

XU CHANG CO. LIMITED

(incorporated in the British Virgin Islands with
limited liability)

Report and Consolidated Financial Statements
For the year ended 31 December 2021

XU CHANG CO. LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF XU CHANG CO. LIMITED

(incorporated in the British Virgin Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Xu Chang Co. Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 4 to 34, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

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

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF XU CHANG CO. LIMITED - continued

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements of the Company

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

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

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

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 is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF XU CHANG CO. LIMITED - continued

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 SEP 2022

XU CHANG CO. LIMITEDCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

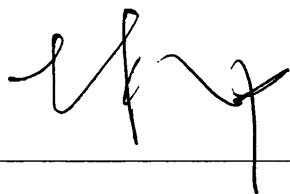
	<u>NOTES</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
Revenue			
- rental income		42,370,865	995,774
Cost of sales		<u>(11,345,303)</u>	<u>(47,552)</u>
Gross profit		31,025,562	948,222
Other income		7,611	782,226
Net exchange gain		2,713,007	6,728,982
Change in fair value of investment properties	8	(40,341,521)	(21,551,765)
Finance costs	5	(38,171,099)	(24,993,359)
Administrative expenses		<u>(15,366,933)</u>	<u>(11,451,557)</u>
Loss before taxation	6	(60,133,373)	(49,537,251)
Income tax credit	7	<u>10,085,380</u>	<u>5,387,941</u>
Loss for the year		(50,047,993)	(44,149,310)
Other comprehensive (expense) income			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		<u>(39,127,144)</u>	<u>141,110,172</u>
(Loss) profit and total comprehensive (expense) income for the year		<u><u>(89,175,137)</u></u>	<u><u>96,960,862</u></u>

XU CHANG CO. LIMITED

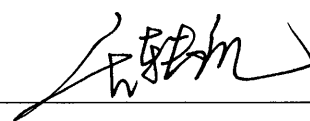
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	<u>NOTES</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
Non-current Assets			
Plant and equipment		22,141	23,905
Investment properties	8	3,128,913,894	3,050,717,703
		<u>3,128,936,035</u>	<u>3,050,741,608</u>
Current Assets			
Other receivables		55,105,216	47,450,800
Bank balances		114,041,947	81,946,805
		<u>169,147,163</u>	<u>129,397,605</u>
Current Liabilities			
Trade and other payables	9	180,083,970	101,710,442
Amounts due to related companies	10	1,029,301,255	1,324,242,977
Bank borrowings - due within one year	11	-	359,480,000
		<u>1,209,385,225</u>	<u>1,785,433,419</u>
Net Current Liabilities		<u>(1,040,238,062)</u>	<u>(1,656,035,814)</u>
Non-current Liabilities			
Amounts due to related companies	10	542,960,000	299,043,062
Bank borrowings - due after one year	11	845,675,264	299,043,062
Deferred taxation	12	205,778,176	213,160,000
		<u>1,594,413,440</u>	<u>811,246,124</u>
		<u>494,284,533</u>	<u>583,459,670</u>
Capital and Reserves			
Share capital	13	16	16
Reserves		494,284,517	583,459,654
Total Equity		<u>494,284,533</u>	<u>583,459,670</u>

The consolidated financial statements on pages 4 to 34 was approved and authorised for issue by the Board of Directors on **30 SEP 2022** and are signed on its behalf by:



DIRECTOR



DIRECTOR

XU CHANG CO. LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital HK\$	Translation reserve HK\$	Retained profits HK\$	Total HK\$
At 1 January 2020	16	(93,002,939)	579,501,731	486,498,808
Exchange differences arising on translation to presentation currency	-	141,110,172	-	141,110,172
Loss for the year	-	-	(44,149,310)	(44,149,310)
At 31 December 2020	16	48,107,233	535,352,421	583,459,670
Exchange differences arising on translation to presentation currency	-	(39,127,144)	-	(39,127,144)
Loss for the year	-	-	(50,047,993)	(50,047,993)
At 31 December 2021	16	8,980,089	485,304,428	494,284,533

