factories, located in Jiangsu and Anhui provinces in the PRC, were particularly affected by the Pandemic as the size of the majority of the underlying assets are relatively large, thereby affecting the realisation and causing a low level of distributable cash flow of the Project Fund. In addition, the trade receivables from the Project Fund of the Huaqiao Cheng Project* (華僑城項目), which comprises a commercial shopping mall located in Shanghai in the PRC as its underlying asset, were also difficult to be recovered as the investment decision-making committee of the Group had decided in the fourth quarter of 2019 to postpone its exit plan from part of the investment of the Huaqiao Cheng Project through sale or auction of underlying assets as it considered it more prudent to negotiate sale or auction after significantly increasing rental yield of the underlying assets. During the Year, the rental yield generated by the underlying assets remained low due to the effect of the Pandemic on the general leasing market, leading to low distributable cash flow of the Project Fund. In respect of the ECL in relation to the above two projects, an independent valuer has been engaged to perform a valuation to establish the credit loss model to determine the individual ECL provision for the two projects. Based on the valuation conducted by the independent valuer, as at 31 December 2020, the Group recognised individual impairment provision of approximately RMB8.6 million for the two projects, representing an increase of approximately RMB0.4 million as compared to that as at 31 December 2019.

For the remaining trade receivables from other Project Funds, we calculated the provision based on the ageing of the trade receivables together with previous experience in determining the ECL, and made adjustment with reference to forward-looking factors specific to the debtors and the economic environment, and made provision for collectively impaired trade receivables of approximately RMB1.7 million for the Year. As at 31 December 2020, the provision for collectively impaired trade receivables was approximately RMB2.1 million, representing an increase of approximately RMB1.7 million as compared to that as at 31 December 2019.

As at 31 December 2019, the balance of management fee receivable from the Project Fund of Dongfang Baorui Project* (東方保瑞項目) amounted to approximately RMB37.0 million, with provision for individually impaired trade receivables of approximately RMB11.2 million recognised. During the Year, the Project Fund made a distribution in kind upon maturity, and the distressed assets held by it with a fair value of approximately RMB26.3 million were used to settle the receivables due to the Group. As a result, during the Year the Group made a reversal of individually impaired trade receivables recognised during the year ended 31 December 2019 of approximately RMB0.5 million and wrote off outstanding bad debt provision of RMB10.7 million.

Having considered the above, the Board considered that the impairment was made on a fair and reasonable basis as the receivables that were collectively impaired were in line with the impairment rates used in prior years and the individually impaired receivables were calculated after taking into account the specific circumstances surrounding the individual receivables. We shall continue to make reasonable and prudent assessment on the recoverability of receivables based on the development of the Pandemic and its impact on the projects.

## Decrease in fair value of IAFV

As part of the Group's ordinary and usual course of business, the Group has been making investments in the funds structured and managed by itself. Such investments were recognised as IAFV in the Group's financial statements and will continue such accounting treatment in the future.

The Group, as an investment fund manager, measures the above investments in associate(s) or joint venture(s) at fair value through profit or loss in accordance with IFRS 9. Financial assets of distressed asset projects apply level 3 hierarchy of fair value measurement, which is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The valuation techniques and key inputs under such accounting policy are: discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, and discounted at rates that reflect management's best estimation of the expected risk level. It indicates the following relationship to fair value:

- the higher the recoverable amounts, the higher the fair value;
- the earlier the recovery date, the higher the fair value;
- the lower the discount rates, the higher the fair value.

The fair value of IAFV for the Year decreased by approximately RMB17.1 million as compared with last year, which was attributable to (i) the increase in fair value of the Yuhang Xinhua Garden Project* (余杭馨華園項目), the Shenzhen Xinqiaowei Project* (深圳新喬圍項目), the Fuzhou Project* (福州項目) and the Yan'an Project* (延安項目) due to the efforts of the project team; which was offset by (ii) the decrease in fair value of the commercial real estate projects such as the Zhongheng Project* (眾 恒 項 目), the Huaqiao Cheng Project* (華僑城項目), the Shaoxing Keqiao Project* (紹興柯橋項目) and some urbanization and redevelopment projects such as the Chengdu Project* (成都項目) due to (a) the valuation of these projects have not increased due to the influence of the Pandemic on value of underlying assets; and (b) an increase in the operating costs and priority investor fees as the Project Funds investing in these projects become closer to maturity. The effect on profit and loss contributed by the decrease in fair value of IAFV was offset by the Group's dividend income from IAFV of approximately RMB17.5 million for the Year (see the analysis in the paragraph headed "Dividend income from IAFV"). The Group seeks to diversify its investment through associates and joint ventures.

## Other expenses

Our other expenses for the Year decreased by approximately RMB1.7 million as compared to the year ended 31 December 2019, mainly due to the decrease in exchange loss.

## Share of losses of joint ventures

Our share of losses of joint ventures for the Year was approximately RMB1.2 million, representing a decrease of approximately RMB1.3 million as compared to the year ended 31 December 2019 and mainly due to the recognition of losses for Guangzhou Zhongshunyi Management Consultancy Co., Ltd.* (廣州中順易管理諮詢有限公司) ("**Guangzhou Zhongshunyi**"), in which the Group holds 35% equity investment, on a pro-rata basis according to the equity method of accounting during the Year. The decrease in loss as compared to the corresponding period last year was mainly due to the optimisation and integration of the business of Guangzhou Zhongshunyi, which became more familiar with the Group's fund products, thereby facilitating the growth of our fund subscriptions. Meanwhile, the management quality and efficiency of Guangzhou Zhongshunyi were improved through integration of resources.

## Share of loss of an associate

Our share of losses of associates for the Year was approximately RMB2.1 million, representing an increase of approximately RMB1.4 million as compared to the year ended 31 December 2019 mainly due to the recognition of losses for Guangrui Juyao (Qingdao) Wealth Asset Management Co., Ltd.* (光瑞聚耀(青島)財富資產管理有限公司), in which the Group had equity investment, on a pro-rata basis according to the equity method of accounting during the Year.

## Income tax expense

Income tax expense of the Group for the Year was approximately RMB1.0 million, as compared to approximately RMB5.1 million to the year ended 31 December 2019, mainly due to (i) the decrease in profit before tax; and (ii) tax losses arising from temporary non-deductible tax in prior years recognised for the Year.

## Profit for the year

Our profit for the Year was approximately RMB7.8 million, as compared to approximately RMB6.8 million to the year ended 31 December 2019 and mainly due to the combined effect of (i) the decrease in regular management fees; (ii) the offsetting effect of decrease in fair value of IAFV and increase in other income and gains; (iii) decrease in administrative expenses; (iv) decrease in the loss allowance recognised in respect of trade receivables; and (v) decrease in income tax expense recorded.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group regularly reviews its liquidity position and actively manages liquidity and financial resources in light of changes in the economic environment and business development needs. As at 31 December 2020, the cash and cash equivalents of the Group amounted to approximately RMB55.2 million (31 December 2019: approximately RMB22.3 million). Taking into account our daily operational needs, such level of cash and cash equivalents ensures that the Group has sufficient working capital to satisfy our operational requirements and maintain stability and flexibility. We shall continue to take effective measures to ensure adequate liquidity and financial resources to meet the needs of our operations and to maintain a sound and healthy financial position.

## GEARING RATIO

The gearing ratio of the Group as at 31 December 2020 was nil (31 December 2019: Nil) as the Group had no outstanding loans and borrowings or bank overdrafts as at 31 December 2020.

## TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position during the Year. The Group always strives to minimise exposure to credit risk by strictly controlling outstanding receivables and setting up a credit control team. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## PLEDGE OF ASSETS

As at 31 December 2020, the Group did not have any pledge on its assets.

## FOREIGN EXCHANGE RISK

The Group principally operates in the PRC with most of its businesses being denominated in RMB. The Group only bears the risk of fluctuations in the exchange rate of RMB against HKD. The Group currently has no hedging of foreign exchange risk and we believe that the Group's foreign exchange risk is manageable and will closely monitor the relevant risks from time to time.

## CAPITAL STRUCTURE

There has been no change in the capital structure of the Company since its listing on 13 November 2018.

## FINAL DIVIDEND

In order to reserve resources for the business development of the Group, the Board did not recommend the declaration of a final dividend for the Year (2019: Nil).

## COMMITMENTS

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

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisition or disposal of subsidiaries, associates or joint ventures during the Year.

## CAPITAL EXPENDITURES

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

## CONTINGENT LIABILITIES

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

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group employed a total of 103 employees (31 December 2019: 127 employees). The Group has adopted an employee remuneration policy which takes into account factors such as external market competitiveness and internal fairness, and provides diversified training and individual development plans for its employees. The Group has a clear promotion policy that gives eligible employees career progression opportunities.

## SIGNIFICANT INVESTMENTS HELD

As at 31 December 2020, IAFV of the Group was approximately RMB218.8 million, representing a decrease of approximately RMB60.5 million as compared to approximately RMB279.4 million as at 31 December 2019. Details are as follows:

| Name of fund | Type of investment project | Cost of investment (RMB'000) | Percentage of fund equity | Dividends received for the Year (RMB'000) | Fair value as at 31 December 2020 (RMB'000) | Percentage of the total asset value of the Group as at 31 December 2020 | Unrealised gains/(losses) related to changes in fair value during the Year (RMB'000) | Fair value as at 31 December 2019 (RMB'000) | Source of funds |
|---|---|---|---|---|---|---|---|---|---|
| 1 FOF IV (Note 1) | Distressed assets projects | 100,000 | 50.0% | 8,518 | 97,449 | 22.0% | (2,551) | 106,038 | Internal resources |
| 2 FOF IX (Note 2) | Commercial real estate projects | 48,000 | 8.0% | – | 40,739 | 9.2% | (7,261) | 46,899 | Proceeds from the Share Offer |
| 3 FOF III (Note 3) | Commercial real estate projects , urbanisation and redevelopment projects and distressed assets projects | 30,000 | 10.0% | – | 28,012 | 6.3% | (1,988) | 32,624 | Internal resources |
| 4 FOF X (Note 4) | Commercial real estate projects | 28,000 | 10.0% | 2,050 | 29,736 | 6.7% | 1,736 | 28,842 | Proceeds from the Share Offer |
| 5 FOF VIII (Note 5) | Urbanisation and redevelopment projects and commercial real estate projects | 20,000 | 11.0% | 499 | 22,884 | 5.2% | 2,884 | 23,478 | Proceeds from the Share Offer |
| 6 Ningbo Meishan Bonded Harbor Yujin Investment Management Partnership (Limited Partnership)* (寧波梅山保税港區裕瑾投資管理合夥企業(有限合夥)) | Commercial real estate projects | – | – | 6,459 | – | – | – | 36,280 | Internal resources |
| 7 Shanghai Weiyu Investment Partnership (Limited Partnership)* (上海威鈺投資合夥企業(有限合夥)) | Distressed assets projects | – | – | – | – | – | – | 5,196 | Internal resources |
| | | 226,000 | | 17,526 | 218,820 | | (7,180) | 279,357 | |

*Notes:*

1. FOF IV refers to Shanghai Weiyi Investment Limited Partnership* (上海威弋投資合夥企業(有限合夥)), an FOF established and jointly managed by the Group in the form of limited partnership in September 2016.

2. FOF IX refers to Hangzhou Fuyang Huirong Investment Management Partnership (Limited Partnership)* (杭州富陽匯嶸投資管理合夥企業(有限合夥)), an FOF established and jointly managed by the Group in the form of limited partnership in January 2019.

3. FOF III refers to Realway Development No. 3 Unit Trust Fund* (瑞威發展三號契約型私募基金), an FOF established by the Group in the form of trust fund in August 2016.

4. FOF X refers to Hangzhou Fuyang Huiqin Investment Management Partnership (Limited Partnership)* (杭州富陽匯欽投資管理合夥企業(有限合夥)), an FOF established and managed by the Group in the form of limited partnership in August 2019.

5. FOF VIII refers to Realway Development No. 5 Unit Trust Fund* (瑞威發展五號契約型私募基金), an FOF established by the Group in the form of trust fund in December 2017.

We shall continue to jointly operate a diversified investment portfolio and closely monitor the investment performance and market trends to adjust the investment strategy.

Save as disclosed in this annual report, the Group did not hold any significant investments during the Year.

## ARBITRATION RELATING TO OUR SIGNIFICANT INVESTMENTS HELD

On 10 February 2020, Hangzhou Fuyang Huiguan Investment Management Partnership (Limited Partnership)* (杭州富陽匯冠投資管理合夥企業(有限合夥)) ("**Fuyang Huiguan Fund**"), for which Shanghai Ruixiang Investment Management Co., Ltd* (上海瑞襄投資管理有限公司) ("**Shanghai Ruixiang**"), a wholly-owned subsidiary of the Company, acts as a fund manager, filed an application to Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) ("**SIETAC**") for arbitration against Shenzhen City Hai Shi Urban Renew Co. Ltd* (深圳市海石城市更新有限公司) ("**Hai Shi Urban Renew**") in respect of its default in payment of consideration for the transfer of equity interests in the Shenzhen Xinqiaowei Project* (深圳新喬圍項目), demanding Hai Shi Urban Renew pay to Fuyang Huiguan Fund the outstanding third installment of the equity transfer consideration, late payment penalty and related legal costs. The total amount sought in this arbitration tentatively amounts to approximately RMB38,063,000. On 17 March 2020 and 22 May 2020, Shenzhen Xinqiaowei Project* (深圳新喬圍項目) received were approximately RMB5,000,000 and approximately RMB2,000,000 respectively, in settlement of the third installment of the equity transfer consideration from Hai Shi Urban Renew. On 12 January 2021, the case was heard in SIETAC. The Fuyang Huiguan Fund submitted an amended application for arbitration to the SIETAC according to the arbitration hearing on the same day, requesting Hai Shi Urban Renew to pay the outstanding third and fourth installments of the equity transfer consideration, damages for overdue payments, legal fees and other fees payable to the Fuyang Huiguan Fund, and the total amount related to the arbitration claim is temporarily approximately RMB82,644,514.

The investment size of FOF VIII, for which Shanghai Ruixiang a wholly-owned subsidiary of the Company, acted as a fund manager, in Fuyang Huiguan Fund as at 31 December 2020 was approximately RMB40.5 million.

As of 30 March 2021, the arbitration has commenced and is pending judgment, therefore, it is impossible to determine the impact on the investment gain or loss to be realised by the Company at this stage. Fuyang Huiguan Fund has frozen the bank account(s) and part of the property of Hai Shi Urban Renew through judicial preservation procedures.

Currently, the business of the Company is operating normally, while all appropriate measures will be adopted to protect the Company's rights and interests.

## IMPACT OF COVID-19

In view of the outbreak of the Pandemic in early 2020, our business was adversely affected to a certain extent, resulting in a sharp decrease in revenue and the provision for impairment loss on receivables being made (for detailed analysis, please refer to the section headed "Management Discussion and Analysis — Financial Review" in this annual report). We have initiated comprehensive risk screening and preparation at the beginning of the Pandemic, and communicated with project investors and business partners in a timely manner. As of the date of this annual report, the liquidity and working capital of the Group can still meet the daily needs of operation. As such, the Directors are of the view that the Pandemic will not have a material adverse impact on the operation and sustainability of the Group. As the impact of the Pandemic on the business environment is ever-changing and remains uncertain, we shall continue to pay close attention to the development of the Pandemic, assess its impact on the operation and financial position, and strive to minimize its impact.

## EVENTS AFTER REPORTING PERIOD

### Change of principal place of business in PRC

With effect from 1 March 2021, the principal place of business in the PRC of the Company was relocated to Unit 706–707, 7/F, Century Link Tower 1, No. 1198 Century Avenue, Pudong New District, Shanghai, 200122.

### Change of Directors, authorised representative, member of remuneration committee and chief financial officer

Ms. SU Yi ("**Ms. Su**") resigned as an executive director, an authorised representative, the chief financial officer and a member of the remuneration committee of the Company with effect from 15 March 2021 in order to devote more time to her personal endeavours.

Ms. Chen has been appointed as an executive director, an authorised representative and a member of the remuneration committee of the Company and Mr. Sun Mao has been appointed as the chief financial officer of the Company with effect from 15 March 2021.

### Advising on securities and asset management business in Hong Kong

On 22 March 2021, Hong Kong Realway, a wholly-owned subsidiary of the Company licensed by the SFC to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities, was notified by the SFC that due to Hong Kong Realway having insufficient number of responsible officers for Type 4 and Type 9 regulated activities, Hong Kong Realway shall not carry on such regulated activities from 16 March 2021 until sufficient number of responsible officers are approved by the SFC as responsible officers of Hong Kong Realway. The Company is actively seeking measures to fulfil the requirement for number of responsible officers for its Type 4 and Type 9 regulated activities.

# DIRECTORS' REPORT

## PRINCIPAL PLACE OF BUSINESS

The Company is a company established and has its registered office in the People's Republic of China. The Company's principal place of business in Hong Kong is situated at Unit 1305, 13/F, OfficePlus@Sheung Wan, 93–103 Wing Lok Street, Sheung Wan, Hong Kong.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is the management of real estate investment funds and those of the principal subsidiaries of the Company are set out in note 1 to the consolidated financial statements.

## RESULTS

The results of the Group for the Year and the financial information of the Group as at 31 December 2020 are set out in the audited financial statements of this annual report.

## BUSINESS REVIEW

A review of the business of the Group during the Year, a description of the principal risks and uncertainties that the Group may be facing, a discussion on the Group's future business development and an analysis of the Group's performance during the Reporting Period using financial key performance indicators are contained in the Management Discussion and Analysis on pages 10 to 22 of this annual report. Discussions on the Group's environmental policies and performance, compliance with the relevant laws and regulations that have a significant impact on the Group, and key relationships with its customers and suppliers that have a significant impact on the Group and on which the Group's success depends are set forth in the sections headed "Environmental Policies and Performance", "Compliance with Relevant Laws and Regulations" and "Major customers and suppliers" in this report of the Directors. The abovementioned discussions form parts of the business review as contained in this report of the Directors.

## FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities of the Group for the last five financial years are set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

## FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the Year.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Friday, 28 May 2021. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched by the Company.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligibility to attend and vote at the AGM, the register of members of the Company ("**Register of Members**") will be closed from Wednesday, 28 April 2021 to Friday, 28 May 2021, both days inclusive, during which period no transfer of the shares of the Company (the "**Shares**") will be registered. In order to be eligible to attend and vote at the AGM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's H Share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for H shareholders) or to the Company's principal place of office in the PRC at Unit 706-707, 7th Floor, Century Link Tower 1, No. 1198 Century Avenue, Pudong New District, Shanghai (for domestic shareholders), no later than 4:30 p.m. on Tuesday, 27 April 2021 for registration.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group clearly understands the importance of regulatory compliance and the risk of non-compliance. To the best of the Board's knowledge, during the Year, the Group complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has been working on sustainable development and environmental protection. We spare no effort in making the most out of resources in our business. Laws and regulations in terms of environment and health are strictly complied. Meanwhile, the Group holds various activities to promote environmental protection in our business. Our goal is to educate the community on creating a green city for the future.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of turnover for the Year attributable to the Group's major customers are as follows:

| | |
|---|---|
| — the largest customer | 5.3% |
| — the five largest customers combined | 14.4% |

During the Year, the five largest customers are independent third parties. None of the Directors or any of their close associates or the Shareholders (who, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's largest customers.

The Group is engaged in the provision of services as a private investment fund manager. During the Reporting Period, the Group did not have regular or significant suppliers in terms of business nature.

## TAXATION

Please see the section headed "Income tax expense" contained in the Management Discussion and Analysis of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Year are set out in note 13 to the consolidated financial statements.

## SUBSIDIARIES

The information of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

## PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties faced by the Group, some of which are beyond its control. Some of the major risks we face include:

- unsound investment decisions could have a material adverse effect on our business, financial condition and results of operations;

- as a real estate investment fund manager, our performance is subject to fluctuations in the real estate market and other factors affecting the asset management industry;

- our operations are dependent on our key management and professional staff. Our business would be materially and adversely affected if we are unable to retain or replace them;

- there is no guarantee that our measures will continue to be effective in ensuring the adequacy of the expertise of our Directors, senior management and professional staff for our fund management business;

- there are inherent uncertainties associated with the fair value measurement of our IAFV and the fair value changes of our IAFV may materially and adversely affect our financial position and results of operations;

- we are subject to extensive and evolving regulatory requirements, and any changes in or non-compliance of which, may result in penalties, prohibitions on our future business activities or suspension or revocation of our licences, and may consequently have a material and adverse effect on our business operations and prospects; and

- fluctuations in the value of Renminbi could have an adverse effect on our business, results of operations and financial condition.

However, the above is not an exhaustive list and investors are advised to make their own judgement or consult their own investment advisors before investment.

## SHARE CAPITAL

The share capital structure of the Company as at 31 December 2020 is as follows:

| Class of shares | Number of issued shares | Approximate percentage of the total issued share capital |
|---|---:|---:|
| Domestic shares of the Company ("**Domestic Shares**") | 115,000,000 | 75.0 |
| H shares of the Company ("**H Shares**") | 38,340,000 | 25.0 |
| **Total** | **153,340,000** | **100.0** |

Detail of the shares issued during the Year are set out in note 26 to the consolidated financial statements.

## PUBLIC FLOAT

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

## RESERVES

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out on page 76 in the consolidated statement of changes in equity.

## DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserve available for distribution amounted to approximately RMB216.7 million.

Details of movements in the reserves of the Company during the Year are set out in note 38 to financial statements of this annual report.

## BANK LOANS AND OTHER BORROWINGS

As at 31 December 2020 the Group had no outstanding loans or borrowings.

## DIRECTORS

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

### EXECUTIVE DIRECTORS

Mr. ZHU Ping (朱平) *(Chairman and Chief Executive Officer)*
Mr. DUAN Kejian (段克儉)
Ms. SU Yi (蘇怡) (resigned on 15 March 2021)*
Ms. CHEN Min (陳敏) (appointed on 15 March 2021)

### NON-EXECUTIVE DIRECTORS

Mr. CHENG Jun (成軍)
Mr. WANG Xuyang (王旭陽)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU Yunsheng (劉雲生)
Mr. SHANG Jian (尚健)
Ms. YANG Huifang (楊惠芳)

## SUPERVISORS

Ms. CAI Luyi (蔡璐懿)
Mr. LU Xili (陸希立)
Ms. WANG Juanping (王娟萍)

* Ms. Su Yi resigned as Director due to devote more time on her personal business.

## DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors, supervisors and senior management are disclosed in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 5 to 9 in this annual report.

## CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent throughout the Year.

## DIRECTORS' SERVICE CONTRACT

None of the Directors proposed for re-election at the forthcoming AGM has entered or has proposed to enter into any service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the Year and up to the date of this annual report.

## MANAGEMENT CONTRACTS

Save as disclosed in this annual report, no contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

## EMOLUMENT POLICY

A Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

## REMUNERATION OF THE DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and five highest paid individuals during the Reporting Period are set out in notes 8 and 9 to the consolidated financial statements.

## RETIREMENT AND EMPLOYEE BENEFITS SCHEME

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government and are required to contribute a certain proportion of these payroll costs to the central pension scheme.

## INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

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

| Director | Class of Shares held | Nature of interest | Number of Shares (1) | Approximate percentage of shareholdings in the relevant class of Shares (2) | Approximate percentage of shareholdings in the total share capital of the Company (3) |
|---|---|---|---|---|---|
| Mr. ZHU Ping (朱平) (4) | Domestic Shares | Interest in a controlled corporation | 115,000,000(L) | 100.0 | 75.0 |

Notes:

1. (L) denotes a long position.
2. The calculation is based on the percentage of shareholdings in the Domestic Shares.
3. The calculation is based on the total number of 153,340,000 Shares in issue after the share offer.
4. Shanghai Shengxuan Investments Advisory Company Limited* (上海盛軒投資諮詢有限公司), a company wholly owned by Mr. Zhu Ping, is the general partner of Shanghai Weimian Investments Partnership (Limited Partnership)* (上海威冕投資合夥企業(有限合夥)), Shanghai Weihui Investments Partnership (Limited Partnership)* (上海威滙投資合夥企業(有限合夥)) and Shanghai Weiye Investments Partnership (Limited Partnership)* (上海威燁投資合夥企業(有限合夥)), and Shanghai Zunwei Industrial Development Co. Limited* (上海尊威實業發展有限公司) is indirectly wholly owned by Mr. Zhu Ping. Mr. Zhu Ping is therefore deemed to be interested in all the Domestic Shares held by all of the aforesaid entities.

## INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2020, so far as the Directors, Supervisors and the chief executive of the Company are aware of, as indicated on the register of interests and/or short positions required to be maintained pursuant to section 336 of the SFO, the substantial Shareholders and other persons (other than Directors, Supervisors and the chief executive of the Company) had the following interests and/or short positions in the Shares or underlying Shares of the Company:

| Name of Shareholder | Class of Shares held | Nature of interest | Number of Shares [1] | Approximate percentage of shareholdings in the relevant class of Shares [2] | Approximate percentage of shareholdings in the total share capital of the Company [3] |
|---|---|---|---|---|---|
| Shanghai Shengxuan Investments Advisory Company Limited* (上海盛軒投資諮詢有限公司) | Domestic Shares | Interest in a controlled corporation | 115,000,000(L) | 100.0 | 75.0 |
| Shanghai Weimian Investments Partnership (Limited Partnership)* (上海威冕投資合夥企業(有限合夥)) | Domestic Shares | Beneficial owner | 79,012,675(L) | 68.7 | 51.5 |
| Shanghai Weiye Investments Partnership (Limited Partnership)* (上海威燁投資合夥企業(有限合夥)) | Domestic Shares | Beneficial owner | 15,000,000(L) | 13.0 | 9.8 |
| Shanghai Weihui Investments Partnership (Limited Partnership)* (上海威滙投資合夥企業(有限合夥)) | Domestic Shares | Beneficial owner | 13,875,000(L) | 12.1 | 9.0 |
| Shanghai Zunwei Industrial Development Co. Limited (上海尊威實業發展有限公司) | Domestic Shares | Beneficial owner | 7,112,325(L) | 6.2 | 4.6 |
| Sun Jinyong | H Shares | Beneficial owner | 4,132,000(L) | 10.8 | 2.7 |
| Gao Yue | H Shares | Beneficial owner | 3,985,600(L) | 10.4 | 2.6 |
| Wang Youlin | H Shares | Beneficial owner | 3,375,200(L) | 8.8 | 2.2 |
| Great Rainbow Investment Fund Series SPC (acting for and on behalf of Great Rainbow Series 1 SP) | H Shares | Beneficial owner | 3,280,000(L) | 8.6 | 2.1 |
| Wu Jie[4] | H Shares | Interest in a controlled corporation | 3,280,000(L) | 8.6 | 2.1 |
| Yao Peifang[5] | H Shares | Interest in a controlled corporation | 3,280,000(L) | 8.6 | 2.1 |
| Wang Qiong | H Shares | Beneficial owner | 2,392,800(L) | 6.2 | 1.6 |
| Dai Yanmin | H Shares | Beneficial owner | 2,258,800(L) | 5.9 | 1.5 |
| Yin Bo | H Shares | Beneficial owner | 2,010,000(L) | 5.2 | 1.3 |
| Everbright Focused Value Fund | H Shares | Beneficial owner | 2,000,000(L) | 5.2 | 1.3 |
| China Everbright Fund Management Limited[6] | H Shares | Interest in a controlled corporation | 2,000,000(L) | 5.2 | 1.3 |
| China Everbright Assets Management Holdings Limited[7] | H Shares | Interest in a controlled corporation | 2,000,000(L) | 5.2 | 1.3 |
| China Everbright Limited[8] | H Shares | Interest in a controlled corporation | 2,000,000(L) | 5.2 | 1.3 |
| Honorich Holdings Limited[9] | H Shares | Interest in a controlled corporation | 2,000,000(L) | 5.2 | 1.3 |
| Datten Investments Limited[10] | H Shares | Interest in a controlled corporation | 2,000,000(L) | 5.2 | 1.3 |

| Name of Shareholder | Class of Shares held | Nature of interest | Number of Shares (1) | Approximate percentage of shareholdings in the relevant class of Shares (2) | Approximate percentage of shareholdings in the total share capital of the Company (3) |
|---|---|---|---|---|---|
| China Everbright Holdings Company Limited(11) | H Shares | Interest in a controlled corporation | 2,000,000(L) | 5.2 | 1.3 |
| China Everbright Group Ltd. (12) | H Shares | Interest in a controlled corporation | 2,000,000(L) | 5.2 | 1.3 |
| Central Huijin Investment Ltd. (13) | H Shares | Interest in a controlled corporation | 2,000,000(L) | 5.2 | 1.3 |
| Everbright Absolute Return Investment Holdings Limited(14) | H Shares | Interest in a controlled corporation | 2,000,000(L) | 5.2 | 1.3 |

Notes:

1. (L) denotes a long position.

2. The calculation is based on the percentage of shareholdings in the relevant class of Shares.

3. The calculation is based on the total number of 153,340,000 Shares in issue after the share offer.

4. Wu Jie is the management share shareholder and director of Great Rainbow Investment Fund Series SPC and the investment manager of Great Rainbow Series 1 SP. By virtue of the SFO, Wu Jie is deemed to be interested in all the H Shares which Great Rainbow Investment Fund Series SPC (acting for and on behalf of Great Rainbow Series 1 SP) is interested in.

5. Yao Peifang is the management share shareholder and director of Great Rainbow Investment Fund Series SPC. By virtue of the SFO, Yao Peifang is deemed to be interested in all the H Shares which Great Rainbow Investment Fund Series SPC (acting for and on behalf of Great Rainbow Series 1 SP) is interested in.

6. China Everbright Fund Management Limited is the investment manager and holds all the management shares of Everbright Focused Value Fund. By virtue of the SFO, China Everbright Fund Management Limited is deemed to be interested in all the H Shares which Everbright Focused Value Fund is interested in.

7. China Everbright Fund Management Limited is a limited liability company incorporated in the Cayman Islands and is wholly-owned by China Everbright Assets Management Holdings Limited. By virtue of the SFO, China Everbright Assets Management Holdings Limited is deemed to be interested in all the H Shares which China Everbright Fund Management Limited is interested in.

8. China Everbright Assets Management Holdings Limited is a limited liability company incorporated in the Cayman Islands and is wholly-owned by China Everbright Limited. By virtue of the SFO, China Everbright Limited is deemed to be interested in all the H Shares which China Everbright Assets Management Holdings Limited is interested in.

9. China Everbright Limited is a limited liability company incorporated in Hong Kong and is owned as to 49.39% by Honorich Holdings Limited. By virtue of the SFO, Honorich Holdings Limited is deemed to be interested in all the H Shares which China Everbright Limited is interested in.

10. Honorich Holdings Limited is a limited liability company incorporated in the British Virgin Islands and is wholly-owned by Datten Investments Limited. By virtue of the SFO, Datten Investments Limited is deemed to be interested in all the H Shares which Honorich Holdings Limited is interested in.

11. Datten Investments Limited is a limited liability company incorporated in the British Virgin Islands and is wholly-owned by China Everbright Holdings Company Limited. By virtue of the SFO, China Everbright Holdings Company Limited is deemed to be interested in all the H Shares which Datten Investments Limited is interested in.

12. China Everbright Holdings Company Limited is a limited liability company incorporated in Hong Kong and is wholly-owned by China Everbright Group Ltd. By virtue of the SFO, China Everbright Group Ltd. is deemed to be interested in all the H Shares which China Everbright Holdings Company Limited is interested in.

13. China Everbright Group Ltd. is a limited company established in the PRC and is owned as to 55.67% by Central Huijin Investment Ltd. By virtue of the SFO, Central Huijin Investment Ltd. is deemed to be interested in all the H Shares which China Everbright Group Ltd. is interested in.

14. Everbright Focused Value Fund is under the control of Everbright Absolute Return Investment Holdings Limited. By virtue of the SFO, Everbright Absolute Return Investment Holdings Limited is deemed to be interested in all the H Shares which Everbright Focused Value Fund is interested in.

## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S RIGHTS IN THE SUBSCRIPTION OF SHARES AND DEBENTURES

During the Year, no right to subscribe the Shares in or debentures of the Company or any of its associated corporations was granted by the Company to any Director, Supervisor or chief executive of the Company or their respective spouses or children aged under 18, and no such rights to subscribe the above Shares or debentures were exercised by them.

## EQUITY-LINKED AGREEMENTS

The Company has no equity linked agreements that were entered into or subsisted during the Year.

## SHARE OPTION SCHEME

During the Year, the Company has not implemented any share option scheme.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Year, there had been no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company (the "**Articles of Association**") that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

## RELATED PARTY TRANSACTIONS

The Company had not entered into any non-exempt connected transaction during the Year, which is required to be disclosed under the Listing Rules. Related party transactions entered into by the Group during the Year, which do not constitute non-exempt connected transactions required to be disclosed under the Listing Rules, are disclosed in note 32 to the consolidated financial statements.

## DONATION

Details of the charitable and other donations made by the Group during the Year are set out in the section headed "Environmental, Social and Governance (ESG) Report" of this annual report.

## DEED OF NON-COMPETITION

To avoid any future competition, Mr. Zhu, Shanghai Shengxuan Investments Advisory Company Limited* (上海盛軒投資諮詢有限公司) and Shanghai Weimian Investments Partnership (Limited Partnership)* (上海威冕投資合夥企業(有限合夥)) as controlling shareholders of the Company (the "**Controlling Shareholders**") have entered into the deed of non-competition (the "**Deed of Non-Competition**") in favour of the Company to the effect that he/it shall not, and shall procure entities or companies controlled by him/it (other than a member of the Group) not to at any time during the restricted period, directly or indirectly, among other things, involve in any business similar to or which competes (either directly or indirectly) or is likely to compete with any business which is the same as, similar to or in competition with the current business of the Group.

## NON-COMPETITION

The Controlling Shareholders have irrevocably undertaken and covenanted with the Company that he/it shall not, and shall procure entities or companies controlled by him/it (other than a member of the Group) not to at any time during the restricted period, directly or indirectly, either on his/its own account or in conjunction with or on behalf of any person, firm or company (in each case whether as a shareholder, partner, agent, employee or otherwise):

(i) carry on, engage, participate, concerned or interested in or in any way assist in or provide support (whether financial, technical or otherwise) to any business similar to or which competes (either directly or indirectly) or is likely to compete with any business which is the same as, similar to or in competition with the current business of the Group, namely the engagement of fund management business within the PRC and/or Hong Kong (the "**Restricted Business**");

(ii) canvass, solicit, interfere with or endeavour to entice away from the Group any person, firm, company or organisation which to his/its knowledge has from time to time or has at any time within the immediate past two years before the date of such solicitation, interference or enticement been a customer, a supplier or a business partner or employee of the Group for the purpose of conducting any Restricted Business;

(iii) procure orders from or solicit business from any person, firm, company or organisation which to his/its knowledge has dealt with any member of the Group or is in the process of negotiating with any member of the Group in relation to any Restricted Business;

(iv) do or say anything which may be harmful to the reputation of any member of the Group or which may lead any person to reduce their level of business with any member of the Group or seek to improve their terms of trade with any member of the Group;

(v) solicit or entice or endeavour to solicit or entice for employment by him/it or entities or companies controlled by him/it (other than the Group) or at any time employ or procure the employment of any person who has, at any time within the immediate past two years before the date of such solicitation or employment, been or is a director, manager, employee of or consultant to the Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business carried on by the Group;

(vi) engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of the Group or be in competition with any member of the Group in any business activities which any member of the Group may undertake in the future save for the holding of not more than 10% shareholding interests (individually or any of the Controlling Shareholders with their associates collectively) in any listed company in Hong Kong; and

(vii) make use of any information pertaining to the business of the Group which may have come to his/its knowledge in his/its capacity as a shareholder of the Company or director of any member of the Group for the purpose of competing with the business of the Group.

The foregoing restrictions are subject to the fact that the Company may waive the new business opportunities pursuant to the terms and conditions under the Deed of Non-Competition.

The Company's independent non-executive Directors have reviewed the compliance with the Deed of Non-Competition by the Controlling Shareholders and were satisfied that the terms of the Deed of Non-Competition had been duly complied with during the Year and up to the date of this annual report. The measures which the Company has adopted to ensure the compliance with the Deed of Non-competition include:

(1) The Company has enquired with each of the Controlling Shareholders on whether each of the Controlling Shareholders or any of his/her close associates has engaged in any business which may directly or indirectly compete or may compete with the principal business of the Company, other than being a director or shareholder of the Company;

(2) The Company and the Board have requested the Controlling Shareholders to confirm to the Company regarding the compliance of the terms of the Deed of Non-Competition and the enforcement of undertakings under the Deed of Non-Competition. The Controlling Shareholders confirmed to the Company that they have complied with the terms of the Deed of Non-competition during the Year and up to the date of this annual report; and

(3) The Company and the Board are not aware of any breach of the Deed of Non-Competition by the Controlling Shareholders during the Year and up to the date of this annual report.

## DIRECTORS' COMPETING INTERESTS

Save as disclosed in this annual report, none of the Controlling Shareholders, Directors and their respective close associates has any interests in any business which directly or indirectly competes or is likely to compete with the principal business and other businesses, which would require disclosure under Rule 8.10 of the Listing Rules.

## SIGNIFICANT LEGAL PROCEEDINGS

During the Year, the Company was not engaged in any litigation or arbitration of material importance.

## PERMITTED INDEMNITY PROVISION

During the Year, the Company maintained liability insurance for Directors, Supervisors and senior management (being the liability insurance for Directors, Supervisors and senior management and prospectus liability insurance) to provide the appropriate coverage for the Directors, Supervisors and senior management of the Company.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance practices. Details of corporate governance practice adopted by the Company are set out in the section of "Corporate Governance Report" of this annual report.

## POST BALANCE SHEET EVENTS

The material post balance sheet events are disclosed in note 37 to the consolidated financial statements.

## AUDIT COMMITTEE

The Audit Committee of the Company had, together with the management and external auditor of the Company (the "**Auditor**"), reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the Year.

## AUDITORS

Ernst & Young was appointed by the Directors as the auditor of the Company. Ernst & Young will retire, and being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for their reappointment as auditor of the Company will be proposed at the forthcoming AGM. The consolidated financial statements for the Year have been audited by Ernst & Young.

By order of the Board
**Shanghai Realway Capital Assets Management Co., Ltd.**
**Mr. Zhu Ping**
*Chairman*
Shanghai, PRC, 30 March 2021

* *For identification purpose only*

# SUPERVISORS' REPORT

## 1. COMPOSITION OF THE SUPERVISORY COMMITTEE

As of 31 December 2020, the supervisory committee of the Company (the "**Supervisory Committee**") consisted of three members (the "**Supervisors**") comprising one employee representative Supervisor and two external Supervisors. The terms of office of Supervisors shall be three years, and is renewable upon re-election after the expiry of his/her term in accordance with the requirements of Articles of Association.

The composition of the Supervisory Committee is as follows:

| Name | Position | Date of Appointment | Responsibilities |
|---|---|---|---|
| Ms. CAI Luyi (蔡璐懿) | Supervisor/Manager of archives department | July 2017 | Supervising and providing independent judgment to our Board |
| Mr. LU Xili (陸希立) | Supervisor | January 2016 | Supervising and providing independent judgment to our Board |
| Ms. WANG Juanping (王娟萍) | Supervisor | January 2016 | Supervising and providing independent judgment to our Board |

## 2. MAJOR WORKS OF THE SUPERVISORY COMMITTEE IN 2020

In 2020, being accountable to all Shareholders, the members of the Supervisory Committee strengthened the coordination and cooperation between the Board and the senior management and seriously performed the duties of supervision, for purposes of better playing a supervisory role of the Supervisory Committee, promoting the standardised operation and healthy development of the Company, and safeguarding the rights and interests of the Company and the Shareholders.

### (I) CONVENING MEETINGS OF THE SUPERVISORY COMMITTEE ACCORDING TO LAW, AND EARNESTLY PERFORMING SUPERVISORY DUTIES

In 2020, the Supervisory Committee held a total of 2 committee meetings.

The Supervisors carefully reviewed the meeting materials and fully studied and discussed the proposals before attending the meetings of the Supervisory Committee. The Supervisors attended all meetings of the Supervisory Committee in person and earnestly performed supervisory duties. The details of Supervisors' attendance at the meetings of the Supervisory Committee held are as follows:

| Supervisors | Actual Attendance/ Expected Attendance |
|---|---|
| Ms. CAI Luyi *(Chairman)* | 2/2 |
| Mr. LU Xili | 2/2 |
| Ms. WANG Juanping | 2/2 |

### (II) SUPERVISING THE DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY IN THEIR PERFORMANCE OF DUTIES

In 2020, the members of the Supervisory Committee reviewed the resolutions of the Board by attending Board meetings, examined the daily operation and management of the Company and supervised the Directors and senior management of the Company in their performance of duties.

### (III) MONITORING COMPANY'S OPERATION

In 2020, the members of the Supervisory Committee participated in discussions of major operating decisions, reviewed proposals submitted to the Board for consideration and examined and monitored the operation of the Company through attending Board meetings and general meetings of the Shareholders held by the Company. The Supervisory Committee is of the opinion that the business activities of the Company complied with relevant laws and regulations and the Articles of Association. Meanwhile, the Directors and senior management of the Company have diligently performed their duties and earnestly implemented the resolutions of the general meetings of the Shareholders to safeguard the interests of the Shareholders and the benefit of the Company. In the course of examining the operation of the Company and supervising the performance of duties of the Directors and senior management, the Supervisory Committee has not found any of their behaviors that contravened any applicable laws and regulations or the Articles of Association or any issues that has caused damage to the interests of the Shareholders and the Company.

## 3. INDEPENDENT OPINIONS ON RELEVANT MATTERS

### (I) LAWFUL OPERATION

During the Reporting Period, the Company operated and managed its businesses in accordance with the laws and regulations. The Company's operational decision-making processes were legitimate. The Directors and other senior management were loyal, diligent and dedicated in the business operations and management processes, and they were not found to have breached any laws, regulations or the Articles of Association or harmed the interests of the Shareholders.

### (II) FINANCIAL POSITION

The Supervisory Committee reviewed the financial system and financial position of the Company in a comprehensive and thorough manner and was of the opinion that the financial report for the Year presented a true and objective view of the financial position and operating results of the Company. The audit report with an unqualified audit opinion issued and the assessment on the relevant matters conducted by the accounting firm were objective and fair.

### (III) INTERNAL CONTROL SYSTEM

Upon deliberation of the self-assessment report of internal control of the Company, the Supervisory Committee was of the view that a relatively comprehensive internal control system had been developed and could be effectively implemented, and the self-assessment report of the Company reflected the establishment and implementation of the internal control system of the Company were in truthful and objective manner.