XU CHANG CO. LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>2021</u> HK\$	<u>2020</u> HK\$
Operating activities		
Loss before taxation	(60,133,373)	(49,537,251)
Adjustments for:		
Change in fair value of investment properties	40,341,521	21,551,765
Interest income	(3)	(563,233)
Net exchange gain	(2,713,007)	(6,728,982)
Finance costs	38,171,099	24,993,359
Depreciation of plant and equipment	9,088	7,732
Operating cash flows before movements in working capital	15,675,325	(10,276,610)
Increase in other receivables	(7,654,416)	(40,422,491)
Increase in trade and other payables	78,373,528	33,002,311
Net cash from (used in) operations	<u>86,394,437</u>	<u>(17,696,790)</u>
Investing activities		
Repayment from related companies	-	134,907,251
Additions in investment properties	(49,736,681)	(261,095,134)
Purchase of plant and equipment	(6,820)	(6,198)
Interest received	3	563,233
Net cash used in investing activities	<u>(49,743,498)</u>	<u>(125,630,848)</u>
Financing activities		
Advances from related companies	948,414,990	175,493,964
Repayment to related companies	(999,439,774)	(19,000,000)
New bank borrowings raised	1,149,433,701	111,860,596
Repayment of bank borrowings	(1,060,297,928)	(19,000,000)
Interest paid	(38,171,099)	(44,917,016)
Net cash (used in) from financing activities	<u>(60,110)</u>	<u>204,437,544</u>
Net increase in cash and cash equivalents	36,590,829	61,109,906
Cash and cash equivalents at the beginning of the year	81,946,805	15,753,722
Effect of foreign exchange rate changes	(4,495,687)	5,083,177
Cash and cash equivalents at the end of the year, represented by bank balances and cash	<u><u>114,041,947</u></u>	<u><u>81,946,805</u></u>

1. GENERAL AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Xu Chang Co. Limited (the "Company") is a private limited company incorporated in the British Virgin Islands. Its immediate holding company is Xu Sheng Limited ("Xu Sheng") and its ultimate holding company is CIFI Holdings (Group) Co. Ltd.. The address of the registered office and principal place of business of the Company is 22/F., One Hennessy, No. 1 Hennessy Road, Wan Chai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollar ("HK\$"), while the functional currency of the Company is Renminbi ("RMB").

Pursuant to the joint venture agreement entered into between Xu Sheng and Vantage Leader on 7 September 2017, the principal activity of the Company is investment holding. The principal activities of its subsidiaries are investment holding and property development. Details of the subsidiaries are set out in note 14.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group had applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 ²

¹ Effective for annual periods beginning on or after 1 April 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 Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared on a going concern basis as CIFI Holdings (Group) Co. Ltd. ("CIFI") has agreed to provide adequate funds for the Company to meet in full its financial obligations as they fall due in the foreseeable future.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance.

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

3.1 *Basis of preparation of consolidated financial statements* - continued

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16 "Lease" ("HKFRS 16").

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

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

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

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

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

3.2 *Significant accounting policies*

Basis of consolidation

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

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

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

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

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

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

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

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

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

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

3.2 *Significant accounting policies* - continued

Property, plant and equipment

Property, plant and equipment for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Impairment on property, plant and equipment

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Leases

Definition of a lease

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

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

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

3.2 *Significant accounting policies* - continued

Leases - continued

The Group as a lessor

Classification and measurement of leases

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which is derived from the Group's ordinary course of business is presented as revenue.

Refundable rental deposits

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

Lease modification

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

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

Borrowing costs

Borrowing costs directly attributable to the construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

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

3.2 *Significant accounting policies* - continued

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rates of exchange prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (translation reserve).

Taxation

Hong Kong Profits Tax is provided for, using the enacted rate at the end of the reporting period, on the estimated assessable profits less available tax relief for losses brought forward. Tax outside Hong Kong is provided for, using the local enacted rates at the end of the reporting period, on the estimated assessable profits of the individual company concerned.