## 4. MAJOR INITIATIVES FOR 2021

The Supervisory Committee will strictly comply with the laws and regulations, Articles of Association and the terms of reference of the Supervisory Committee and other requirements of the relevant provisions to conduct discussion of daily business of the Supervisory Committee and diligently and responsibly perform their duties, including:

(1) to convene meetings of the Supervisory Committee according to the actual situation of the Company and review and consider various resolutions;

(2) to review the Company's financial position by regularly understanding and reviewing financial reports, and monitor the financial operation of the Company in order to prevent against operational risks; and

(3) diligently, responsibly and actively participate in the Board meetings, general meetings and other important meetings as well as the decision-making process in relation to material matters to better safeguard the interests of the Company and all Shareholders.

On behalf of the Supervisory Committee
**CAI Luyi**
*Chairman*
Shanghai, PRC, 30 March 2021

# Corporate Governance Report

## CORPORATE GOVERNANCE

Adapting and adhering to the recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that lead to the success of the Company and in balancing the interests of Shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices. For the Reporting Period, the Company had adopted and complied with the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules except for the Code Provision of A.2.1.

## BOARD OF DIRECTORS

### Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

### Composition

The Board has established three Board committees, being the Audit Committee, the Remuneration Committee and the Nomination Committee (each a "**Board Committee**" and collectively the "**Board Committees**"), to oversee different areas of the Company's affairs.

During the year ended 31 December 2020 and up to the date of this annual report, except that Ms. Su resigned from her office as the Company's Executive Director with effect from 15 March 2021, and that Ms. Chen was appointed as the Company's Executive Director with effect from the same date, there was no change in the structure of the Board, which currently comprises eight Directors and its composition is set out as follows:

### Executive Directors

Mr. ZHU Ping (朱平) *(Chairman and Chief Executive Officer)*
Mr. DUAN Kejian (段克儉)
Ms. SU Yi (蘇怡) (resigned on 15 March 2021)
Ms. CHEN Min (陳敏) (appointed on 15 March 2021)

### Non-executive Directors

Mr. CHENG Jun (成軍)
Mr. WANG Xuyang (王旭陽)

### Independent non-executive Directors

Mr. LIU Yunsheng (劉雲生)
Mr. SHANG Jian (尚健)
Ms. YANG Huifang (楊惠芳)

Their biographical details of the Directors are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 5 to 9 in this annual report.

The functions and duties of the Board include but are not limited to: convening Shareholders' general meetings and reporting the Board's work at the Shareholders' general meetings; implementing the resolutions passed at the Shareholders' general meetings; determining our business plans and investment plans; preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses; preparing plans for the increase or decrease in registered capital; and exercising other power, functions and duties as conferred by the Articles of Association. Each of our Directors has entered into a service contract with the Company.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Company, and the training and continuous professional development of Directors and senior management. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance.

## BOARD DIVERSITY POLICY

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

The Remuneration Committee and Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy. In relation to reviewing and assessing the Board composition, the Remuneration Committee and Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience.

The Board will consider setting measurable objectives to implement the Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board has not set any measurable objectives.

The Remuneration Committee and Nomination Committee will review the Diversity Policy, as appropriate, to ensure its effectiveness.

The Remuneration Committee and Nomination Committee considered that the Board is sufficiently diverse.

### Objective

This Policy aims to set out the approach to achieving diversity for the Board.

### Policy statement

The Company recognises the benefits of a Board that possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the businesses of the Company.

The Company maintains that the appointment of the Board should be based on merit of the candidate which complements and expands the skills, experience and expertise of the Board as a whole, taking into account gender, age, professional experience and qualifications, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving a diverse Board.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and make suggestions on any proposed appointments to the Board taking into account the strategies of the Company and the full Board, taking into account the recommendation of the Nomination Committee, is responsible for the appointment of new Directors from time to time to ensure that it has a balanced composition of skills, experience and expertise appropriate to the requirements of the businesses of the Company, with due regard to the benefits of diversity on the Board. The Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular, the Chairman of the Board.

### Review and monitoring

The Board will review and monitor from time to time the implementation of the Diversity Policy to ensure its effectiveness and will at an appropriate time set measurable objectives for achieving Board diversity.

### Disclosure and publication

A summary of the Diversity Policy and any measurable objectives which the Board has set for implementing the Diversity Policy, and progress on achieving those objectives, will be disclosed in the Corporate Governance Report of the annual report of the Company.

The Diversity Policy is summarised below:

The Board attaches great importance to the gender mix: women now hold 25% of the total directorships, which is in line and higher than the ratio for most of the listed companies.

The Board includes Directors with diverse backgrounds: executive Directors have extensive management experience and are in charge of the principal businesses of the Company; non-executive Directors are highly experienced in corporate management, hence they are able to provide effective recommendations on the Company's operation and development; independent non-executive Directors have experience in law, investment, finance, corporate governance and international market.

As each of the independent non-executive Directors has confirmed his independence pursuant to rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties. Save as disclosed in the Directors' biographies set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Directors and the chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules (the "**CG Code**") requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the issuer, Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

For the Year, the positions of the Chairman and the Chief Executive Officer of the Company was held by Mr. Zhu.

As Mr. Zhu now serves as both the Chairman and the CEO, such practice deviates from code provision A.2.1 of the CG Code. The Board is of the view that it is appropriate and in the best interests of the Company for Mr. Zhu to hold both positions as it would contribute to the continuity of the policies and the stability of the operations of the Group having taken into account Mr. Zhu's familiarity with every aspect of the Group's operations as the Group's principal founder and his heavy involvements in the day-to-day operations of the Group. The Board therefore considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance and is of the view that this management structure is effective for the Group's operations. Having taken into account the Group's established risk management and internal control measures as more particularly set out in the prospectus of the Company dated 31 October 2018, the Directors believe that the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Group and its Shareholders.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years and is subject to termination by either party by giving not less than three months' written notice.

Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years and is subject to termination by either party by giving not less than one month's written notice.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and make suggestions on any proposed appointments to the Board taking into account the strategies of the Company and the full Board, taking into account the recommendation of the Nomination Committee, is responsible for the appointment of new Directors from time to time to ensure that it has a balanced composition of skills, experience and expertise appropriate to the requirements of the businesses of the Company, with due regard to the benefits of diversity on the Board. The Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular, the Chairman of the Board.

## INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director. During the Year, all Directors participated in appropriate continuous professional development and provided the Company with their records of training they received. Directors participated in the training which included reading regulatory updates, attending seminars or conducting training sessions and exchanging views and the special training provided by lawyer.

According to the records provided by the Directors, a summary of training received by the Directors during the Year is as follows:

| Name of Director | Type of continuous professional development programmes |
|---|---|
| *Executive Directors* | |
| Mr. ZHU Ping | A, B |
| Mr. DUAN Kejian | A, B |
| Ms. SU Yi (resigned on 15 March 2021) | A, B |
| *Non-executive Directors* | |
| Mr. CHENG Jun | A, B |
| Mr. WANG Xuyang | A, B |
| *Independent non-executive Directors* | |
| Mr. LIU Yunsheng | A, B |
| Mr. SHANG Jian | A, B |
| Ms. YANG Huifang | A, B |

A — Attending seminars/conferences/forums/briefings/programmes relevant to the business or director's duties

B — Reading materials relevant to corporate governance, director's duties and responsibilities, listing rules and other relevant ordinances

## BOARD MEETINGS

The Board meets regularly and at least four times each year at approximately quarterly intervals to discuss the Group's overall strategies, operations and financial performance. Directors may participate in meetings either in person or through electronic means of communication. All Directors are given not less than 14 days' notice for regular Board meetings. For other Board and Board Committees meetings, reasonable notice will be given.

The minutes of the Board meetings and Board Committees meetings are drafted and kept by the company secretary. All meeting minutes will set out in detail the matters discussed and considered at the meetings, including, among others, any queries made or views expressed by the Directors. The company secretary will distribute the draft meeting minutes to all Directors for their comment and final version of the meeting minutes to all Directors for their record within reasonable time after holding of the meetings.

During the Year, the Board held a total of four Board meetings. Each Director's attendance record for the Board meetings, Board Committees meetings and general meetings (including Shareholders' class meeting) is set out as follow:

| | Actual Attendance/Expected Attendance | | | | |
|---|---|---|---|---|---|
| **Name of Director** | **Board** | **Audit Committee** | **Remuneration Committee** | **Nomination Committee** | **General Meeting** |
| *Executive Directors* | | | | | |
| Mr. ZHU Ping | 4/4 | N/A | N/A | 1/1 | 4/4 |
| Mr. DUAN Kejian | 4/4 | N/A | N/A | N/A | 4/4 |
| Ms. SU Yi (resigned on 15 March 2021) | 4/4 | N/A | 1/1 | N/A | 4/4 |
| *Non-executive Directors* | | | | | |
| Mr. CHENG Jun | 4/4 | N/A | N/A | N/A | 4/4 |
| Mr. WANG Xuyang | 4/4 | N/A | N/A | N/A | 4/4 |
| *Independent non-executive Directors* | | | | | |
| Mr. LIU Yunsheng | 4/4 | 2/2 | 1/1 | 1/1 | 4/4 |
| Mr. SHANG Jian | 4/4 | 2/2 | N/A | 1/1 | 4/4 |
| Ms. YANG Huifang | 4/4 | 2/2 | 1/1 | N/A | 4/4 |

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The role of the independent non-executive Director is to provide independent and objective opinion to the Board, giving adequate control and balances for the Company to protect the overall interests of the Shareholders and the Company.

There are three independent non-executive Directors and they represent over one third of the Board, and one of them, Ms. Yang Huifang has the appropriate professional qualifications as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive director has submitted an annual confirmation of his/her independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive Directors are independent.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors and employees (the "**Securities Dealing Code**"). The Company had made specific enquiry with all Directors whether they have complied with the required standard set out in the Model Code during the Year and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code during the Year.

## DELEGATION BY THE BOARD

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

## CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of the Directors which includes:

(a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

(d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters; and

(e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

## BOARD COMMITTEES

### Audit Committee

As at 31 December 2020, the Audit Committee comprises three members, namely Ms. Yang (chairman), Mr. Shang and Mr. Liu. All of them are independent non-executive Directors.

The principal duties of the Audit Committee include the following:

1. to review the relationship with the Auditor by reference to the work performed by the Auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the Auditor;

2. to review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or the Auditor before submission to the Board; and

3. to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

For the Year, 2 meetings of the Audit Committee were held to discuss and consider the following matters:

- review the Auditor's report in relation to the audit plan and strategy of the Group; and

- review the financial reporting system, compliance procedure, internal control (including the Company's internal control of corruption risks and the handling and identification of business conflict of major shareholders in listed companies), risk management system, effectiveness of the internal audit function and procedures and re-appointment of external auditor. The Board did not deviate from the recommendations of the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

Attendance of each Audit Committee member is set out in the table below:

| **Directors** | **Actual Attendance/ Expected Attendance** |
|---|---|
| Ms. YANG Huifang *(Chairman)* | 2/2 |
| Mr. SHANG Jian | 2/2 |
| Mr. LIU Yunsheng | 2/2 |

## Nomination Committee

As at 31 December 2020, the Nomination Committee comprises three members, namely Mr. Zhu (chairman), Mr. Shang and Mr. Liu. Mr. Zhu is an executive Director while Mr. Shang and Mr. Liu are independent non-executive Directors.

The principal duties of the Nomination Committee include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and members of senior management and select or make recommendations to the Board on the selection of individuals nominated for directorships or senior management positions;

3. to assess the independence of independent non-executive Directors;

4. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman and the chief executive officer;

5. to establish a list of qualified candidates for senior management positions, to formulate procedures and standards for selection and appointment of senior management personnel, and to conduct preliminary reviews on the qualifications and conditions of relevant candidates, and make suggestions to the Board; and

6. to review the Diversity Policy.

## Nomination Policy

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

For the Year, 1 meeting of the Nomination Committee were held to review the structure, composition, size and diversity of the Board and relevant recommendations were made to the Board, which included the appointment of additional Director and re-election of retiring Directors.

Attendance of each Nomination Committee member is set out in the table below:

| Directors | Actual Attendance/ Expected Attendance |
|---|---|
| Mr. ZHU Ping *(Chairman)* | 1/1 |
| Mr. SHANG Jian | 1/1 |
| Mr. LIU Yunsheng | 1/1 |

## Remuneration Committee

As at 31 December 2020, the Remuneration Committee comprises three members, namely Mr. Liu (chairman), Ms. Su and Ms. Yang. Mr. Liu and Ms. Yang are independent non-executive Directors while Ms. Su is an executive Director. The principal duties of the Remuneration Committee include the following:

1. to make recommendations to the Board on the Company's overall policy and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board;

3. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. These include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to make recommendations to the Board on the remuneration of non-executive Directors;

5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

6. to review and approve 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 reasonable;

7. to review and approve 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;

8. to review the incentives schemes and service contracts of the Directors; and

9. to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

For the Year, 1 meeting of the Remuneration Committee were held to discuss and consider the following matters:

- the remuneration policy of the Company and its subsidiaries; and

- the remuneration of Directors and proposed adjustment to the Board.

Attendance of each Remuneration Committee member is set out in the table below:

| Directors | Actual Attendance/ Expected Attendance |
|---|---|
| Mr. LIU Yunsheng *(Chairman)* | 1/1 |
| Ms. SU Yi (resigned on 15 March 2021) | 1/1 |
| Ms. YANG Huifang | 1/1 |

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out on pages 5 to 9 of this annual report, for the Year are set out below:

| Remuneration band (RMB) | Number of individual |
|---|---|
| 0–1,000,000 | 9 |
| 1,000,000–2,000,000 | 1 |
| 2,000,000–3,000,000 | 0 |

## DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the Year which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

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

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 68 to 72 of this annual report.

## AUDITOR'S REMUNERATION

For the Year, the remuneration paid to the external auditors of the Company amounted to approximately RMB2.46 million for audit services.

## SUPERVISORY COMMITTEE

The Supervisory Committee consists of three Supervisors. The Supervisors serve a term of three years each and can be re-elected for successive reappointments. The functions and duties of the Supervisory Committee include reviewing periodical reports including financial reports prepared by the Board and overseeing the financial and business performance of our Group. They are also entitled to appoint certified public accountants and practicing auditors to re-examine our Company's financial information where necessary. Each of the Supervisors has entered into a service contract with our Group.

## COMPANY SECRETARY

Ms. Lau has been serving as the company secretary of the Company since 13 October 2019, in possession of the qualifications and experience required as a company secretary under Rule 3.28 of the Listing Rules. Her biographical details are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" in this annual report.

During the Year, Ms. Lau has received relevant professional training of no less than 15 hours.

## FINANCIAL REPORTING AND INTERNAL CONTROL

### Financial reporting

The Board, supported by the finance department, is responsible for the preparation of the financial statements of the Company and the Group. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the Shareholders, and make appropriate disclosure and announcements in a timely manner. Management would provide such explanation and information to the Board as will enable the Board to make an informal assessment of the financial and other information put before the Board for approval.

### Internal controls and risk management

The Board is responsible for assessing and determining the nature and level of risks acceptable for achieving the strategic objectives of the Group, and overseeing the management over the design, implementation and monitoring of the risk management and internal control system, in order to guarantee that the Group can establish and maintain a healthy and effective risk management and internal control system. The Management is responsible for the daily operation of the Group's risk management and internal control system and confirm the effectiveness of the system with the Board.

The Group has established a scientific and effective risk management and internal control system. This initiative can reasonably guarantee the legality and compliance of operation and management, the security of assets, and the truthfulness and completeness of financial reports and relevant information, enhance the effectiveness and effects of operation, and facilitate the Group to achieve its strategic plans. The above control system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatements or losses.

As required by the CG Code and Corporate Governance Report set out in the Listing Rules, the Group has constantly strengthened its identification, assessment and management of major risks, and established three lines of defense for risk management, namely, all relevant function departments and all branches serving as the first line of defense, the competent function department for risk management and the risk management committee of the Board (the "**Risk Management Committee**") serving as the second line of defense, and the Audit Committee and the internal audit department thereunder serving as the third line of defense.

The Group has constantly improved its rules for the internal control system and management and standardised its business processes in strict compliance with relevant laws and regulations and by taking into account of the characteristics of the industry and the situation of the Group. The Group also ensures the internal control being implemented throughout the course of all businesses and covering the decision-making, execution and monitoring of every business scope and management section. Furthermore, the Group has also established a progressive vetting and reviewing system to ensure the truthfulness, accuracy and completeness of the financial reports and relevant information disclosures of the Company.

The Group continues to commit itself in enhancing internal control and risk management and has established a well-performing risk management and internal control system. The summary of the Company's major risk management and internal control measures is as follows:

The Board, the management, all functional departments and business departments have formed an internal control and governance structure with reasonable division of work and clear delineation of rights and responsibilities. The Risk Management Committee and Audit Committee are responsible for reviewing the risk management and internal control system of the Company, generally supervising the effective implementation of the risk management and internal control system and conducting self-assessment of the daily internal control. With the delegation from the Board, the Audit Committee will review the Group's risk management and internal control system and the effectiveness of the internal audit function. The internal audit department is responsible for organizing the assessment work in relation to risk management and internal control review and making reports accordingly to the Audit Committee.

The Company has established and implemented procedures for (i) collection, evaluation and publication of information to ensure timely reporting of inside information to the Board and the Shareholders; and (ii) responding to external enquiries about the Group's affairs. With a view to identifying, handling and disseminating inside information in compliance with the SFO, procedures including preclearance on dealing in Company's securities by designated Director, notification of blackout period and securities dealing restrictions to relevant Directors and employees, identification of project by code name and dissemination of information on a need-to-know basis have been implemented by the Group to guard against possible mishandling of inside information within the Group.

For the Reporting Period, the Risk Management Committee of the Group reviewed and assessed the sufficiency and effectiveness of the risk management and internal control system and the internal audit function every half year, reviewed the risk management plans for the second half of 2020 and the year of 2021, discussed whether there were any major investigation findings on new risks arising from the business, strategical and risk management affairs of the Company, and advised on improvements to the risk management system of the Company.

During the Year, the Board has continued to oversee the Group's risk management and internal control system. With the delegation from the Board, the Audit Committee has performed an annual review and considered the sufficiency of the resources for accounting, internal control review and financial reporting, the qualifications, experience and training of relevant staff, and the relevant budget. After hearing the report from the Audit Committee and obtaining confirmation from the management for the effectiveness of relevant systems, the Board is of an opinion that the risk management and internal control system and the internal audit function of the Group are sufficient and adequate.

## Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("**EGM**").

### Right to convene extraordinary general meeting

According to article 72 of the Articles of Association:

(a) any two or more Shareholders who jointly hold 10% or more of the Company's issued voting shares at the proposed general meeting may sign one or several same written requests proposing to the Board to convene an EGM or class meeting and stating the subjects to be considered at the meeting. The number of shares held referred to above shall be calculated on the date the Shareholders submit their written request. After receiving the aforesaid documentary requirements, the Board should convene Shareholders' general meetings or class meeting;

(b) if the Board agrees to convene an EGM, it shall issue a notice on convening the Shareholders' general meetings within five days after passing the board resolution. Any changes to the original proposal as stated in the notice shall be approved by the relevant Shareholders;

(c) if the Board refuses to convene an EGM, or gives no response within ten days upon receipt of such proposal, Shareholders individually or in aggregate holding more than 10% of the Company's shares shall be entitled to propose to the Supervisory Committee for convening such meeting, provided that such proposal shall be made in writing;

(d) if the Supervisory Committee agrees to hold an EGM, a notice of such meeting shall be dispatched within five days upon receipt of such request. Changes made to the original proposal in the notice shall be approved by the relevant Shareholders; and

(e) if the Supervisory Committee fails to give notice of such meeting within the specified time limit, it shall be deemed to have failed to convene and preside over such meeting, in which case, Shareholders individually or in aggregate holding more than 10% of the Company's shares for not less than 90 consecutive days shall have the right to convene and preside over such meeting by themselves. The procedures for convening such meeting should follow those for convening a general meeting of Shareholders by the Board as similar as practicable.

### Putting Forward Proposals at Shareholders' General Meetings

According to article 77 and 78 of the Articles of Association, when a general meeting is held by the Company, the Board, the Supervisory Committee or Shareholder(s) who individually or jointly holding more than 3% of the Shares may propose resolutions to the Company. Shareholder(s) who individually or jointly holding more than 3% of the Shares may submit extra proposals in writing to the Board at least 10 days prior to the shareholders' general meeting. The contents of a proposal shall be within the scope of duties and responsibility of the shareholders' general meetings. It shall have a clear issues and specific matters to be resolved on, and shall be in compliance with relevant requirements of the laws, administrative rules and regulations and the Articles of Association.

### Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to The Investment & Management Center via email (email address: ir@realwaycapital.com).

## DIVIDEND POLICY

The Company may distribute dividends by way of cash or by other means that the Board considers appropriate. The Board determines whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment based on the Group's results of operations, cash flows, financial condition, the Shareholders' interests, the general business conditions and strategies, the capital requirements, the payment by the Company's subsidiaries of cash dividends to the Company and other factors as may be considered relevant at such time by the Board.