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

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

Deferred taxation is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred taxation liabilities are generally recognised for all taxable temporary differences. Deferred taxation assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred taxation assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit for the accounting profit.

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

3.2 *Significant accounting policies* - continued

Taxation - continued

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

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

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

The measurement of deferred taxation liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred taxation are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred taxation are also recognised in other comprehensive income or directly in equity respectively.

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

3.2 *Significant accounting policies* - continued

Financial instruments - continued

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

3.2 *Significant accounting policies* - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including other receivables and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

(i) Significant increase in credit risk

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

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

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

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

3.2 *Significant accounting policies* - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

(i) Significant increase in credit risk - continued

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

Despite the foregoing, the Group assumes that the credit risk on the Group's financial assets has not increased significantly since initial recognition if the financial assets are determined to have low credit risk at the end of the reporting period. A financial asset is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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

(ii) Definition of default

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

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

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

3.2 *Significant accounting policies* - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

3.2 *Significant accounting policies* - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

(v) Measurement and recognition of ECL - continued

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset to another entity.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

3.2 *Significant accounting policies* - continued

Financial instruments - continued

Financial liabilities and equity - continued

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amounts due to related companies and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying accounting policies

Deferred taxation on investment properties

Deferred taxation liabilities of HK\$205,778,176 (2020: HK\$213,160,000) related to fair value change of investment properties have been recognised at 31 December 2021 as set out in note 12.

For the purposes of measuring deferred taxation liabilities or deferred taxation assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption set out in HKAS 12 "Income Taxes" that investment properties measured using the fair value model are recovered through sale is rebutted.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION
UNCERTAINTY - continued

Key sources of estimation uncertainty

The following are 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.

Valuation of investment properties

Investment properties of HK\$3,128,913,894 (2020: HK\$3,050,717,703) are stated at fair value based on the valuations performed by an independent qualified professional valuer. In determining the fair values, the valuer has based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

5. FINANCE COSTS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Interest on bank borrowings	24,751,458	23,978,508
Interest on amounts due to related companies	13,419,641	23,978,508
Less: amounts capitalised to investment properties	-	(22,963,657)
	<u>38,171,099</u>	<u>24,993,359</u>

Finance costs capitalised to investment properties under construction were determined by the contracted interest rates of respective amounts due to related companies and bank borrowings as disclosed in notes 10 and 11 respectively.

6. LOSS BEFORE TAXATION

	<u>2021</u> HK\$	<u>2020</u> HK\$
Loss before taxation has been arrived at after charging (crediting):		
Depreciation of plant and equipment	9,088	7,732
Auditor's remuneration	130,000	130,000
Directors' remuneration	-	-
	<u> </u>	<u> </u>

No directors received any fees or emoluments in respect of their services rendered to the Company for both years.

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7. INCOME TAX CREDIT

Under the Law of Enterprise Income Tax and Implementation Rules of the People's Republic of China (the "PRC") from 1 January 2008 onwards, the statutory tax rate of the Company's PRC subsidiary is 25%.

The amount represents the deferred tax credit of HK\$10,085,380 (2020: HK\$5,387,941) (note 12) for the year.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit for both years.

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

	<u>2021</u> HK\$	<u>2020</u> HK\$
Loss before taxation	(60,133,373)	(49,537,251)
PRC Enterprise Income Tax at 25% (2020: 25%)	(15,033,343)	(12,384,313)
Tax effect of income not taxable for tax purpose	(678,252)	(1,823,053)
Tax effect of expenses not deductible for tax purpose	3,219,834	7,676,403
Tax effect of tax losses not recognised	2,406,381	1,143,022
Income tax credit for the year	(10,085,380)	(5,387,941)

8. INVESTMENT PROPERTIES

The investment properties of the Group represented office and commercial units located in the PRC, which leases out under operating leases with rentals payable monthly. The leases typically run for an initial period of one to five years.