## CHANGE IN CONSTITUTIONAL DOCUMENTS

On 2 March 2020, a resolution for amending our Articles of Association was passed after the Board's review, in order to:

1. reflect the change in registered address of the Company;

2. comply with the Official Reply from the State Council on Adjusting the Applicable Provisions of the Notice Period and Related Matters for the Convening of General Meeting by Overseas Listed Companies (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批復》); and

3. comply with the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-Share Companies" (《H股公司境內未上市股份申請「全流通」業務指引》) from the China Securities Regulatory Commission in order to enable our domestic unlisted shares to be converted into overseas listed shares and to be listed on the Stock Exchange upon approval by the regulatory authorities so authorized by the China Securities Regulatory Commission and the Stock Exchange.

The aforesaid resolution was passed as a special resolution at the 2020 first EGM, the 2020 first Shareholders' class meeting for Domestic Shares and the 2020 first Shareholders' class meeting for H Shares convened by the Company on 15 April 2020. The revised Articles of Association will take effect after the date on which the Domestic Shares are converted into overseas listed shares and listed for trading on the Main Board of the Stock Exchange upon approval by the relevant authorities in Hong Kong and the PRC. For details, please refer to the announcement and the circular of the Company dated 2 March 2020.

Except for the above, no other substantial changes were made to the Articles of Association during the Reporting Period.

## INVESTOR RELATIONS AND COMMUNICATION

The Board recognises the importance of good communications with all Shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations. The Company is committed to a policy of open and timely disclosure of corporate information to its Shareholders and investment public.

The Company updates its Shareholders on its latest business developments and financial performance through its corporate publications including annual reports and public announcements. Extensive information about the Company's activities for the Year has been provided in this annual report. While the AGM provides a valuable forum for direct communication between the Board and its Shareholders, the Company also maintains its website (http://www.realwaycapital.com) to provide an alternative communication channel for the public and its Shareholders. All corporate communication and Company's latest updates are available on the Company's website for public's information.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. SCOPE OF THIS REPORT

This environmental, social and governance report (the "**Report**") describes the environmental, social and governance performance of the Group in 2020.

The Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and according to the actual situation of the Group. The Report is published annually in each financial year together with the annual report of the Company for the Year.

The Report covered the fund management, investment management and financial consulting services business of the Group for the following 4 operating sites, of where environmental, social and governance performance is disclosed for the Year:

(1) Shanghai

(2) Beijing

(3) Tianjin

(4) Guangzhou

## 2. REPORTING PRINCIPLES

- Materiality: The Group regularly makes reference to the industry sustainability standards at the local and international level and strives to integrate with them. At the same time, regular communication with stakeholders of various aspects is used to identify the most concerned and important sustainability topics for the Group. Those sustainability topics will also be incorporated into the Company's development policies under the overall strategy of the Company's operations.

- Quantitative: The Group is committed to quantifying and disclosing key performance indicators and data within the environmental and social categories, and whenever feasible, explaining the methods of data collection and calculation to enhance transparency of the data.

- Balance: In order to maintain the balance of reporting content, fair disclosure of sustainability performance and challenges related to the Group and stakeholders is provided with impartial information to the public.

- Consistency: The Group adheres to the "Environmental, Social and Governance Reporting Guide" of the Stock Exchange for disclosure, which allows the Company to make meaningful annual comparisons of past performance under the same framework, and to disclose updated calculation methods of relevant data when necessary.

## 3. COMMUNICATION WITH STAKEHOLDERS

The Group convenes AGM with Shareholders to provide an effective channel for the Board to exchange opinions with Shareholders. The Group's overall business performance is reporting to all investors every year through publishing in our annual report. For those customers and suppliers in close connection with the Group, they could be communicated through email, teleconferences and customer service staff to listen to their opinions and requests.

In addition, for assuring the regulatory compliance of business operation, the Group pays close attention to the opinions of regulatory authorities, responds and follows up in a timely manner. Relevant platform and teams are also established for identifying and responding to the community needs.

| Group's stakeholders | Main means of communication |
|---|---|
| **Shareholders** | The Company's website<br>Annual report and interim report<br>AGM of Shareholders and other Shareholders' meetings |
| **Suppliers** | Supplier survey<br>Company press releases, financial and other data relating to the Company's business |
| **Customer** | Customer survey<br>Investor activities, investor quarterly/annual report<br>Phone conference, visits and meetings |
| **Community** | Volunteering activities<br>Charitable activities |
| **Government/Regulators** | Policy announcement<br>Regulatory communications<br>On-site inspection, phone conference |

## 4. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

### 4.1 ENVIRONMENTAL

#### 4.1.1 Use of Resources

The funds and investment management and financial consulting services business operations of the Group belongs to financial business. The key consumption is office resources, including energy and paper. According to the characteristics of the industry, the Group formulated relevant environmental policies to achieve rational utilization of resources.

The main resources consumed by the Group in 2020 were power and paper consumption in office as well as gasoline consumption by vehicles. Relatively, water consumption was not significant. Total consumption of various resources consolidated from all operating sites for the Year were as follows:

POWER CONSUMPTION
63,927 KWH

GASOLINE CONSUMPTION
3,547 LITRES

PAPER CONSUMPTION
830 KG

As compared with last year, the consumption of municipal electricity and paper was reduced by about 16.5% and 24.3% respectively, while gasoline consumption in the Year was around 45.3% higher than that of last year.

| Resource consumption | Unit | Year 2020 | Year 2019 |
|---|---|---|---|
| Electricity | kWh | **63,927** | 76,579 |
| Gasoline | litre | **3,547** | 2,442 |
| Paper | kilogram | **830** | 1,096 |

*Energy conservation measures*

The Group has implemented various measures to reduce energy consumption in office areas, such as: employees shall turn off the power supply of facilities during non-office hours, energy-saving LED lighting shall be used in the office areas; also, air-conditioning shall be set at an appropriate temperature to reduce unnecessary energy consumption.

In addition to facility controls, the Group also posted energy-saving slogans, such as "Save Electricity", in relevant office areas to help employees build up habits of energy conservation.

*Water conservation measures*

Water consumption equipment in the office areas of the Group was managed by the property management offices responsible for those areas, therefore, the Group has a stable water source to meet its daily needs. Despite water consumption is relatively insignificant, the Group still posted the "Save Water" slogan near washing basins to promote and enhance employees' awareness of water conservation.

*Paper conservation measures*

In the Year, paper was mainly consumed for general office operations and printing of product promotional materials. On the other hand, no packaging materials are required for the products.

The Group encourages employees to use both sides of paper by recycling single-sided printed paper for printing on the other side which enhances the conservation of paper use.

In addition, for the appropriate processes, the Group adopts electronic office systems to operate in electronic ways for various processes such as risk control, financing, personnel and administrative tasks. These replace paper-based notification and approval with the aims of reducing paper use. Electronic information and records are classified by department and centralized and stored in electronic folders. This minimizes the wastage of paper from duplicated printing by employees in the same department.

### 4.1.2 Emission

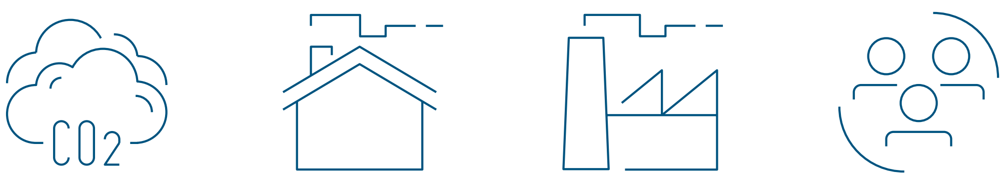
The fund and investment management and financial consulting services business operations of the Group does not involve significant discharge of solid waste or sewage, and the waste generated by the Group is mainly non-hazardous domestic garbage. However, in regard to business activities involving greenhouse gas emissions from office operations, and the occasional use of vehicles leading to exhaust emissions from gasoline combustion, the Group has formulated relevant policies to mitigate the adverse impact to the environment.

*Control of greenhouse gases (GHG) emission*

The Group is aware that the sources of GHG incurred in its business activities are office power consumption and emission from vehicles in business trips. In an attempt to mitigate these sources, the Group maintains a policy for business communication in the form of teleconferencing and email for minimizing business trips, consequently this reduces exhaust gas emission from transportation. Also, the Group adopts energy conservation measures and enhances employees' awareness of energy conservation to reduce power consumption.

In addition, the Group has placed green plants in its office areas and plans to increase planting regularly every year to offset its carbon emissions.

The diagram below identified the total greenhouse gas emission in the Year and the greenhouse gas emission intensity calculated on the basis of the number of employees:




| Total GHG emission | Direct GHG emission volume (Scope 1) | Energy Indirect GHG emission volume (Scope 2) | GHG emission intensity[1] per capita |
|---|---|---|---|
| 60.91 tonnes carbon dioxide equivalent | 8.04 | 52.87 | 0.63 tonnes carbon dioxide equivalent/person |

Note [#1]: The base unit for calculating GHG emission intensity is the number of employees as of the end of December in the Year.

As compared with last year, owing to the reduction in office areas and hence reduction in electricity consumption during the Year, the total GHG emission volume of the Group was reduced by about 12.2%. From the perspective of calculating the GHG emission intensity per capita, which was consequently increased by about 8.3% as a result of combined effects from reduction of number of employees in the Year and increased gasoline consumption by vehicles in the same period.

| | Unit | Year 2020 | Year 2019 |
|---|---|---|---|
| Direct GHG Emission (Scope 1) | tonne carbon dioxide equivalent | **8.04** | 5.55 |
| Energy Indirect GHG Emission (Scope 2) | tonne carbon dioxide equivalent | **52.87** | 63.85 |
| Total GHG Emission | tonne carbon dioxide equivalent | **60.91** | 69.40 |
| Per Capita GHG Emission Intensity | tonne carbon dioxide equivalent/person | **0.63** | 0.58 |

*Control of solid wastes*

The Group's business operations generally do not generate hazardous waste, and only a small amount of office trash, such as paper wastes generated from the scrap documents, which all belong to non-hazardous wastes. The associated waste statistics and handling would be handed over and responsible by the property management offices of the buildings where the Group's offices are located, this facilitates the subsequent arrangement with the qualified agencies for recycling and disposal. The Group strictly adheres to the local waste disposal regulations in the areas of business. In 2019, the Shanghai city began to implement the garbage classification policy. Pursuant to the relevant requirements, the Group conducted training for all employees, and allocated rubbish bins configurated for classification. In the Year, the Group keeps on monitoring to ensure that employees conducted waste collection and disposal in accordance with the four categories of wastes: dry wastes, wet wastes, hazardous wastes and recyclable wastes.

During the Reporting Period, the Group did not identify any legal violation or complaint regarding emissions and other environmental issues.

### 4.1.3 Environment and Natural Resources

Belonging to non-polluting industry, the Group does not discharge large amount of exhaust gas and waste water, nor does it generate hazardous waste during business operations. Even so, the Group is striving to enhance the utilization in the use of resources, strengthen electronic operation and file management, and raise environmental awareness of employees for reducing greenhouse gas emissions through various measures.

Therefore, for reducing GHG emission incurred from the use of transportation such as airplanes, whenever feasible, the Group encourages employees to adopt video or phone conference, or other electronic online communication tools for reducing business trip meetings. Moreover, under the applicable business collaboration, suppliers and service providers are required to sign letter of guaranty as one of the management procedures, which ensure they provide products and services in compliance with the environmental regulations and the Group's requirements.

#### 4.1.4 Climate Change

The Group is fully aware of extreme weather being the main risk caused by climate change, which ultimately leads to damage caused by typhoons and rainstorms. Management assesses the risks caused by climate change and has identified the possible impacts of climate change on business operations, and as a result adopted the following policies to address climate change:

*Response to operational impacts incurred from climate change*

The Group has developed guidelines for work arrangement in adverse weather, which guide employees to respond to possible emergencies such as being unable to work because of flooding or typhoon strikes in the event of typhoon and rainstorm weather warnings. Before typhoon strikes, employees are requested to check that all windows are closed and regularly inspected to ensure that office areas will not be damaged. Moreover, in order to raise employees' awareness of disaster preparedness and to familiarize them with emergency response measures, the Group provides appropriate training to ensure that employees possess relevant knowledge and skills to tackle the impacts of extreme weather on the enterprise.

*Mitigation against operational impacts incurred from climate change*

Apart from formulating the abovementioned preparedness plans in response to climate change, the Group is also dedicated to saving the use of electricity, with the use of energy-saving lighting in the office areas, in order to reduce emission of energy indirect greenhouse gases. Also, the policy of prioritizing local procurement is in place for reducing GHG emission incurred from transportation, thereby mitigating the magnitude of climate change.

### 4.2 SOCIAL

#### 4.2.1 Employment

The Group strictly abides by the national labour laws and other local regulations of the regions where the Group is operating for developing its employment policy. The Group has also formulated an employee handbook to set out the rights and benefits of employees. The employee handbook is written in Chinese and available on electronic platform for readily access by employees. In addition, any updates to the handbook will be published to inform and solicit feedback from employees for ensuring the updates are put into effect without apparent argument.

*Recruitment and promotion*

The Group has formulated and issued the "Realway Capital's Management Measures for Recruitment" to stipulate its recruitment procedures and systems.

The Group requires employees participating in all stages of recruitment to observe the principle of friendly communication on the basis of mutual respect and equality. Equal treatment of job candidates in the interview process is one of the important rules.

Whenever there are recruitment needs, the Group will determine the job requirements in various aspects according to the "Job Descriptions" and "Employment Qualifications" specific to the relevant functions and ranks. Recruitment is simply based on job requirements and shall not be affected by attributes such as race, ethnicity, social class, nationality, religion, disability, gender, sexual orientation, marital status, age, trade union membership or political party, in order to avoid any occurrence of discrimination.

In addition to recruitment, the Group carries out personnel management work, covering resignations, employee compensation and benefits, social insurance, etc. in accordance with relevant laws and regulations. The Group also performs dismissal procedures in strict accordance with the "Labour Law" and the "Labour Contract Law" to ensure compliance with legislations and accountability to employees.

Moreover, the Group has established clear promotion policy to give adequate promotion opportunities to eligible personnel. The Group performs performance review on a semi-annual and annual basis. Evaluation of each employee's work performance is carried out fairly and impartially through self-evaluation and appraisal by supervisor, recommendation is provided to employees in the process to help them enhance their performance.

*Compensation and benefits*

The Group formulates salary adjustment policies based on the human resources market and the fairness among internal functions and ranks. According to the market conditions and the situation of the Group, an "Employee Salary Range Table" has been developed for determination of an appropriate salary range after collecting relevant information of the job applicant during recruitment. Whenever there is a need to go beyond the established salary range after communication and negotiation with the job applicant, it shall be approved by the responsible superiors.

For determination of salary adjustment, the Group will review the rationality and competitiveness of the current salary structure, based on employee's current salary, salary trends in the market and reference of the industry average. In addition, performance appraisal on employee's performance will be carried out on semi-annual basis, which is also an important part of the salary review.

The Group pays and provides employees' salaries and benefits in strict accordance with relevant national laws and regulations, including statutory minimum wage, calculation of overtime compensation per law, social insurance contributions, as well as other statutory employee benefits and rights, such as statutory holidays, paid annual leave and paid maternity leave. On the basis of guaranteeing the statutory employee benefits, the Group also bears the work-related expenses incurred by employees, such as the cost of overtime meals and communication expenses related to business operations. In addition to the statutory annual leave, the Group provides personal and family-related leave, and increases the eligible leave by a day each year to employees who have joined the Group for at least three years.

During the Reporting Period, the Group did not identify any legal violations or complaints regarding discrimination or other employment issues.

As of 31 December 2020, there was a total of 97 employees, amongst which 92 employees were on full-time basis and the remaining was part-time employees. All the employees are located in mainland China. In the Year, the overall monthly average employee turnover rate was 3.50%. As compared with the turnover rate of 6.40% in the past year, it has decreased by around 45%.

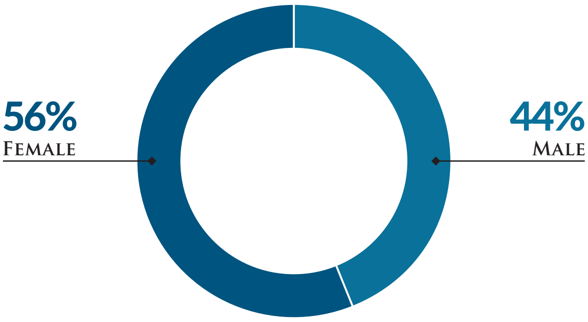
| | Number of employees [2] Year 2020 | Year 2019 |
|---|---|---|
| **Gender** | | |
| Male | **43** | 57 |
| Female | **54** | 62 |
| **Employee category** | | |
| Senior management | **17** | 22 |
| Middle management | **17** | 19 |
| Supervisor | **25** | 33 |
| General staff | **38** | 45 |
| **Age group** | | |
| 16–24 years old | **2** | 7 |
| 25–34 years old | **44** | 54 |
| 35–44 years old | **35** | 42 |
| 45–54 years old | **15** | 14 |
| 55–64 years old | **1** | 2 |

Note #2: The statistics was disclosed with the number of persons as of the end of December in the Year.

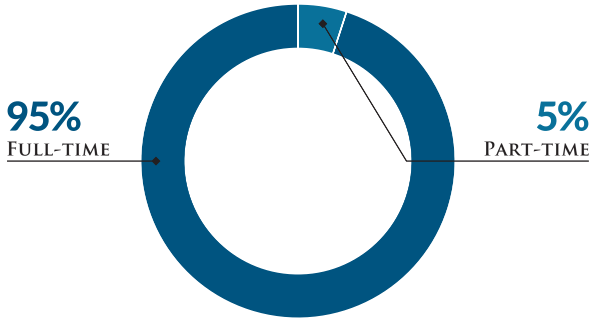
| | Monthly Average Employee Turnover Rate Year 2020 | Year 2019 |
|---|---|---|
| **Gender** | | |
| Male | **4.70%** | 6.17% |
| Female | **2.47%** | 6.65% |
| **Employee category** | | |
| Senior management | **1.84%** | 1.58% |
| Middle management | **3.23%** | 5.18% |
| Supervisor | **3.49%** | 5.70% |
| General staff | **4.41%** | 9.34% |
| **Age group** | | |
| 16–24 years old | **8.33%** | 5.54% |
| 25–34 years old | **4.18%** | 8.02% |
| 35–44 years old | **3.46%** | 5.40% |
| 45–54 years old | **1.11%** | 3.52% |
| 55–64 years old | **8.33%** | 4.17% |

Based on monthly average calculation, the following diagrams and tables set forth the statistical number of employees and employee turnover rate of the various classifications:

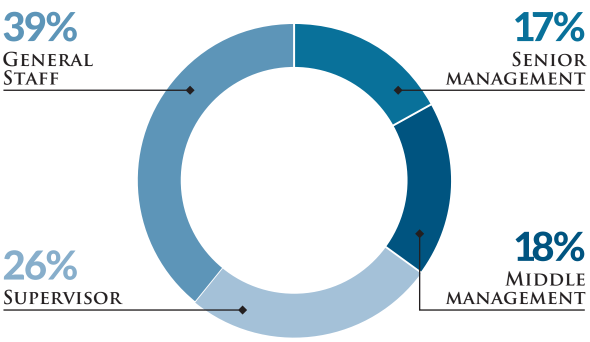
## Proportion of employees by gender



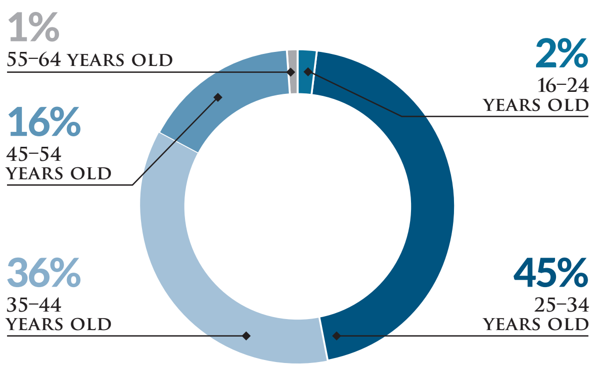

## Proportion of employees by employment type



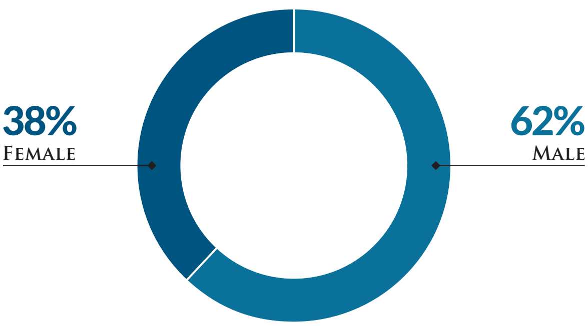

## Proportion of employees by employee category



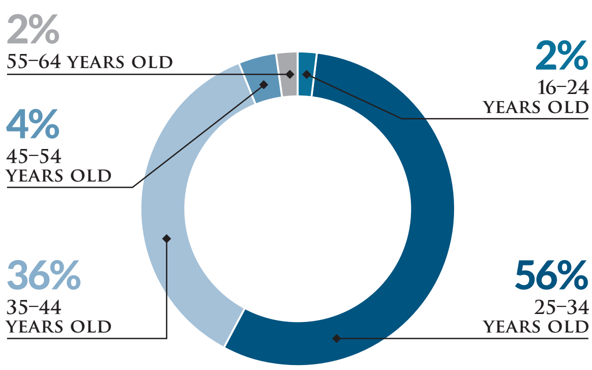

## Proportion of employees by age group




## Employee turnover by gender




## Employee turnover by age group



### 4.2.2 Health and Safety

The Group adopts the 5-S methodology which requires employees to “Structurise”, “Systematise”, “Sanitise”, “Standardise” and “Self-discipline”, for maintaining clean and tidy workplaces and prevention of employees from suffering occupational diseases and industrial casualties.