	<u>Investment properties under construction</u> HK\$	<u>Completed investment properties</u> HK\$	<u>Total</u> HK\$
At 1 January 2020	2,590,162,101	-	2,590,162,101
Additions	284,058,791	-	284,058,791
Decrease in fair value	(21,551,765)	-	(21,551,765)
Exchange realignment	198,048,576	-	198,048,576
Transfer upon completion	(3,050,717,703)	3,050,717,703	-
At 31 December 2020	-	3,050,717,703	3,050,717,703
Additions	-	49,736,681	49,736,681
Decrease in fair value	-	(40,341,521)	(40,341,521)
Exchange realignment	-	68,801,031	68,801,031
At 31 December 2021	-	3,128,913,894	3,128,913,894

8. INVESTMENT PROPERTIES - continued

The investment properties are all situated in the PRC. All of the Group's leasehold property interests held to earn rentals or for capital appreciation purposes are measured using the fair value model.

The fair values of the Group's investment properties at 31 December 2021 and 2020 have been arrived at on the basis of valuations on those dates carried out by Savills Valuation and Professional Services Limited, an independent qualified professional valuer which is not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuations of completed investment properties are based on income method by capitalising the net rental income derived from the existing tenancies with due allowance for reversionary income potential of the respective properties on completed investment properties.

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

The following table gives information about how the fair values of the investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment property held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique	Significant unobservable input	Relationship of unobservable inputs to fair value
Completed investment property - Xintiandi project	Level 3	Income method (term and reversionary approach)	Reversionary yield per annum, taking into account annual unit market rental income and unit market value of the comparable properties of 4.0%-5.0% (2020: 4.0%-5.0%).	An increase in the reversionary yield per annum would result in a decrease in fair value and vice versa.

There were no transfers into or out of Level 3 during the year.

9. TRADE AND OTHER PAYABLES

	<u>2021</u> HK\$	<u>2020</u> HK\$
Trade payables	144,372,387	83,600,358
Other payables and accrued charges	35,711,583	18,110,084
	<u>180,083,970</u>	<u>101,710,442</u>

Trade payables and accrued expenditure on construction comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group.

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9. TRADE AND OTHER PAYABLES - continued

The average credit period of trade payables is 180 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The following is an aged analysis of trade payables, based on the invoice date, at the end of the reporting period:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Within 60 days	10,103,280	2,997,006
61 - 180 days	47,300,529	63,053,856
181 - 365 days	86,968,578	17,549,496
	<u>144,372,387</u>	<u>83,600,358</u>

Other payables and accrued charges mainly represent accrued auditors' remuneration and rental deposits received from lessee.

10. AMOUNTS DUE TO RELATED COMPANIES

<u>Name of related companies</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
Included in current liabilities:		
- CIFI (Note a)	311,865,221	482,439,392
- Henderson China Properties Limited (Note b)	311,981,044	482,323,585
- Hong Kong Concrete Precasting Product Company Limited ("HK Concrete") (Note c and d)	-	359,480,000
- 旭輝集團股份有限公司 (Note e)	202,727,495	-
- 上海恒成置業發展有限公司 (Note c and f)	51,369,863	-
- 北京恒華物業管理有限公司 (Note c and f)	151,357,632	-
	<u>1,029,301,255</u>	<u>1,324,242,977</u>
Included in non-current liabilities:		
- 宜興恒東房地產開發有限公司 ("宜興恒東") (Note c and g)	-	299,043,062
- Henderson Real Estate Agency Limited ("HREAL") (Note h)	542,960,000	-
	<u>542,960,000</u>	<u>299,043,062</u>
	<u>1,572,261,255</u>	<u>1,623,286,039</u>

Notes:

- (a) The related company is the ultimate holding company of Xu Sheng. The balance is denominated in Hong Kong Dollar and Singapore Dollar, unsecured, interest-free and repayable on demand.
- (b) The related company is the intermediate holding company of Vantage Leader. The balance is denominated in Hong Kong Dollar and Singapore Dollar, unsecured, interest-free and repayable on demand.

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10. AMOUNTS DUE TO RELATED COMPANIES - continued

Notes: - continued

- (c) The related company is a fellow subsidiary of Vantage Leader. The related company has the same shareholder and certain common directors as Vantage Leader.
- (d) The balance was denominated in HK\$, bore interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.25% per annum and early repaid in 2021.
- The balance was pledged by a charge over shares in respect of the Group's 100% equity interest in 永悅(上海)房地產開發有限公司 ("永悅"), Winnamax Investment Pte. Ltd. ("Winnamax") and Winmine Investment Pte. Ltd. ("Winmine"), being subsidiaries of the Company as detailed in note 14, to secure loans granted to the Group. The pledge was subsequently released upon repayment of loan in 2021.
- (e) The related company is a subsidiary of Xu Sheng. The balance is unsecured, interest-free and repayable on demand.
- (f) The balance is unsecured, interest-free and repayable on demand.
- (g) The balance was denominated in RMB, bore fixed interest of 5.225% per annum and early repaid in 2021.
- (h) The related company is a fellow subsidiary of Vantage Leader. The balance is denominated in HK\$, bears interest at HIBOR plus 2.25% per annum.

11. BANK BORROWINGS

	<u>2021</u> HK\$	<u>2020</u> HK\$
The carrying amount of the borrowings is repayable:		
Within one year	-	359,480,000
Within a period of more than one years but not exceeding two years	-	-
Within a period of more than two years but not exceeding five years	845,675,264	299,043,062
	<u>845,675,264</u>	<u>658,523,062</u>
Less: Amounts due within one year shown under current liabilities	-	(359,480,000)
Amounts due after one year	<u>845,675,264</u>	<u>299,043,062</u>
	<u>2021</u> HK\$	<u>2020</u> HK\$
Analysis of bank borrowings by currency:		
Denominated in HK\$ (Note a)	542,960,000	359,480,000
Denominated in RMB (Note b)	302,715,264	299,043,062
	<u>845,675,264</u>	<u>658,523,062</u>

11. BANK BORROWINGS - continued

Notes:

- (a) The bank borrowing bears interest at HIBOR plus 2.25% per annum and is repayable in 2026.

The banking facility available to the Group amounted to HK\$1,100,000,000 (Tranche A: HK\$550,000,000 was provided by Hongkong and Shanghai Banking Corporation Limited and Tranche B Lender: HK\$550,000,000 was provided by HREAL), which was utilised to the extent of HK\$1,100,000,000 at 31 December 2021. The carrying amount is net of 1.6% arrangement fee of the principal and is amortised over the loan period.

The Group has pledged a charge over shares in respect of the Group's 100% equity interest in Winnamax and Winmine to the bank to secure general banking facility granted to the Group. CIFI provides unconditional and irrevocable corporate guarantee for the facility.

In 2020, the bank borrowing bears interest at HIBOR plus 2.25% per annum. The remaining 95% of the principal, HK\$361,000,000 was repaid in 2021.

The Group has pledged a charge over shares in respect of the Group's 100% equity interest in 永悅, Winnamax and Winmine to the bank to secure general banking facility granted to the Group.

The banking facility available to the Group amounted to HK\$361,000,000, which was utilised to the extent of HK\$361,000,000 at 31 December 2020. The carrying amount is net of 1.6% arrangement fee of the principal and is amortised over the loan period.

- (b) At the end of the reporting period, the bank borrowing is interest-bearing at five-year Loan Prime Rate (the LPR) published by the People's Bank of China plus 33.75bps per annum and is repayable in 2026. The banking facility available to the Group amounted to RMB350,000,000, which was utilised to the extent of RMB247,500,000 at 31 December 2021. CIFI provides unconditional guarantee covering any and all obligations under the facility.

In 2020, the bank borrowing bore fixed interest of 5.225% per annum and was early repaid in 2021.

12. DEFERRED TAXATION

The major deferred tax liabilities recognised by the Group and movements during the year are as follows:

	Fair value of investment properties HK\$
At 1 January 2020	204,017,676
Credited to profit or loss	(5,387,941)
Exchange realignment	14,530,265
As at 31 December 2020	213,160,000
Credited to profit or loss	(10,085,380)
Exchange realignment	2,703,556
As at 31 December 2021	205,778,176

12. DEFERRED TAXATION - continued

At 31 December 2021, the Group had unused tax losses of approximately HK\$21,856,000 (2020: HK\$12,230,000) available to offset against future profits. No deferred taxation asset has been recognised in respect such losses due to the unpredictability of future profit streams.