*Workplace management*

The Group ensures safety management in the workplaces, including response to fire safety, installation of fire-fighting supplies such as fire hydrants, fire extinguishers, etc., and posting of fire evacuation route plans in the obvious places within office, and placing in the office of first-aid kits stocked with common emergency medicines. For health management, the Group provides employees with a comfortable work environment with adequate lighting and good air quality. To this end, the Group carries out regular maintenance of relevant equipment, including cleaning of air-conditioning filters, pipes and carpets every year.

*Employee training*

In addition to the management of premises and equipment, the Group endeavours to provide adequate training for employees. Office-related safety training is provided to new employees. Employees are arranged annually to participate in fire drills held in the office building and attend fire service courses organized by the local agencies. In addition, for preparedness to the extreme weather caused by climate change in recent years, the Group has established clear guideline for governing the work arrangement in response to weather warnings of typhoon and rainstorm.

*Caring of employee health*

The Group has provided office employees with appropriate equipment, for example: chairs with armrests and height adjustment, for mitigating health risks to employees due to inappropriate equipment. Also, the Group arranges all employees annually to proceed physical examination in order to ensure early detection of any occupational diseases. In the Year, 61 employees have been enrolled in the physical examination and all of them were not diagnosed with any occupational disease. Moreover, for caring about the mental health of employees, grievance communication channel is set up for employees to voice out any issues which inhibit their family life and work-life balance. During the Year, the Group did not receive any grievance case in this regard.

During the Reporting Period, the Group did not identify any violation of occupational health and safety regulations in the regions of business operations. In the same period, there was no work-related fatality nor work day lost due to work-related injuries.

**4.2.3 Development and Training**

The Group has established comprehensive staff training system. The arrangement of training courses will vary in accordance with different functions and ranks. Whenever appropriate, external tutor will be considered for provision of training on particular topics. In the Year, professional tutors were hired from external agencies to provide the following training topics:

1) "Cycles, Defaults and Opportunities — New Pattern and Strategy for China Default Market" theme training: mainly for business units, with the aim to raise business capability;

2) "Good Mentality and A Wonderful Life" theme training: for employees throughout the company, with the aim to help employees confront workplace pressure and learn emotional management, as well as encourage employees to ease anxiety and be aware of themselves; and

3) "Financial Reporting Analysis" and "Contract Practice Training Camp" theme training: this is a live online course designed for raising relevant knowledge and competence of employees.

For new employees, the Group provides trainings of topics, covering corporate culture, company introduction, internal control measures, financial processes, etc., and arranges experienced employees to provide guidance in their daily work for supporting their integration into the company's culture. For individuals in special positions, such as new management trainees, mentors will be arranged to meet with them on a quarterly basis to provide appropriate recommendation for raising their competence in an efficient manner.

In terms of professional training, especially on investment strategies, real estate development and finance, the Group may engage external tutor each year to help employees enhance their professional skills.

For employees with other training needs, the Group also has policy to sponsor in full their attendance of external training courses for development of their specific capabilities.

The Group has arranged internship programs in summer-term and long-term to provide mentoring as well as phased assessment and feedback for interns. Those with excellent performance will be given the opportunity to stay in the Group.

In response to the training needs identified in employee surveys and enhancement of training efficiency, the Group started introduction of online training platform in 2018 and this facilitated employees to learn independently for enhancing efficiency of learning. Apart from those courses with confidentiality requirements, such as external courses and relevant courses conducted by external tutors, in-house courses will be put online as much as possible for easy access by employees.

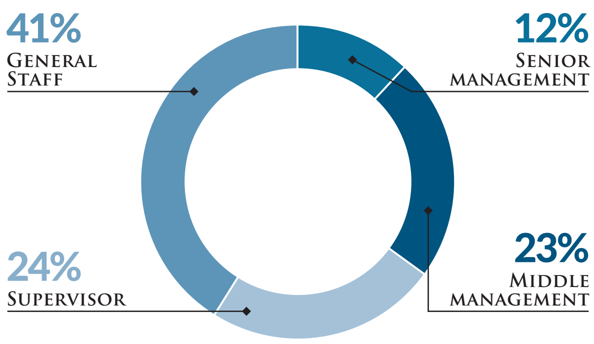
In addition, according to job requirements, the Group is striving to extend the training scope to cover new topics: new product knowledge, customer service, sales techniques, management skill trainings such as leadership, communication skills, etc.

For the operating locations covered by the Report, there was a total of 83 trained employees who attended 1,567 hours of training in the Year. As compared with last year, the average proportion of trained employees to the total workforce has increased by around 6.7%, while the average training hours per employee in the Year was similar to that of last year.

| | Average proportion of trained employees [3] Year 2020 | Year 2019 |
|---|---|---|
| **Gender** | | |
| Male | **66.67%** | 65.25% |
| Female | **84.48%** | 77.04% |
| **Employee category** | | |
| Senior management | **55.56%** | 54.37% |
| Middle management | **100%** | 90.12% |
| Supervisor | **66.67%** | 84.03% |
| General staff | **80.95%** | 64.34% |
| **Overall average** | **76.15%** | 71.39% |

Note #3: This calculation is based on the monthly average number of persons in the Year.

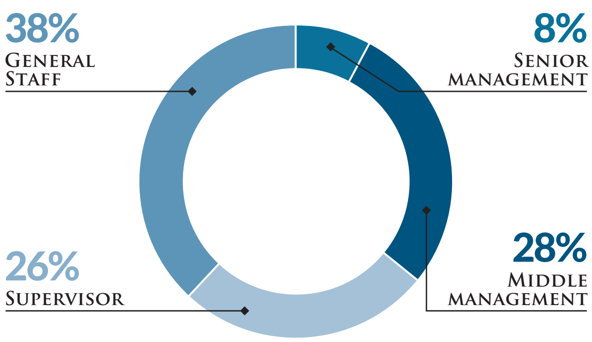
## Proportion of trained employees by employee category



| | Average training hours per employee[4] | |
|---|---|---|
| | **Year 2020** | Year 2019 |
| **Gender** | | |
| Male | **13.61** | 14.47 |
| Female | **15.05** | 14.56 |
| **Employee category** | | |
| Senior management | **7.33** | 15.92 |
| Middle management | **23.16** | 18.26 |
| Supervisor | **13.35** | 16.81 |
| General staff | **14.15** | 11.26 |
| **Overall average** | **14.38** | 14.52 |

Note #4: This calculation is based on the monthly average number of persons in the Year.

## Proportion of training hours by employee category




### 4.2.4 Labour Standards

*Prohibition of child labour*

The Group's recruitment policy targets at two types of job applicants: people with formal work experience in the recruitment market, fresh graduates of bachelor and master degree and interns (internship opportunities are only open to undergraduate and graduate school students). Consequently, under these two types of recruitment, no child labour would be employed.

In addition, during recruitment interviews, the Group collects the personal information of all job applicants (including intern candidates): identity cards, academic certificates and testimonials of employment, for verifying the authenticity of their submitted age information and hence prevention of employing applicants under the legal working age.

*Prohibition of forced labour*

The policies of the Group prohibit all forms of forced labour, including: request for deposit or collateral upon recruitment of employees, withholding of identity documents, withholding of wages, forcing employees to work overtime, bonded labour, and restricting personal freedom through threats of violence or other illegal means. These relevant policies ensure all employees are working on a voluntary basis. All employees have the right to resign within the employment period in accordance with the notice period as stipulated in the employment contracts.

Based on the recruitment system and principle, the Group does not allow the occurrence of child labour or forced labour, and has established the relevant preventive procedures. In event of any non-compliance identified, the Group will adopt the necessary steps to eliminate the non-compliance in accordance with relevant laws.

During the Reporting Period, the Group did not identify any case of child labour employment or legal violation of regulations related to forced labour.

**4.2.5 Supply Chain Management**

For ensuring continuous sourcing of quality resources by the Group, the procurement department is leading the evaluation of suppliers who are in partnership with the Group. Especially for long-term suppliers, the evaluation shall be conducted on a regular basis. Where necessary, the risk control department and the financial management department will be invited to conduct due diligence on suppliers.

The procurement department conducts preliminary comparison and selection of suppliers in various aspects such as scale, industry experience, business qualification, mode of cooperation, business quotation and industry feedback, for identifying the shortlisted suppliers who meet the basic requirements.

For intermediary suppliers such as law firms, the Group shall evaluate their qualification, project experience, lawyer certificates, etc. For suppliers responsible for fund sales, the Group shall evaluate their background, scale, business types, sales performance, business process, legitimacy, fund sales qualifications, etc.

For those suppliers already in partnership, the interval of supplier evaluation is generally carried out by the end of each fiscal year. "Supplier Information Registry" will be updated with approved suppliers and recorded with any follow-up items for improvement.

If the supplier is not qualified in the periodic evaluation, the Group shall review the impact from those products and services still delivered during the valid period of partnership. If the impact is significant, the partnership with that specific supplier shall be terminated in principle. If it is necessary to continue the partnership under special circumstances, the special reasons shall be recorded in the evaluation files for future reference and tracking.

The Group prioritizes the use of materials and services that do not impose significant environmental impacts and also evaluates the operational compliance of business partners, in order to mitigate environmental and social risks along the Group's value chain, Moreover, the Group has formulated regional procurement policy, which prioritizes the use of local (situated in Mainland China and Hong Kong) suppliers and service providers for reduction of GHG emissions from transportation during the procurement process, being implemented as one of the green procurement measures. In the Year, the proportion of local suppliers/service providers engaged by the Group reached 100%.

#### 4.2.6 Product Responsibility

*Product compliance*

The Group strictly abides by the relevant legal regulations and industry self-discipline rules. During the Reporting Period, the Group was not subject to any penalties by the regulatory authorities or industry associations as a result of violations of any laws or regulations.

Throughout the operation processes that involve delivery of products and services, relevant personnel follow the national regulations, industry codes and standards for ensuring product and service compliance with legal requirements. Relevant regulations include the "Securities Investment Fund Law" of the People's Republic of China, the "Interim Measures for the Supervision and Administration of Private Equity Funds", as well as other laws and regulations related to securities and futures institutions, investment fund sales management, and private equity fund management.

For strict monitoring of the compliance status, the Group has established an independent risk management department for governing the potential risks in the processes of fund and private equity investment management.

*Quality management*

The Group has established strict supervisory mechanism for effective monitoring of all stages of projects, from pre-investment, investment-in-progress to post-investment stage. Decision for investment of external project must go through review and approval procedure before execution. Before releasing documents externally and signing agreements, which must be passed through the corresponding approval procedures, and could only be released and disclosed after compliance check. During project operation, the progress of the project shall be reported to the Group's risk control team on a regular basis. In addition, the Group entrusts professional financial institutions to provide custody services for the fund products issued by the Group, including account custody and fund monitoring services. Regular audit is also conducted on various businesses for risk assessment and corrective actions when necessary.

The Group discloses the information on fund operations to investors in a timely and accurate manner in accordance with relevant regulatory policies, and clearly defines the requirements for information disclosure and regular return visits to investors in its own policies. In addition, the Group shall conduct audit on its business operations regularly to ensure continued compliance with relevant requirements. Whenever necessary, investigation will be conducted to evaluate any risks of non-compliance with the relevant laws and regulations.

Under strict product management over years, the Group has been awarded and recognized by a number of institutions, including "Outstanding China Real Estate Fund Companies", "China Real Estate The Best Investment Company", "The Best Risk Control Asset Management", "Outstanding Listed Company". In the year of 2020, we were also awarded the "2020 China Real Estate Annual Influential Private Equity Investment Agency Top 10" [5] by "Guandian Property & Co.", which demonstrated the Group's contribution to the industry as well as the quality and acceptability of the products.

Note [#5]: Relevant award can be found at the website http://boao.guandian.cn/2020boao_awards.html.

*Product recall procedure*

Under the product assurance system of the Group, product recall mechanism is also in place, such as for handling of those product recalls incurred from failure in fund filings. For those products which have not completed fund filings within the time period specified in fund agreements, for those products not complete the fund filings, they will proceed according to agreements to refund the principal to investors after deduction of the associated fees and interests, and will terminate the fund agreement with the fund custodian. Associated refunds and termination of agreements will be proceeded after approval. Fund manager will issue public notice and announce fund cancellation after recall completion. During the Reporting Period, there was no need of initiating product recall mechanism and no recall case was identified.

*Handling of customer complaints*

The Group has established a comprehensive system for handling complaints and disputes, which has dedicated personnel to handle complaints and disputes from investors and has a comprehensive complaint handling process for responding to all kinds of complaints in a timely manner. Complaint case will go through cause analysis to identify the system loopholes which led to the occurrence of complaints. Relevant corrective and preventive procedures will then be developed to prevent the recurrence of similar complaints or disputes.

During the Reporting Period, the Group did not identify any legal violation or customer complaint related to product responsibility.

*Product promotion*

For avoidance of misleading customers, all promotional content of the Group must go through the corresponding information disclosure procedures before release to external parties.

*Service/product awareness training*

For guaranteeing service quality and avoidance of misleading customers, the Group provides regular training to sales personnel and project managers. For sales personnel, they are required to obtain the fund practice qualification from the Asset Management Association of China and pass through the internal training of the Group. For project managers, they are required to obtain the fund practice qualification and get qualified through examination organised by the Group.

*Maintenance of customer information*

The Group collects information from investors in accordance with the requirements stipulated by the regulatory authorities and industry self-discipline organizations, which clearly list out the purpose of personal data collection and the related users, as well as the ways in managing and using such customer information in strict compliance with the prescribed purposes.

The Group has strict confidentiality measures, pursuant to which employees and suppliers are required to sign confidentiality agreement when they join in and sign contract with the Group respectively. Regarding those confidential agreements signed with business partners who have requested not to disclose any product information to external parties, the Group has documented rules requesting employees not to disclose nor replicate confidential information without prior authorization.

The Group attaches great importance to the storage of customer information and endeavours to maintain the security of customer information. All customer information is kept by dedicated personnel under strict access policy. For those confidential information and documentation related to products and customers' intellectual properties, they must be secured and stored by the designated department. Without approval, employees are not allowed to make photocopies or to take the documentation away from the company's premises. In daily operations, the access to customer information is strictly restricted through access rights. All customer information is closely monitored by the Group for safeguarding the security of personal information and only authorised personnel have access to customer information.

During the Reporting Period, the Group did not identify any case of company's information leakage to external parties.

### 4.2.7 Anti-corruption

*Anti-business bribery policy*

The Group has formulated specific policy to prohibit employees from accepting bribes and to regulate their acceptance of gifts and cash.

The Group has developed the "Management System for Anti-Fraud and Anti-Business Bribery" for implementing commitment scheme in prevention of business bribery. Apart from the Group's management personnel, employees in key stages/departments are required to sign the "Letter of Commitment on Integrity and Self-discipline". Only after signing it will they be duly authorised to sign valid contracts with external parties on behalf of the Group.

All employees who sign contracts with customers, sales agencies, suppliers and service subcontractors are obliged to inform the contracting parties of the Group's requirements on anti-business bribery before signing the contracts.

The system also requires all customers, sales agencies, suppliers and service subcontractors that have business dealings with the Group to sign an "Anti-Business Bribery Agreement" along with the formal business contract, or to have additional terms of anti-bribery in the contract to be signed. If the concerned contract does not include the aforesaid terms, it may not be approved by the legal personnel of the Group.

For those employees who are involved in corrupt practices, the Group will decide the dismissal of employees or transfer to the state judicial authority for handling, depending on the severity of the case and the employee's attitude.

During the Reporting Period, the Group did not identify any legal violation or complaint related to bribery, extortion and corruption.

*Anti-money laundering policy*

The Group has established internal control system and related operational policy and procedures against money laundering, and has set up a special department to monitor transactions of suspected money laundering, report on related violations, proceed internal inspection, organise internal trainings on topics of anti-money laundering, and whenever necessary assist external authorities in the investigations against money laundering.

During the Reporting Period, the Group did not identify any legal violation or complaint relating to money laundering.

*Principle of fair procurement*

For employees who are interested in or related to suppliers, it is the Group's policy that they have to refrain from participating in the relevant procurement process, and they have to strictly abide by the Group's provisions against business bribery, including: not ask for benefits from suppliers or their interested personnel, reject any bribes offered by suppliers or their interested personnel and report such offers to the Group in a timely manner.

*Declaration of conflict of interest*

The Group requires all departments to abide by the "Management Measures for Declaration of Conflicts of Interest" which was developed to strengthen the supervision and management of incompatible positions, existing or potential conflicts of interest among personnel or positions, and the integrity of other key personnel. In addition, the measures requires all departments to accept reports of fraud and business bribery, and to exercise the supervisory duties in project review.

During the Reporting Period, the Group did not identify any case in any form for declaring conflicts of interest or any report of fraud or business bribery.

*Whistleblowing policy*

The Group has set up risk control department to take charge of anti-fraud and anti-bribery tasks. Whistle-blowing email is provided for encouraging employees and business associates to report and expose fraud and corruption acts.

The Group strictly keeps the process from acceptance to investigation of whistleblowing reports strictly confidential. It is prohibited from disclosing the information of whistleblowers or the whistleblowing details to the persons or departments being involved. Also, measures are taken to prevent uncontrolled access of whistleblowing information by external parties.

*Confidentiality of information*

For those employees who need to access sensitive information, the Group prohibits them from revealing the sensitive information in any form to irrelevant persons. Sensitive information generally includes, but is not limited to, names of candidate suppliers, supplier selection criteria, names of contracted suppliers, procurement proportion, procurement amount, prices, and payment terms, etc.

The relevant departments shall ensure that sensitive information is kept confidential at all times, and prohibit employees to take confidential documents away from the Group's premises. Moreover, employees are forbidden to discuss relevant confidential matters in public areas.

Anti-corruption related training

In order to ensure that employees at all levels understand and clearly fulfill the above-mentioned policies related to anti-corruption, the Group arranges training from time to time for employees who implement the relevant policies, thus covering board members and general staff. In the Year, the topics of anti-corruption related trainings included business ethics and money-laundering prevention measures. Almost 30% of all employees have participated in trainings which amounted to 177 training hours. Each employee was trained 5.5 hours on average.

Internal control system

The Group has set up risk control department to investigate suspicious signs of bribery/corruption, and to explore strategies and measures for prevention of business bribery. In addition, the Group engages independent non-executive Directors to supervise the corporate governance of the Group.

Moreover, for evaluation of internal control, the Group reviews the following key issues for prevention of fraud:

(1) feasibility of the Group's objectives;

(2) scientificity of internal control awareness and attitude;

(3) rationality and effectiveness of the employee's code of conduct;

(4) appropriateness of the system for authorisation of business activities;

(5) effectiveness of the risk management mechanism; and

(6) effectiveness of the information system implementation.

### 4.2.8 Community Contribution

The Group has been upholding social responsibility, which is considered as one of the important elements in fulfilment of corporate value. Over years, our in-house developed charitable donation platform, "Jane Eyre" charity platform, has been in liaison with various stakeholders for promoting the development of public welfare undertakings.

The "Jane Eyre" charity platform of the Group has set up a volunteer team composing of the Group's employees and their family members, as well as the Group's partners and investors. In the past, the service scope of the volunteer team has included home visits for the elderly, education sponsoring, community improvement, and participation of other charitable projects, for provision of supporting services to the needy people. In the Year, the volunteer team has participated in 10 projects which amounted to around 50 hours of service.

EDUCATIONAL DONATION
RMB 1,000,000

VOLUNTEERING SERVICE
50 HOURS

Since 2018, the Group signed a charity donation joint agreement with "Shanghai Jiaotong University", "Shanghai Advanced Institute of Finance" and "Shanghai Jiaotong University Education Development Foundation" to donate RMB1 million each year to support the education development of "Shanghai Jiaotong University". In the Year, the Group continued this sponsoring with online welfare live broadcast and offline donation for course development in "Shanghai Advanced Institute of Finance", which fully demonstrated the Group's commitment and accountability towards the educational development. For effective and reasonable use of the donation, "Shanghai Jiaotong University Education Development Foundation" will support the supervision over the proper use of the donations on behalf of the Group, the public and relevant government departments.

In the Year, the Group has partnered with "Shanghai Jiaotong University" and "Shanghai Advanced Institute of Finance" for arrangement of the following industry-related seminars, which assisted the relevant stakeholders to become better aware of the market trend as well as opportunities and risks therein:

1) New direction for investors and development of capital asset management

2) "Change and No Change" — Progressive path of real estate funds in 2020

3) Sharing of REITs development experience and current challenges

4) Is the era of negative oil prices coming?! How should investors respond?

5) Impact of the novel coronavirus pandemic (COVID-19) on the economy, tourism and real estate industries

6) Interpretation of the new regulations on insurance and capital asset management in PRC

7) Global investment perspectives from the interest rate cut by United States Federal Reserve

**To the shareholders of Shanghai Realway Capital Assets Management Co., Ltd.**
*(Established in the People's Republic of China with limited liability)*

## OPINION

We have audited the consolidated financial statements of Shanghai Realway Capital Assets Management Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 73 to 130, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

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

## KEY AUDIT MATTERS (CONTINUED)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Consolidation of structured entities* | |
| During the year, the Group acted as an asset manager for or invested in a few structured entities, mainly limited partnerships. | We assessed and evaluated the design and operating effectiveness of the key controls of management in determining the consolidation scope of interests in structured entities. |
| Management makes significant judgement on whether the Group controls these structured entities and these structured entities should be consolidated in the consolidated financial statements. Judgement is required to consider whether the Group can exercise the power so as to direct the relevant activities of the entity, has exposure or rights to obtain variable returns, and has the ability to influence the Group's returns from the entity. | We obtained and checked the contracts, documents and other public information of the structured entities on a sample basis to assess management judgement in determining whether a structured entity is required to be consolidated by considering whether the Group (1) had the power to exercise so as to direct the relevant activities of the entity, (2)had exposure or rights to obtain variable returns and (3)had the ability to influence the Group's returns from the entity. |
| As at 31 December 2020, the amount of investments in unconsolidated structured entities disclosed in the consolidated statement of financial position was RMB218.8 million. Due to the significance of the unconsolidated structured entities and the complexity of judgement exercised by management, consolidation of investments in funds managed by the Group is considered a key audit matter. | We assessed the disclosures related to interests in unconsolidated structured entities in the consolidated financial statements with reference to the requirements of the prevailing accounting standards. |
| The Group's disclosures of the interests in unconsolidated structured entities are detailed in note 2.4, note 3, note 21 and note 33 to the consolidated financial statements. | |

## KEY AUDIT MATTERS (CONTINUED)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Valuation of investments classified as level 3 in the fair value hierarchy* | |
| As at 31 December 2020, the Group's investments classified as level 3 in the fair value hierarchy included investments in associates or joint ventures at fair value through profit or loss, amounting to RMB218.8 million, which involved assessment of the fair value of the associates and joint ventures' underlying investments in real estate properties or financial assets as at 31 December 2020. The Group recorded RMB17.1 million of losses from changes in the fair value of investments in associates or joint ventures in 2020. The determination of such fair value is considerably subjective, given the lack of availability of market observable data.<br><br>We focused on the valuation of investments in associates or joint ventures at fair value through profit or loss due to the significance of the amounts and the judgement involved in determining the value of the underlying investments in real estate properties or financial assets held by the associates or joint ventures.<br><br>The Group's disclosures of the investments in structured entities are detailed in note 2.4, note 3, note 21, and note 35 to the consolidated financial statements. | We assessed and evaluated the design and operating effectiveness of the key controls of management in performing the valuation of the associates' or joint ventures' underlying investments in real estate properties or financial assets.<br><br>We evaluated the appropriateness of the valuation methodology and valuation technique used by management for the joint ventures' underlying investments in real estate properties or financial assets; and we evaluated and validated the key inputs and assumptions used by management against supporting documentation and relevant valuation sources.<br><br>We assessed the disclosures related to the valuation of investments classified as level 3 in the fair value hierarchy in the consolidated financial statements with reference to the requirements of the prevailing accounting standards. |
| *Impairment assessment on trade receivables* | |
| As at 31 December 2020, there was an impairment of RMB10.7 million for trade receivables of RMB99.9 million before loss allowance which was significant to the Group.<br><br>The Group applied a forward-looking expected credit loss ("**ECL**") approach to assess the recoverability of trade receivables. The measurement of ECL involves significant judgement and assumptions used in the ECL approach as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions.<br><br>The Group's disclosures about trade receivables are included in note 2.4, note 3 and note 18 to the consolidated financial statements. | We assessed and evaluated the design and operating effectiveness of the key controls of management in determining the impairment on trade receivables.<br><br>We evaluated management's assessment of the recoverability of trade receivables by reviewing the detailed analysis of the ageing of trade receivables and testing if payments had been received subsequent to the year end, historical payment patterns along with other economic information, any disputes between the parties involved and the correspondence with customers on expected settlement dates.<br><br>We reviewed the estimates used to determine the expected credit losses by considering cash collection performance against historical trends and the forward-looking adjustments used in the ECL approach and checked the mathematical accuracy of the calculations.<br><br>We assessed the disclosures related to impairment on trade receivables in the consolidated financial statements with reference to the requirements of the prevailing accounting standards. |

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ho Wai Ling.

**Ernst & Young**
*Certified Public Accountants*
Hong Kong
30 March 2021

# Consolidated Statement of Profit or Loss

*Year ended 31 December 2020*

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| **REVENUE** | 5 | **69,074** | 125,234 |
| Other income and gains | 5 | **21,211** | 5,127 |
| Administrative expenses | | **(58,071)** | (81,810) |
| Impairment losses on trade receivables | 18 | **(1,567)** | (19,768) |
| Decrease in fair value of investments in associates or joint ventures at fair value through profit or loss | 21 | **(17,117)** | (10,365) |
| Other expenses | | **(1,313)** | (3,050) |
| Finance costs | 7 | **(145)** | (274) |
| Share of losses of: | | | |
| Joint ventures | | **(1,211)** | (2,525) |
| An associate | | **(2,141)** | (713) |
| **PROFIT BEFORE TAX** | 6 | **8,720** | 11,856 |
| Income tax expense | 10 | **(956)** | (5,082) |
| **PROFIT FOR THE YEAR** | | **7,764** | 6,774 |
| Attributable to: | | | |
| Owners of the parent | | **4,426** | 9,451 |
| Non-controlling interests | | **3,338** | (2,677) |
| | | **7,764** | 6,774 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| Basic and diluted | | | |
| — For profit for the year (RMB cents) | 12 | **2.89** | 6.16 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2020*

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| **PROFIT FOR THE YEAR** | **7,764** | 6,774 |
| Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | **(168)** | 208 |
| Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods | **(168)** | 208 |
| **OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX** | **(168)** | 208 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | **7,596** | 6,982 |
| Attributable to: | | |
| Owners of the parent | **4,258** | 9,659 |
| Non-controlling interests | **3,338** | (2,677) |
| | **7,596** | 6,982 |

# Consolidated Statement of Financial Position

*31 December 2020*

| | Notes | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 13 | **1,076** | 2,395 |
| Right-of-use assets | 14(a) | **954** | 3,342 |
| Other intangible assets | 15 | **739** | 766 |
| Investments in joint ventures | 16 | **15,128** | 16,339 |
| Investment in an associate | 17 | **6,146** | 8,287 |
| Investments in associates or joint ventures at fair value through profit or loss ("**IAFV**") | 21 | **189,084** | 274,161 |
| Deferred tax assets | 25 | **7,719** | 4,518 |
| Total non-current assets | | **220,846** | 309,808 |
| **CURRENT ASSETS** | | | |
| Trade receivables | 18 | **89,239** | 76,393 |
| Prepayments, deposits and other receivables | 19 | **38,795** | 11,213 |
| Loan receivables | 20 | **6,873** | 9,819 |
| Investments in associates or joint venture at fair value through profit or loss ("**IAFV**") | 21 | **29,736** | 5,196 |
| Dividend receivable | | **2,931** | 101 |
| Cash and cash equivalents | 22 | **55,162** | 22,296 |
| Total current assets | | **222,736** | 125,018 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 23 | **300** | – |
| Other payables and accruals | 24 | **30,691** | 14,097 |
| Advances from funds managed | | **668** | 3,791 |
| Lease liabilities | 14(b) | **830** | 2,057 |
| Tax payable | 10 | **5,154** | 13,729 |
| Total current liabilities | | **37,643** | 33,674 |
| **NET CURRENT ASSETS** | | **185,093** | 91,344 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **405,939** | 401,152 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | 14(b) | **137** | 1,195 |
| Total non-current liabilities | | **137** | 1,195 |
| **NET ASSETS** | | **405,802** | 399,957 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 26 | **153,340** | 153,340 |
| Reserves | 27 | **249,683** | 245,425 |
| | | **403,023** | 398,765 |
| **Non-controlling interests** | | **2,779** | 1,192 |
| **TOTAL EQUITY** | | **405,802** | 399,957 |

**Zhu Ping**
*Director*

**Chen Min**
*Director*

# Consolidated Statement of Changes in Equity

*Year ended 31 December 2020*

| | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium* RMB'000 | Share-based payment reserve* RMB'000 | Statutory surplus reserves* RMB'000 | Exchange fluctuation reserve* RMB'000 | Retained profits* RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| As at 31 December 2018 and 1 January 2019 | 153,340 | 158,200 | 4,800 | 18,094 | – | 64,672 | 399,106 | 2,394 | 401,500 |
| Profit for the year | – | – | – | – | – | 9,451 | 9,451 | (2,677) | 6,774 |
| Other comprehensive income for the year: | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | – | 208 | – | 208 | – | 208 |
| Total comprehensive income for the year | – | – | – | – | 208 | 9,451 | 9,659 | (2,677) | 6,982 |
| Contribution from non-controlling shareholders | – | – | – | – | – | – | – | 1,475 | 1,475 |
| Appropriations to statutory surplus reserves | – | – | – | 2,900 | – | (2,900) | – | – | – |
| Dividends (note 11) | – | – | – | – | – | (10,000) | (10,000) | – | (10,000) |
| As at 31 December 2019 | 153,340 | 158,200* | 4,800* | 20,994* | 208* | 61,223* | 398,765 | 1,192 | 399,957 |
| As at 31 December 2019 and 1 January 2020 | **153,340** | **158,200** | **4,800** | **20,994** | **208** | **61,223** | **398,765** | **1,192** | **399,957** |
| Profit for the year | **-** | **-** | **-** | **-** | **-** | **4,426** | **4,426** | **3,338** | **7,764** |
| Other comprehensive loss for the year: | | | | | | | | | |
| Exchange differences on translation of foreign operations | **-** | **-** | **-** | **-** | **(168)** | **-** | **(168)** | **-** | **(168)** |
| Total comprehensive income for the year | **-** | **-** | **-** | **-** | **(168)** | **4,426** | **4,258** | **3,338** | **7,596** |
| Disposal of subsidiaries | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1,751)** | **(1,751)** |
| Appropriations to statutory surplus reserves | **-** | **-** | **-** | **102** | **-** | **(102)** | **-** | **-** | **-** |
| As at 31 December 2020 | **153,340** | **158,200*** | **4,800*** | **21,096*** | **40*** | **65,547*** | **403,023** | **2,779** | **405,802** |

* These reserve accounts comprise the consolidated reserves of RMB249,683,000 (2019: RMB245,425,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

*Year ended 31 December 2020*

| | Notes | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax: | | **8,720** | 11,856 |
| Adjustments for: | | | |
| Finance costs | 7 | **145** | 274 |
| Interest income | 5 | **(102)** | (331) |
| Impairment losses on trade receivables | 6,18 | **1,567** | 19,768 |
| Impairment losses on loan receivables | 6,20 | **(15)** | (97) |
| Net losses on disposal of items of property, plant and equipment | | **–** | 30 |
| (Gain)/loss on disposal of joint ventures | 5 | **(17)** | 738 |
| Depreciation of property, plant and equipment | 6,13 | **1,350** | 2,276 |
| Depreciation of right-of-use assets | 6,14 | **3,832** | 4,986 |
| Amortisation of other intangible assets | 6,15 | **195** | 80 |
| Share of profits and losses of: | | | |
| Joint ventures | 16 | **1,211** | 2,525 |
| An associate | 17 | **2,141** | 713 |
| Dividend income from IAFV | 5 | **(17,526)** | (808) |
| Gain on disposal of distressed assets | 5, 28a(1) | **(1,673)** | – |
| Exchange (gain)/loss | | **(24)** | 1,298 |
| Decrease in fair value of IAFV | 21 | **17,117** | 10,365 |
| Increase in trade receivables | | **(40,740)** | (26,774) |
| (Increase)/decrease in prepayments, deposits and other receivables | | **(746)** | 3,024 |
| Increase in advances from funds managed | | **(3,123)** | (14,151) |
| Increase in trade payables | | **300** | – |
| Decrease in other payables and accruals | | **(763)** | (12,995) |
| Increase in amounts due to related parties | | **17,418** | – |
| Cash (used in)/generated from operations | | **(10,733)** | 2,777 |
| Interest received | 5 | **63** | 331 |
| Taxes paid | | **(12,733)** | (11,562) |
| Net cash flows used in operating activities | | **(23,403)** | (8,454) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Disposal of a subsidiary | | **(1,751)** | – |
| Decrease/(increase) in investments in IAFV | 21 | **43,420** | (123,500) |
| Dividend income from IAFV | | **14,695** | 2,766 |
| Purchases of items of property, plant and equipment | 13 | **(54)** | (337) |
| Purchases of other intangible assets | 15 | **(168)** | (149) |
| Investments in joint ventures | 16 | **–** | (14,300) |
| Repayment of advances to a third party | | **3,000** | 20,000 |
| Cash receipts from returns of investments relating to liquidation of a joint venture | | **1,019** | – |
| Disposal of items of property, plant and equipment | | **24** | 200 |
| Net cash flows from/(used in) investing activities | | **60,185** | (115,320) |

*Year ended 31 December 2020*

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Capital contribution from non-controlling shareholders | | **–** | 1,475 |
| Advances from related parties | 32 | **414** | – |
| Repayment of advances from related parties | 32 | **(475)** | (6,141) |
| Advances to related parties | 32 | **(1)** | – |
| Repayment of advances to related companies | 32 | **163** | – |
| Principal portion of lease liabilities | 28(b) | **(3,874)** | (5,350) |
| Dividends paid | 11 | **–** | (10,000) |
| Net cash flows used in financing activities | | **(3,773)** | (20,016) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **33,009** | (143,790) |
| Cash and cash equivalents at beginning of year | | **22,296** | 167,177 |
| Effect of foreign exchange rate changes, net | | **(143)** | (1,091) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **55,162** | 22,296 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and cash equivalents as stated in the consolidated statement of financial position and statement of cash flows | | **55,162** | 22,296 |

*31 December 2020*

## 1. CORPORATE AND GROUP INFORMATION

Shanghai Realway Capital Assets Management Co., Ltd. is a limited liability company established in the People's Republic of China (the "**PRC**"). The registered office of the Company is located at Room 26 G-3, 828-838 Zhang Yang Road, Pilot Free Trade Zone, Shanghai, China.

During the year, the Group was involved in the following principal activities:

- fund management
- investment management in relation to the establishment and structuring of the relevant funds and the sourcing of investors ("**investment management**")
- financial consulting services to the fund demanding parties

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Shanghai Weimian Investments Partnership (Limited Partnership), which is established in the PRC.

### INFORMATION ABOUT SUBSIDIARIES

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

| Name | Note | Place of incorporation/ registration and business | Nominal value of registered share capital | Percentage of equity attributable to the Company | Principal activities |
|---|---|---|---|---|---|
| 上海瑞襄投資管理有限公司<br>Shanghai Ruixiang Investment Management Co., Ltd. ("**Shanghai Ruixiang**") | | PRC/Mainland China | RMB10,000,000 | 100% | Fund management |
| 上海瑞威喬方投資管理有限公司<br>Shanghai Realway Qiaofang Investment Management Company Limited ("**Qiaofang Investment**") | (1) | PRC/Mainland China | RMB10,000,000 | 51% | Investment management |
| 嘉晟瑞信（天津）基金銷售有限公司<br>Jiasheng Ruixin (Tianjin) Fund Distribution Co., Ltd. ("**Jiasheng Ruixin**") | | PRC/Mainland China | RMB55,000,000 | 100% | Investment management |
| 上海芮楚商務諮詢有限公司<br>Shanghai Ruichu Business Advisory Co., Ltd. ("**Shanghai Ruichu**") | | PRC/Mainland China | RMB10,000,000 | 100% | Investment management |
| 北京瑞威資產管理有限公司<br>Realway Capital Assets Management (Beijing) Co., Ltd. ("**Beijing Realway Assets Management**") | | PRC/Mainland China | RMB15,500,000 | 100% | Investment management |
| 瑞威（香港）資產管理有限公司<br>Realway (Hong Kong) Assets Management Limited ("**Hong Kong Realway**") | | Hong Kong | HKD5,000,000 | 100% | Investment management |
| 成都瑞威資產管理有限公司<br>Realway Capital Assets Management (Chengdu) Co., Ltd. ("**Chengdu Realway**") | (1) | PRC/Mainland China | RMB10,000,000 | 55% | Investment management |

## 1. CORPORATE AND GROUP INFORMATION (CONTINUED)

### INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate their Chinese names as they do not have an official English name. All these subsidiaries are established in the People's Republic of China with limited liability except for Hong Kong Realway.

Note 1: These companies are subsidiaries of non-wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), (which include all standards and interpretations, International Accounting Standards ("**IASs**") and Standing Interpretations Committee interpretations) issued by the International Accounting Standards Board (the "**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investments in associates or joint ventures at fair value through profit or loss ("**IAFV**") which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

### BASIS OF CONSOLIDATION

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

*31 December 2020*

## 2.1 BASIS OF PREPARATION (CONTINUED)

### BASIS OF CONSOLIDATION (CONTINUED)

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|---|
| Amendments to IFRS 3 | *Definition of a Business* |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | *Interest Rate Benchmark Reform* |
| Amendments to IFRS 16 | *Covid-19-Related Rent Concessions* (early adopted) |
| Amendments to IAS 1 and IAS 8 | *Definition of Material* |

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

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

(b) Amendments to 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 amendments did not have any impact on the financial position and performance of the Group.

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. The reduction in the lease payments arising from the rent concessions accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 31 December 2020 was insignificant.

(e) 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. The amendments did not have any significant impact on the financial position and performance of the Group.

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

| | |
|---|---|
| Amendments to IFRS 3 | *Reference to the Conceptual Framework*[2] |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | *Interest Rate Benchmark Reform — Phase 2*[1] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| IFRS 17 | *Insurance Contracts*[3] |
| Amendments to IFRS 17 | *Insurance Contracts*[3, 5] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current*[3] |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use*[2] |
| Amendments to IAS 37 | *Onerous Contracts — Cost of Fulfilling a Contract*[2] |
| *Annual Improvements to IFRS Standards 2018-2020* | Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2] |
| Amendments to IAS 1 | *Disclosure of Accounting Policies*[3] |
| Amendments to IAS 8 | *Definition of Accounting Estimates*[3] |

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

31 December 2020

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

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

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component.

The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group did not have any interest-bearing bank and other borrowings as at 31 December 2020, so the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

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

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

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

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In accordance with the exemption in IAS 28 *Investments in Associates and Joint Ventures*, the Group does not account for its investments in associates or joint ventures using the equity method if the Group acts as an investment fund manager. Instead, the Group has elected to measure its investments in associates or joint ventures at fair value through profit or loss in accordance with IFRS 9. This exemption is related to the fact that fair value measurement provides more useful information for users of the financial statements than application of the equity method. This is an exemption from the requirement to measure interests in joint ventures and associates using the equity method, rather than an exception to the scope of IAS 28 for the accounting for joint ventures and associates held by these entities.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

### STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has restricted activities and a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

### Impairment of non-financial assets

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### RELATED PARTIES

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

### PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment and depreciation (continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | Estimated useful life | Annual depreciation rate |
|---|---|---|
| Motor vehicles | 4 years | 24.00% |
| Office equipment | 3–5 years | 19.00% to 31.67% |
| Leasehold improvements | 2–5 years | 20.00% to 50% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Each category of intangible assets is amortised evenly over the following periods:

| | |
|---|---|
| Software | 120 months |
| Favourable contract | Contract beneficial period (i.e., 13 months) |

The favourable contract obtained during the business combination entitles the Group to a 13 months' beneficial period based on the purchase agreement. The software is with high compatibility and is mainly used for office assistance and bookkeeping, and the service output is stable and satisfies the operation, which has no need for frequent technological updates and maintenance, so management estimated that the office software has a useful life of 10 years after considering the operating benefits provided by utilising such office software and the upgrading and developing period in the market.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### LEASES

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

**Group as a lessee**

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

*(a)* *Right-of-use assets*

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

| | |
|---|---|
| Office buildings | 2 to 4 years |

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

*(b)* *Lease liabilities*

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

In calculating the present value of lease payments, the Group uses its internal rate of return at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

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

The Group applies the short-term lease recognition exemption to its short-term leases of office buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### INVESTMENTS AND OTHER FINANCIAL ASSETS

**Initial recognition and measurement**

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

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

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

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

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

**Subsequent measurement**

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

**Financial assets at amortised cost (debt instruments)**

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

The Group's financial assets at amortised cost includes cash and cash equivalents, trade receivables, loan receivables, dividend receivables and other financial assets included in prepayments, deposits and other receivables.

**Financial assets at fair value through profit or loss**

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### DERECOGNITION OF FINANCIAL ASSETS

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

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

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

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

### IMPAIRMENT OF FINANCIAL ASSETS

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

**General approach**

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

**General approach** (continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

| | | |
|---|---|---|
| Stage 1 | – | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs |
| Stage 2 | – | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs |

**Simplified approach**

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

### FINANCIAL LIABILITIES

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

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

The Group's financial liabilities include other payables.

**Subsequent measurement**

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

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

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

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

### DERECOGNITION OF FINANCIAL LIABILITIES

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

### Cash and cash equivalents

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

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

### Provisions

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

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

### Income tax

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

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

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

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### INCOME TAX (CONTINUED)

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

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

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

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

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

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

### GOVERNMENT GRANTS

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

### REVENUE RECOGNITION

**Revenue from contracts with customers**

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

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### REVENUE RECOGNITION (CONTINUED)

**Revenue from contracts with customers** (continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, 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 between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

The Group derives its revenue mainly from funds management, fund establishment and consulting services. The Group recognises revenue when the specific criteria have been met for each of the Group's activities, as described below.

(a) Regular management fees are recognised periodically based on a predetermined fixed percentage of the asset value under management ("**AUM**");

(b) Performance fees are recognised when the performance fee is determinable based on actual performance measurement, as and when contingent criteria associated are met, which is generally when profit distribution is mutually agreed by investors;

(c) Fund establishment service revenue is recorded upon the establishment of the fund product, when the provision of services concludes and the fee becomes fixed and determinable, assuming that all other revenue recognition criteria have been met, and there are no future obligations or contingencies; and

(d) Consulting services income is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

**Other income**

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

### EMPLOYEE RETIREMENT BENEFITS

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of these payroll costs to the central pension scheme. The only obligation of the Company with respect to the central pension scheme is to make the required contributions. No forfeited contribution under the central pension scheme is available to reduce the contribution payable in future years. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

### DIVIDENDS

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Foreign currencies

Since the majority of the assets and operations of the Group are located in the PRC, the financial statements are presented in RMB, which is the functional currency of the Company. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

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

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### Judgements

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

**Investment funds managed by the Group**

The Group holds a certain degree of direct interest in some of the funds managed by it. When determining whether the Group controls these funds, usually the level of aggregate economic interests of the Group in these funds, the fund manager's scope of decision-making rights and the level of investors' rights to remove the investment manager will be taken into consideration.

In accordance with IFRS 10, an investor controls an investee if and only if the investor has all of the following elements: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; (c) the ability to use its power over the investee to affect the amount of the investor's returns. In assessing whether power is present, the Group will not have power over the funds. If the fund manager can be removed at any time. As regards variable returns, all economic interests arising from the funds, including the extent of direct interests in these funds, the management fee charged and performance bonus obtained, will be taken into consideration, and the Group uses 30% as the point of reference in assessing whether it is the primary beneficiary of these funds and is exposed, or has rights, to significant variable returns from its involvement with the investee.

During the reporting periods, the financial statements of the funds managed by the Group were not consolidated into the Group's financial statements because the Group does not have control over these funds, taking into account all aforementioned elements in accordance with IFRS 10.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

### ESTIMATION UNCERTAINTY

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

**Provision for expected credit losses on trade receivables**

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessments of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 18 to the financial statements, respectively.

**Impairment of non-financial assets (other than goodwill)**

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

**Fair value**

The fair value of investments in associates at fair value through profit or loss that are not quoted in an active market is measured by using observable market prices or rates, the recent transaction price and internal assessment based on modelling. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The resulting accounting estimates may not be equal to the related actual results. Further details are given in note 33.

**PRC corporate income tax ("CIT")**

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

**Deferred tax assets**

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 25 to the financial statements.

## 4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business, which include management fee and consulting income, by project for the purpose of making decisions about resource allocation and performance assessment. As all projects have similar economic characteristics, and the nature of management services and consulting services, the nature of the aforementioned business processes, the type or class of fund for the aforementioned business and the methods used to distribute the properties or to provide the services are similar for all projects, all projects have been aggregated as one reportable operating segment.

### Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no significant non-current assets of the Group are located outside Mainland China.

### Information about a major customer

Customers are the investors who invested in the funds managed by the Group.

No revenue from a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the year ended 31 December 2020 (2019: one customer).

| | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|
| Customer A | **N/A** | 24,057 |

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|
| Revenue from contracts with customers | **69,074** | 125,234 |

### Revenue from contracts with customers

**(i) Disaggregated revenue information**

| | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|
| **Timing of revenue recognition** | | |
| Services transferred over time | **69,074** | 125,234 |
| **Types of services** | | |
| Rendering of fund management services | **53,941** | 111,669 |
| Rendering of fund establishment services | **12,686** | 12,625 |
| Rendering of consulting services | **2,447** | 940 |
| | **69,074** | 125,234 |

## 5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

### REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

**(ii) Performance obligations**

For fund management service, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date. The Group has elected the practical expedient not to disclose the remaining performance obligations for these types of contracts. The majority of the property management service contracts are for periods of the funds' duration of 2 years to 6 years.

For fund establishment services and one-off consulting services, rendered in a short period of time, there is no unsatisfied performance obligation at the end of the respective periods.

An analysis of other income and gains is as follows:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| **Other income** | | |
| Dividend income from IAFV | **17,526** | 808 |
| Gain on disposal of distressed assets (note 28(a)(1)) | **1,673** | – |
| Interest income | **102** | 331 |
| Others | **41** | – |
| | **19,342** | 1,139 |
| **Gains** | | |
| Government grants | **1,862** | 3,977 |
| Gain on disposal of items of property, plant and equipment | **7** | 11 |
| | **1,869** | 3,988 |
| | **21,211** | 5,127 |

## 6. PROFIT BEFORE TAX

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

| | Notes | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|
| Depreciation of property, plant and equipment | 13 | **1,350** | 2,276 |
| Depreciation of right-of-use assets | 14 | **3,832** | 4,986 |
| Amortisation of other intangible assets | 15 | **195** | 80 |
| Impairment losses on trade receivables | 18 | **1,567** | 19,768 |
| Impairment losses on loans receivable | 20 | **(15)** | (97) |
| Lease payments not included in the measurement of lease liabilities | 14(c) | **173** | 344 |
| Auditor's remuneration | | **2,457** | 2,428 |
| Employee benefit expense (including directors' and chief executive's remuneration (note 8)): | | | |
| Wages and salaries | | **32,685** | 38,262 |
| Pension scheme contributions and social welfare | | **3,251** | 8,503 |

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Interest on lease liabilities | **145** | 274 |

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Fees | **390** | 720 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **2,715** | 3,583 |
| Pension scheme contributions | **139** | 286 |
| | **2,854** | 3,869 |
| | **3,244** | 4,589 |

### (A) INDEPENDENT NON-EXECUTIVE DIRECTORS

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

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Mr. Shang Jian | **130** | 240 |
| Mr. Liu Yunsheng | **130** | 240 |
| Ms. Yang Huifang | **130** | 240 |
| | **390** | 720 |

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

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

### (B) EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS

| | Salaries, allowances and benefits in kind RMB'000 | Pension scheme contributions RMB'000 | Total remuneration RMB'000 |
|---|---|---|---|
| 2020 | | | |
| Executive directors: | | | |
| Mr. Zhu Ping | **560** | **–** | **560** |
| Mr. Duan Kejian | **1,032** | **52** | **1,084** |
| Ms. Su Yi | **863** | **52** | **915** |
| | **2,455** | **104** | **2,559** |
| Non-executive directors: | | | |
| Mr. Cheng Jun | **130** | **35** | **165** |
| Mr. Wang Xuyang | **130** | **–** | **130** |
| | **260** | **35** | **295** |
| Total | **2,715** | **139** | **2,854** |
| 2019 | | | |
| Executive directors: | | | |
| Mr. Zhu Ping | 1,104 | – | 1,104 |
| Mr. Duan Kejian | 1,020 | 100 | 1,120 |
| Ms. Su Yi | 979 | 100 | 1,079 |
| | 3,103 | 200 | 3,303 |
| Non-executive directors: | | | |
| Mr. Cheng Jun | 240 | 86 | 326 |
| Mr. Wang Xuyang | 240 | – | 240 |
| | 480 | 86 | 566 |
| Total | 3,583 | 286 | 3,869 |

Mr. Zhu Ping has also been designated as the chief executive officer since January 2010.

Ms. Su Yi has resigned on 15 March 2021, and Ms. Chen Min has been designated as one of the executive director and Mr. Sun Mao has been designated as the chief financial officer since then.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: Nil).

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2019: three), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2019: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **2,494** | 1,810 |
| Pension scheme contributions | **159** | 201 |
| | **2,653** | 2,011 |

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

| | Number of employees | |
|---|---|---|
| | **2020** | 2019 |
| Nil to RMB1,000,000 | **2** | 1 |
| RMB1,000,001 to RMB2,000,000 | **1** | 1 |
| | **3** | 2 |

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

## 10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group's subsidiary incorporated in Hong Kong was not liable for income tax as it did not have any assessable profits currently arising in Hong Kong for the year ended 31 December 2020. Subsidiaries of the Group operating in Mainland China were subject to PRC corporate income tax at a rate of 25% for the year, except that small-scale enterprise with minimal profits were qualified to apply income tax rate of 5%.

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Current income tax charge for the year — Mainland China | **4,157** | 13,011 |
| Deferred tax (note 25) | **(3,201)** | (7,929) |
| Total tax charge for the year | **956** | 5,082 |

## 10. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Profit before tax | **8,720** | 11,856 |
| Tax at the statutory tax rate (25%) | **2,180** | 2,964 |
| Expenses not deductible for tax | **127** | 366 |
| Lower tax rate for small-scale enterprise with minimal profits (5%) | **(995)** | – |
| Tax losses and deductible temporary differences utilised from previous years | **(1,414)** | (622) |
| Profits and losses attributable to joint ventures and an associate | **838** | 497 |
| Tax losses not recognised | **220** | 1,877 |
| Total tax charge for the year | **956** | 5,082 |

Tax payable in the consolidated statement of financial position represents:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| PRC corporate income tax payable | **5,154** | 13,729 |

## 11. DIVIDENDS

The final dividends of RMB0.0652 per share totalling RMB10,000,000 for the year of 2018 have been approved by the Company's shareholders at the Annual General Meeting on 24 May 2019 and have been fully settled by the Company in 2019.

No dividends have been proposed by the directors for the year ended 31 December 2020 (2019: Nil).

## 12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 153,340,000 (2019: 153,340,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculation of basic earnings per share is based on:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | **4,426** | 9,451 |

## 12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

| | Number of shares | |
|---|---|---|
| | **2020** | 2019 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | **153,340,000** | 153,340,000 |

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Motor vehicles RMB'000 | Office equipment RMB'000 | Leasehold improvements RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **31 December 2020** | | | | |
| At 1 January 2020: | | | | |
| Cost | **4,688** | **2,433** | **3,602** | **10,723** |
| Accumulated depreciation | **(3,373)** | **(1,883)** | **(3,072)** | **(8,328)** |
| Net carrying amount | **1,315** | **550** | **530** | **2,395** |
| At 1 January 2020, net of accumulated depreciation | **1,315** | **550** | **530** | **2,395** |
| Additions | **–** | **54** | **–** | **54** |
| Disposals | **–** | **(23)** | **–** | **(23)** |
| Depreciation provided during the year | **(544)** | **(284)** | **(522)** | **(1,350)** |
| At 31 December 2020, net of accumulated depreciation | **771** | **297** | **8** | **1,076** |
| At 31 December 2020: | | | | |
| Cost | **4,688** | **2,367** | **3,602** | **10,657** |
| Accumulated depreciation | **(3,917)** | **(2,070)** | **(3,594)** | **(9,581)** |
| Net carrying amount | **771** | **297** | **8** | **1,076** |

## 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Motor vehicles RMB'000 | Office equipment RMB'000 | Leasehold improvements RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **31 December 2019** | | | | |
| At 1 January 2019: | | | | |
| Cost | 4,735 | 2,446 | 3,602 | 10,783 |
| Accumulated depreciation | (2,438) | (1,637) | (2,143) | (6,218) |
| Net carrying amount | 2,297 | 809 | 1,459 | 4,565 |
| At 1 January 2019, net of accumulated depreciation | 2,297 | 809 | 1,459 | 4,565 |
| Additions | 180 | 157 | – | 337 |
| Disposals | (169) | (62) | – | (231) |
| Depreciation provided during the year | (993) | (354) | (929) | (2,276) |
| At 31 December 2019, net of accumulated depreciation | 1,315 | 550 | 530 | 2,395 |
| At 31 December 2019: | | | | |
| Cost | 4,688 | 2,433 | 3,602 | 10,723 |
| Accumulated depreciation | (3,373) | (1,883) | (3,072) | (8,328) |
| Net carrying amount | 1,315 | 550 | 530 | 2,395 |

## 14. LEASES

### The Group as a lessee

The Group has lease contracts for various items of office buildings and other equipment used in its operations. Leases of office buildings generally have lease terms between 1 and 4 years. Other equipment is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

**(a) Right-of-use assets**

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

| | **Office buildings** RMB'000 |
|---|---|
| **As at 1 January 2019** | 6,607 |
| Additions | 1,721 |
| Depreciation charge | (4,986) |
| **As at 31 December 2019 and 1 January 2020** | 3,342 |
| Additions | 1,444 |
| Depreciation charge | (3,832) |
| **As at 31 December 2020** | 954 |

## 14. LEASES (CONTINUED)

### THE GROUP AS A LESSEE (CONTINUED)

**(b) Lease liabilities**

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

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Carrying amount at 1 January | **3,252** | 6,607 |
| New leases | **1,444** | 1,721 |
| Accretion of interest recognised during the year | **145** | 274 |
| Payments | **(3,874)** | (5,350) |
| Carrying amount at 31 December | **967** | 3,252 |
| Analysed into: | | |
| Current portion | **830** | 2,057 |
| Non-current portion | **137** | 1,195 |

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements.

**(c)** The amounts recognised in profit or loss in relation to leases are as follows:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Interest on lease liabilities | **145** | 274 |
| Depreciation charge of right-of-use assets | **3,832** | 4,986 |
| Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2020 | **77** | 316 |
| Expense relating to leases of low-value assets | **96** | 28 |
| Total amount recognised in profit or loss | **4,150** | 5,604 |

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## 15. OTHER INTANGIBLE ASSETS

| | **Software** **RMB'000** | **Favourable contract** **RMB'000** | **Total** **RMB'000** |
|---|---|---|---|
| **31 December 2020** | | | |
| Cost at 1 January 2020, net of accumulated amortisation | **766** | **–** | **766** |
| Additions | **168** | **–** | **168** |
| Amortisation provided during the year | **(195)** | **–** | **(195)** |
| At 31 December 2020 | **739** | **–** | **739** |
| At 31 December 2020: | | | |
| Cost | **1,294** | **2,763** | **4,057** |
| Accumulated amortisation | **(555)** | **(2,763)** | **(3,318)** |
| Net carrying amount | **739** | **–** | **739** |

| | Software RMB'000 | Favourable contract RMB'000 | Total RMB'000 |
|---|---|---|---|
| **31 December 2019** | | | |
| Cost at 1 January 2019, net of accumulated amortisation | 697 | – | 697 |
| Additions | 149 | – | 149 |
| Amortisation provided during the year | (80) | – | (80) |
| At 31 December 2019 | 766 | – | 766 |
| At 31 December 2019: | | | |
| Cost | 1,126 | 2,763 | 3,889 |
| Accumulated amortisation | (360) | (2,763) | (3,123) |
| Net carrying amount | 766 | – | 766 |

## 16. INVESTMENTS IN JOINT VENTURES

| | **2020** **RMB'000** | 2019 RMB'000 |
|---|---|---|
| Share of net assets | **15,128** | 16,339 |

| **Name** | **Particulars of issued capital held** | **Place of registration and business** | **Percentage of ownership interest attributable to the Group** | **Principal activities** |
|---|---|---|---|---|
| Hengqin Huixun Investment Management Co., Ltd. | – | Zhuhai | 40 | Investment management |
| Shanghai Jinkai Dongrui Assets Management Co., Ltd. | RMB10,000,000 | Shanghai | 45 | Investment management |
| Guangzhou Zhongshunyi Management Consultancy Co., Ltd. | RMB26,000,000 | Guangzhou | 35 | Business consultancy |
| Jiaxing Ruicheng Equity Investment Co., Ltd. | – | Jiaxing | 50 | Investment management |

Pursuant to the investment framework agreement and the articles of association of these companies, all shareholder resolutions shall be resolved by all shareholders on a unanimous basis. Therefore, these companies were accounted for as joint ventures of the Group during the year.

Guangzhou Zhongshunyi Management Consultancy Co., Ltd., which is considered a material joint venture of the Group for the year ended 31 December 2020, is mainly engaged in business consultancy in Mainland China and is accounted for using the equity method.

## 16. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The following table illustrates the summarised financial information in respect of Guangzhou Zhongshunyi Management Consultancy Co., Ltd., adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Cash and cash equivalents | **9,618** | 673 |
| Other current assets | **33,683** | 43,191 |
| Current assets | **43,301** | 43,864 |
| Non-current assets | **19,008** | 21,345 |
| Financial liabilities, excluding trade and other payables and provisions | **(31,714)** | (31,145) |
| Other current liabilities | **(8,594)** | (8,594) |
| Current liabilities | **(40,308)** | (39,739) |
| Net assets | **22,001** | 25,470 |
| Reconciliation to the Group's interest in the joint venture: | | |
| Proportion of the Group's ownership | **35%** | 35% |
| Group's share of net assets of the joint venture | **7,700** | 8,915 |
| Acquisition premium adjustment | **2,943** | 2,943 |
| Carrying amount of the investment | **10,643** | 11,858 |
| Revenue | **28,466** | 21,567 |
| Interest income | **72** | 88 |
| Depreciation and amortisation | **(2,463)** | (2,146) |
| Expenses | **(29,543)** | (25,629) |
| Loss and total comprehensive loss for the year | **(3,468)** | (6,120) |

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Share of the joint ventures' loss for the year | **(3)** | (383) |
| Share of the joint ventures' total comprehensive loss | **(3)** | (383) |
| Aggregate carrying amount of the Group's investments in the joint ventures | **4,485** | 4,481 |

## 17. INVESTMENT IN ASSOCIATES

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Share of net assets | **6,146** | 8,287 |

| Name | Particulars of issued capital held | Place of registration and business | Percentage of ownership interest attributable to the Group | Principal activity |
|---|---|---|---|---|
| Guangrui Juyao (Qingdao) Wealth Asset Management Co., Ltd. | RMB50,000,000 | Qingdao | 18 | Investment management |

Pursuant to the investment framework agreement and the articles of association of this company, the Group only has significant influence on the entity as the other shareholders of this entity have the enough voting power to control and operate the entity. Therefore, the company was accounted for as an associate of the Group during the year.

Guangrui Juyao (Qingdao) Wealth Asset Management Co., Ltd., which is considered a material associate of the Group for the year ended 31 December 2020, mainly engaging in business consultancy in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Guangrui Juyao (Qingdao) Wealth Asset Management Co., Ltd., adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Current assets | **40,748** | 45,452 |
| Non-current assets | **834** | 868 |
| Current liabilities | **(7,438)** | (282) |
| Net assets | **34,144** | 46,038 |
| Reconciliation to the Group's interest in the joint venture: | | |
| Proportion of the Group's ownership | **18%** | 18% |
| Group's share of net assets of the joint venture | **6,146** | 8,287 |
| Carrying amount of the investment | **6,146** | 8,287 |
| Revenue | **49,823** | 851 |
| Loss for the year | **(11,895)** | (3,962) |
| Total comprehensive loss for the year | **(11,895)** | (3,962) |

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## 18. TRADE RECEIVABLES

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Trade receivables | **99,901** | 96,161 |
| Impairment | **(10,662)** | (19,768) |
| | **89,239** | 76,393 |

The Group's contractual terms with its funds are mainly on credit. Trade receivables are settled based on the progress payment schedule stipulated in the contracts. The Group seeks to maintain strict control over its outstanding receivables and has a credit control team to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, except for the individual provision made during the year, there is no significant concentration of credit risk based on the management's best estimation at the reporting date. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 31 December 2020, there were no trade receivables due from joint ventures (2019: RMB1,998,000). The amount due from associates was RMB22,697,000 as at 31 December 2020 (2019: RMB15,013,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Within 1 year | **44,893** | 64,604 |
| 1 to 2 years | **34,233** | 11,786 |
| Over 2 years | **10,113** | 3 |
| Total | **89,239** | 76,393 |

The movements in the loss allowance for impairment of trade receivables for the year ended 31 December 2020 are as follows:

| | Individually impaired<br>RMB'000 | Collectively impaired<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|
| At beginning of the year | 19,330 | 438 | 19,768 |
| Impairment losses (note 6) | 378 | 1,666 | 2,044 |
| Amount reversed (note 6, 28(a)(1)) | (477) | – | (477) |
| Amount transferred by settling (note 28(a)(1)) | (10,673) | – | (10,673) |
| At end of the year | 8,558 | 2,104 | 10,662 |

The change in the loss allowance mainly consists of the decrease of the amount transferred by settling the balances of trade receivables, refer to note 28(a)(1) for more details.

## 18. TRADE RECEIVABLES (CONTINUED)

An impairment analysis is performed at each reporting period using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

**As at 31 December 2020**

| | **Ageing** | | | |
|---|---|---|---|---|
| | **Less than 1 year** | **1 to 2 years** | **Over 2 years** | **Total** |
| Expected credit loss rate | **2.1%** | **8.2%** | **39.5%** | **10.7%** |
| Gross carrying amount | **45,867** | **37,306** | **16,728** | **99,901** |
| Expected credit losses | **974** | **3,073** | **6,615** | **10,662** |

**As at 31 December 2019**

| | Ageing | | | |
|---|---|---|---|---|
| | Less than 1 year | 1 to 2 years | Over 2 years | Total |
| Expected credit loss rate | 17.6% | 27.0% | 99.8% | 20.6% |
| Gross carrying amount | 78,433 | 16,136 | 1,592 | 96,161 |
| Expected credit losses | 13,829 | 4,350 | 1,589 | 19,768 |

## 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|
| A receivable related to the disposal of distressed assets (note 28(a)(1)) | **28,000** | – |
| Prepayments | **3,347** | 3,677 |
| Deposits | **1,861** | 2,242 |
| Due from related parties (note 32) | **1** | 1,165 |
| Other receivables | **5,586** | 4,129 |
| | **38,795** | 11,213 |

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2020 and 2019, loss allowance was assessed to be minimal.

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## 20. LOAN RECEIVABLES

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Amortised cost | **6,907** | 9,868 |
| Impairment | **(34)** | (49) |
| | **6,873** | 9,819 |
| Comprising: | | |
| Current portion | **6,873** | 9,819 |

Loan receivables mainly represent the interest-free loan receivables from third parties and the loan period varies from 6 months to 3 years. Such amounts are recorded at amortised cost less allowance for doubtful amounts.

An executive director, Mr. Zhu Ping, has guaranteed the Group's loan receivables due from a third party amounting to RMB7,000,000 as at 31 December 2020 (31 December 2019: RMB10,000,000).

## 21. INVESTMENTS IN ASSOCIATES OR JOINT VENTURES AT FAIR VALUE THROUGH PROFIT OR LOSS ("IAFV")

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Unlisted investments in associates or joint ventures, at fair value | **218,820** | 279,357 |

The Group, as an investment fund manager, measured the above investments in associates or joint ventures at fair value through profit or loss in accordance with IFRS 9 at 31 December 2020.

## 21. INVESTMENTS IN ASSOCIATES OR JOINT VENTURES AT FAIR VALUE THROUGH PROFIT OR LOSS ("IAFV") (CONTINUED)

The movements in investments in associates or joint ventures at fair value through profit or loss for the year ended 31 December 2020 are as follows:

| | Cost<br>RMB'000 | Increase/<br>(decrease)<br>in fair value of<br>IAFV<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|
| At 1 January 2019 | 145,920 | 20,302 | 166,222 |
| Movements | 133,500 | (10,365) | 123,135 |
| Exit and/or realisation | (10,000) | – | (10,000) |
| At 31 December 2019 | 269,420 | 9,937 | 279,357 |
| Comprising: | | | |
| Current portion | 5,000 | 196 | 5,196 |
| Non-current portion | 264,420 | 9,741 | 274,161 |
| At 1 January 2020 | **269,420** | **9,937** | **279,357** |
| Movements | **–** | **(17,117)** | **(17,117)** |
| Exit and/or realisation | **(43,420)** | **–** | **(43,420)** |
| At 31 December 2020 | **226,000** | **(7,180)** | **218,820** |
| Comprising: | | | |
| Current portion | **28,000** | **1,736** | **29,736** |
| Non-current portion | **198,000** | **(8,916)** | **189,084** |

## 22. CASH AND CASH EQUIVALENTS

| | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|
| Cash and bank balances | **55,162** | 22,296 |

At the end of the reporting period, the cash and bank balances of the Group denominated in Hong Kong dollars ("**HKD**") amounted to RMB2,076,000 (2019: RMB3,162,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

## 23. TRADE PAYABLES

An ageing analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Within 1 year | **300** | – |

The trade payables are unsecured, non-interest-bearing and repayable within the normal operating cycle or on demand.

The fair values of trade payables as at the end of the reporting period approximated to their corresponding carrying amounts due to their relatively short maturity terms.

## 24. OTHER PAYABLES AND ACCRUALS

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Payroll and welfare payable | **4,903** | 5,985 |
| Taxes and surcharges | **3,890** | 2,930 |
| Accruals | **1,641** | 1,684 |
| Due to related parties (note 32) | **19,934** | 2,577 |
| Others | **323** | 921 |
| | **30,691** | 14,097 |

Other payables are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of the years 2020 and 2019 approximated to their corresponding carrying amounts.

## 25. DEFERRED TAX

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

### DEFERRED TAX ASSETS

| | Lease liabilities RMB'000 | Changes in fair value of IAFV RMB'000 | Provision for bad debts RMB'000 | Losses available for offsetting against future taxable profits RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2019 | 1,652 | – | 36 | 1,629 | 3,317 |
| Deferred tax (charged)/ credited to profit or loss during the year (note 10) | (942) | – | 4,918 | 444 | 4,420 |
| At 31 December 2019 and 1 January 2020 | **710** | **–** | **4,954** | **2,073** | **7,737** |
| Deferred tax (charged)/credited to profit or loss during the year (note 10) | **(468)** | **1,795** | **(2,280)** | **1,174** | **221** |
| At 31 December 2020 | **242** | **1,795** | **2,674** | **3,247** | **7,958** |

## 25. DEFERRED TAX (CONTINUED)

### Deferred tax liabilities

| | Right-of-use assets RMB'000 | Changes in fair value of IAFV RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2019 | 1,652 | 5,076 | 6,728 |
| Deferred tax credited to profit or loss during the year (note 10) | (917) | (2,592) | (3,509) |
| At 31 December 2019 and 1 January 2020 | **735** | **2,484** | **3,219** |
| Deferred tax credited to profit or loss during the year (note 10) | **(496)** | **(2,484)** | **(2,980)** |
| At 31 December 2020 | **239** | **–** | **239** |

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. As at 31 December 2019 and 2020, the Group did not recognise deferred tax assets of approximately RMB1,647,000 and RMB3,278,000 in respect of losses amounting to approximately RMB6,588,000 and RMB13,113,000, respectively, that can be carried forward to offset against future taxable income. These tax losses will expire by and including years 2022, 2023, 2024 and 2025.

For presentation purposes, certain deferred tax assets and liabilities amounting to RMB239,000 have been offset in the statement of financial position as at 31 December 2020 (2019: RMB3,219,000). The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

| | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|
| Net deferred tax assets recognised in the consolidated statement of financial position | **7,719** | 4,518 |

## 26. SHARE CAPITAL

| | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|
| Issued and fully paid: | | |
| 153,340,000 (2019: 153,340,000) ordinary shares | **153,340** | 153,340 |

A summary of movements in the Company's share capital is as follows:

| | Number of shares in issue '000 | Share capital RMB'000 |
|---|---|---|
| At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020 | 153,340 | 153,340 |

## 27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 76 of the financial statements.

### (a) Share premium

Included in share premium are reserves resulting from the amount subscribed for issued capital in excess of nominal value.

### (b) Share-based payment reserve

The share-based payment reserve represents the difference between the fair value and the consideration of the shares granted to senior management and employees in 2018.

### (c) Statutory surplus reserves

Under PRC law, the Company and its domestic subsidiaries are required to transfer 10% of their net profit determined under PRC GAAP to a non-distributable statutory surplus reserve. Appropriations to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital of the respective entities.

### (d) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

## 28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

(1) In August 2020, one of the funds managed by the Group was due and has made a distribution in kind. The Group's account receivables of RMB37,000,000 with expected credit loss of RMB11,150,000 have been settled by distressed assets with a fair value of RMB26,326,507, and RMB476,507 expected credit loss of was reversed accordingly.

In December 2020, the above-mentioned distressed assets have been disposed of to a third party for a consideration of RMB28,000,000, which has been fully settled subsequently in February 2021, disposal gain of RMB1,673,493 has been recognised into profit or loss for the year 2020.

(2) The Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,444,000 (2019: RMB1,721,000) and RMB1,444,000 (2019: RMB1,721,000), respectively, in respect of lease arrangements for buildings.

### (b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

| | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|
| Within operating activities | **318** | 618 |
| Within financing activities | **3,874** | 5,350 |
| | **4,192** | 5,968 |

## 29. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests were set out below:

| | Percentage of equity interest held by non-controlling interests % | Profit/(loss) for the year allocated to non-controlling interests RMB'000 | Accumulated balances of non–controlling interests RMB'000 |
|---|---|---|---|
| **31 December 2020** | | | |
| Qiaofang Investment | **49%** | **2,475** | **837*** |

* As at 31 December 2020, the minority shareholder has not yet fully paid the subscribed registered capital.

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

### QIAOFANG INVESTMENT

| | 2020 RMB'000 |
|---|---|
| Revenue | **7,630** |
| Total expenses | **(2,579)** |
| Profit for the year | **5,051** |
| Total comprehensive income for the year | **5,051** |
| Current assets | **7,661** |
| Non-current assets | **41** |
| Current liabilities | **(2,423)** |
| Net cash flows generated from operating activities | **6,521** |
| Net cash flows generated from financing activities | **(147)** |
| Net increase in cash and cash equivalents | **6,374** |

## 30. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities for the reporting period.

## 31. COMMITMENTS

At the end of the reporting period, the Group did not have any significant commitments.

## 32. RELATED PARTY TRANSACTIONS

### (A) Significant related party transactions

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Advances from related companies: | | |
| Joint ventures | **412** | – |
| Company controlled by a close relative of an executive director | **2** | – |
| Repayment of advances from related companies: | | |
| Joint ventures | **453** | 6,139 |
| Company controlled by a close relative of an executive director | **22** | 2 |
| Advances to related companies: | | |
| Joint ventures | **1** | – |
| Repayment of advances to related a company: | | |
| Company controlled by a close relative of an executive director | **163** | – |
| Construction services provided by companies controlled by a close relative of an executive director | **201** | 206 |
| Services provided by joint ventures and associates | **52,893** | 4,727 |
| Services provided by a company controlled by the ultimate controlling shareholder | **269** | – |
| Fund management service rendered to joint ventures and associates | **10,170** | 10,159 |

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

### (B) Other transactions with related parties

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Guarantee provided by a related party: | | |
| An executive director | **7,000** | 10,000 |

## 32. RELATED PARTY TRANSACTIONS (CONTINUED)

### (C) OUTSTANDING BALANCES WITH RELATED PARTIES

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Due from related companies: | | |
| Trade-related*: | | |
| Joint ventures | – | 1,998 |
| Associates | **22,697** | 15,013 |
| Due from related companies: | | |
| Non trade-related: | | |
| Joint ventures | **1** | 1,002 |
| Company controlled by a close relative of an executive director | – | 163 |

* These amounts are included in trade receivables, refer to note 18.

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Due to related companies: | | |
| Trade-related: | | |
| Joint ventures | **725** | – |
| Associates | **16,694** | – |
| Due to related companies: | | |
| Non trade-related: | | |
| Joint ventures | **2,507** | 2,548 |
| Company controlled by a close relative of an executive director | **8** | 29 |

### (D) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Short term employee benefits | **4,102** | 5,264 |
| Post-employment benefits | **264** | 513 |
| Total compensation paid to key management personnel | **4,366** | 5,777 |

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

## 33. INTERESTS IN STRUCTURED ENTITIES

### A. Interests in consolidated structured entities

For those structured entities where the Group is involved as a manager, investment adviser or general partner, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of those structured entities that are of such significance that indicates that the Group is a principal, in that case the Group will consolidate these certain structured entities.

No structured entity has been consolidated by the Group in the reporting period.

### B. Interests in unconsolidated structured entities

The Group exercised power over the structured entities, mainly limited partnerships, by acting as a manager or general partner during the year. In management's opinion, the variable returns that the Group is exposed to, from these structured entities in which the Group has interests, are not significant. The Group therefore did not consolidate these structured entities.

The Group classified the investments in unconsolidated limited partnerships managed by the Group as investments in associates or joint ventures at fair value through profit or loss. As at 31 December 2020, the carrying amounts of the Group's investments in unconsolidated structured entities were RMB218.8 million (2019: RMB279.4 million). The management fee arising from these unconsolidated structured entities amounted to RMB10.2 million for the years ended 31 December 2020 (2019: RMB10.2 million).

Besides, the Group also acts as a fund manager for some limited partnerships without any investment. As at 31 December 2020, the management fee arising from these unconsolidated limited partnerships amounted to RMB43.8 million (2019: RMB101.5 million).

The carrying amounts of interests in unconsolidated structured entities in the consolidated statement of financial position are approximately equal to the maximum exposure to the loss of interests held by the Group in the unconsolidated structured entities.

As at 31 December 2020, the Group managed funds with a total AUM of approximately RMB4,838.5 million (31 December 2019: RMB4,894.1 million).

## 34. FINANCIAL INSTRUMENTS BY CATEGORY

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

**Financial assets**

| | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|
| **Measured at amortised cost:** | | |
| Trade receivables (note 18) | **89,239** | 76,393 |
| Financial assets included in prepayments, deposits and other receivables (note 19) | **35,448** | 7,373 |
| Loan receivables (note 20) | **6,873** | 9,819 |
| Dividend receivable | **2,931** | 101 |
| Cash and cash equivalents (note 22) | **55,162** | 22,296 |
| | **189,653** | 115,982 |

## 34. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

**Financial liabilities**

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| **Other financial liabilities:** | | |
| Financial liabilities included in other payables and accruals (note 24) | **20,257** | 3,498 |

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

| | Carrying amounts | | Fair values | |
|---|---|---|---|---|
| | **2020 RMB'000** | 2019 RMB'000 | **2020 RMB'000** | 2019 RMB'000 |
| **Financial assets** | | | | |
| Investments in associates or joint ventures at fair value through profit or loss (note 21) | **226,000** | 269,420 | **218,820** | 279,357 |

*31 December 2020*

## 35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020:

| Financial assets | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs and fair value |
|---|---|---|---|---|
| Investments in associates or joint ventures at fair value through profit or loss: | Level 3 | Calculated based on the net asset value of underlying investments | Net asset value of underlying investments | The higher the net asset value of underlying investments, the higher the fair value |
| – *Other real estate projects | Level 3 | Discounted cash flow model | Risk-adjusted discount rates | The lower the risk-adjusted discount rate, the higher the fair value |
| – *Distressed debt assets recoverable | Level 3 | Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level | Expected amounts<br>Expected recovery date<br>Discount rates that correspond to the expected risk level | The higher the expected recoverable amounts, the higher the fair value<br>The earlier the expected recovery date, the higher the fair value<br>The lower the discount rates, the higher the fair value |

* These provide information about how underlying assets invested by the funds are measured at fair value.

The Group's investments in associates or joint ventures at fair value through profit or loss which were classified as financial assets at FVTPL under level 3 hierarchy amounted to RMB218,820,000 as at 31 December 2020 (2019: RMB279,357,000). The significant unobservable input is the net asset value of the underlying investments made by the funds. A 5% increase/decrease in the net asset value of the underlying investments, holding all other variables constant, would increase/decrease the carrying amounts of these investments by RMB10,941,000 as at 31 December 2020 (2019: RMB13,968,000).

## 35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

### FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

**Assets measured at fair value:**

**As at 31 December 2020**

| | **Fair value measurement using** | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1) RMB'000** | **Significant observable inputs (Level 2) RMB'000** | **Significant unobservable inputs (Level 3) RMB'000** | **Total RMB'000** |
| Investments in associates or joint ventures at fair value through profit or loss | **–** | **–** | **218,820** | **218,820** |

**As at 31 December 2019**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | Total RMB'000 |
| Investments in associates or joint ventures at fair value through profit or loss | – | – | 279,357 | 279,357 |

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

Refer to note 21 for the movements in fair value measurements within Level 3 during the years ended 31 December 2019 and 2020.

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

### Credit risk

The carrying amounts of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables and loan receivables represent the Group's maximum exposure to credit risk in relation to its financial assets as at 31 December 2020.

The Group classifies financial instruments on the basis of shared credit risk characteristics, such as instrument types and credit risk ratings, for the purpose of determining significant increases in credit risk and calculation of impairment.

The Group's cash and cash equivalents were deposited in high-credit-quality financial institutions without significant credit risk.

The Group's trade receivables mainly represent regular management fees based on a predetermined fixed percentage of the asset value under management and paid out in the priority of the funds' distributable cash flows, and the directors of the Company are of the opinion that there is no material credit risk inherent in the Group's outstanding balance of trade receivables.

Management makes periodic collective assessments for financial assets included in prepayments, deposits and other receivables and loan receivables as well as individual assessments on the recoverability of other receivables and loan receivables based on historical settlement records and past experience. The Group classified financial assets included in prepayments, deposits and other receivables and loan receivables in Stage 1 and continuously monitored their credit risk. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of financial assets included in prepayments, deposits and other receivables and loan receivables.

**Maximum exposure and year-end staging as at 31 December 2020**

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### CREDIT RISK (CONTINUED)

**As at 31 December 2020**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Simplified approach RMB'000 | Total RMB'000 |
| Trade receivables* | – | – | – | 89,239 | 89,239 |
| Financial assets included in prepayments and other receivables | | | | | |
| — Normal** | 35,448 | – | – | – | 35,448 |
| Loans receivable | | | | | |
| — Not yet past due | 6,873 | – | – | – | 6,873 |
| Cash and cash equivalents | | | | | |
| — Not yet past due | 55,162 | – | – | – | 55,162 |
| | 97,483 | – | – | 89,239 | 186,722 |

**As at 31 December 2019**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Simplified approach RMB'000 | Total RMB'000 |
| Trade receivables* | – | – | – | 76,393 | 76,393 |
| Financial assets included in prepayments and other receivables | | | | | |
| — Normal** | 7,373 | – | – | – | 7,373 |
| Loans receivable | | | | | |
| — Not yet past due | 9,819 | – | – | – | 9,819 |
| Cash and cash equivalents | | | | | |
| — Not yet past due | 22,296 | – | – | – | 22,296 |
| | 39,488 | – | – | 76,393 | 115,881 |

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the expected credit losses is disclosed in note 18 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, convertible bonds, lease liabilities and other interest-bearing loans.

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

| | **On demand RMB'000** | **Less than 3 months RMB'000** | **3 to 12 months RMB'000** | **1 to 5 years RMB'000** | **Total RMB'000** |
|---|---|---|---|---|---|
| **31 December 2020** | | | | | |
| Lease liabilities | **–** | **784** | **353** | **153** | **1,290** |

| | On demand RMB'000 | Less than 3 months RMB'000 | 3 to 12 months RMB'000 | 1 to 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **31 December 2019** | | | | | |
| Lease liabilities | – | 1,113 | 956 | 1,529 | 3,598 |

### Price risk

The Group is exposed to price risk in respect of the investments in associates or joint ventures measured at fair value through profit or loss held by the Group. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case-by-case basis. The sensitivity analysis is performed by management. See note 35 for details.

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2020.

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Capital management (continued)

The Group monitors capital using a gearing ratio, which is total liabilities divided by the total assets. The gearing ratios as at the end of each of the reporting periods were as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| Total liabilities | **37,780** | 34,869 |
| Total assets | **443,582** | 434,826 |
| Gearing ratio | **8.52%** | 8.02% |

## 37. EVENTS AFTER THE REPORTING PERIOD

On 22 March 2021, Hong Kong Realway, a wholly-owned subsidiary of the Company licensed by the Securities and Futures Commission (the "**SFC**") to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities, was notified by the SFC that due to Hong Kong Realway having insufficient number of responsible officers for Type 4 and Type 9 regulated activities, Hong Kong Realway shall not carry on such regulated activities from 16 March 2021 until sufficient number of responsible officers are approved by the SFC as responsible officers of Hong Kong Realway. The Company is actively seeking measures to fulfil the requirement for number of responsible officers for its Type 4 and Type 9 regulated activities.

## 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Property, plant and equipment | **355** | 920 |
| Right-of-use assets | **142** | 628 |
| Other intangible assets | **739** | 766 |
| Investments in subsidiaries | **119,931** | 131,181 |
| Investments in joint ventures | **15,128** | 16,339 |
| Investment in an associate | **6,146** | 8,287 |
| Investments in associates or joint ventures at fair value through profit or loss ("**IAFV**") | **187,186** | 271,919 |
| Deferred tax assets | **3,776** | 2,131 |
| Total non-current assets | **333,403** | 432,171 |
| **CURRENT ASSETS** | | |
| Trade receivables | **22,093** | 45,208 |
| Due from related parties | **–** | 1,165 |
| Prepayments, deposits and other receivables | **42,411** | 9,929 |
| Investments in associates or joint ventures at fair value through profit or loss ("**IAFV**") | **29,736** | – |
| Dividend receivable | **2,931** | 101 |
| Cash and cash equivalents | **9,061** | 7,222 |
| Total current assets | **106,232** | 63,625 |
| **CURRENT LIABILITIES** | | |
| Other payables and accruals | **4,370** | 8,176 |
| Lease liabilities | **145** | 533 |
| Tax payable | **1,591** | 6,125 |
| Total current liabilities | **6,106** | 14,834 |
| **NET CURRENT ASSETS** | **100,126** | 48,791 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **433,529** | 480,962 |
| **NON-CURRENT LIABILITIES** | | |
| Due to related parties | **47,494** | 90,867 |
| Total non-current liabilities | **47,494** | 90,867 |
| **NET ASSETS** | **386,035** | 390,095 |
| **EQUITY** | | |
| **Equity attributable to owners of the parent** | | |
| Share capital | **153,340** | 153,340 |
| Reserves | **232,695** | 236,755 |
| **TOTAL EQUITY** | **386,035** | 390,095 |

## 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

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

| | Share premium RMB'000 | Statutory surplus reserves RMB'000 | Retained profits RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 31 December 2018 and 1 January 2019 | 163,329 | 13,094 | 41,334 | 217,757 |
| Appropriations to statutory surplus reserves | – | 2,900 | (2,900) | – |
| Total comprehensive income for the year | – | – | 28,998 | 28,998 |
| Dividends | – | – | (10,000) | (10,000) |
| At 31 December 2019 and 1 January 2020 | **163,329** | **15,994** | **57,432** | **236,755** |
| Total comprehensive loss for the year | **–** | **–** | **(4,060)** | **(4,060)** |
| At 31 December 2020 | **163,329** | **15,994** | **53,372** | **232,695** |

## 39 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2021.