13. SHARE CAPITAL

	<u>2021 & 2020</u>
Authorised: 50,000 shares of US\$1	<u>US\$50,000</u>
Issued and fully paid: 2 shares of US\$1	<u>US\$2</u>
Shown in the consolidated financial statements as	<u>HK\$16</u>

14. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 31 December 2021 and 2020 are as follows:

<u>Name of subsidiary</u>	<u>Place of establishment</u>	<u>Equity interest attributable to the Company</u>		<u>Issued and fully paid registered capital</u>	<u>Place of operation</u>	<u>Principal activity</u>
		<u>Directly</u> %	<u>Indirectly</u> %			
Winnamax	Singapore	100	-	Registered and paid up capital US\$2	Singapore	Investment holding
Winmine	Singapore	-	100	Registered and paid up capital US\$2	Singapore	Investment holding
永悅	PRC	-	100	Registered and paid up capital RMB1,230 million	PRC	Property development

15. RELATED PARTY DISCLOSURES

During the year, other than those disclosed in other notes, the Group entered into the following significant transactions with related parties:

<u>Related party</u>	<u>Nature of transaction</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
HK Concrete	Interest expense	10,845,853	12,496,679
宜興恒東	Interest expense	2,010,961	11,481,828
HREAL	Interest expense	562,827	-

Details of amounts due to related companies are set out in the consolidated statement of financial position and note 10.

16. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt which includes amounts due to related companies, bank borrowings and equity of the Company, comprising issued share capital and retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

17. FINANCIAL INSTRUMENTS

a. Category of financial instruments

	<u>2021</u> HK\$	<u>2020</u> HK\$
Financial assets		
Financial assets at amortised cost	169,147,163	129,397,605
Financial liabilities		
At amortised cost	2,589,952,812	2,383,389,543

b. Financial risk management objectives and policies

The Group's major financial instruments include bank balances, other receivables, trade and other payables, bank borrowings and amounts due to related companies. Details of the financial instruments are disclosed in respective notes. The risks associated with the financial instruments and the policy on how to mitigate the risks are set out below. The management manages and monitors the exposure to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose primarily to the market risks of changes in interest rates and foreign currency exchange rates.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk over the period.

17. FINANCIAL INSTRUMENTS - continued

b. Financial risk management objectives and policies - continued

Market risk - continued

Interest rate risk management

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances, bank borrowings and amounts due to related companies which carry at variable rates based on the interest rates quoted by the People's Bank of China plus a margin and HIBOR plus a margin, respectively.

The Group is also exposed to fair value interest rate risk for fixed rate bank borrowings and amounts due to related companies.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analyses

The sensitivity analyses below have been prepared based on the exposure to interest rates for non-derivative instruments (bank balances, bank borrowings and amounts due to related companies). The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease for bank balances, bank borrowings and amounts due to related companies are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the possible change in interest rate in respect of bank deposits, bank borrowings and amounts due to related companies.

At the end of the reporting period, if interest rates had been increased/decreased by 50 basis points in respect of bank balances, amounts due to related companies and bank borrowings and all other variables were held constant, the Group's loss after taxation would increase/decrease by approximately HK\$6,373,000 (2020: HK\$3,185,000).

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Bank balances comprise cash held by the Group and demand deposits with an original maturity of three months or less.

17. FINANCIAL INSTRUMENTS - continued

b. Financial risk management objectives and policies

Market risk - continued

Foreign currency risk management - continued

At the end of the reporting period, the Group had bank balances, bank borrowings and amounts due to related companies denominated in foreign currencies which expose the Group to foreign currency risk. The carrying amounts of the Group's foreign currency denominated monetary assets (liabilities) at the end of the reporting period are as follows:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Hong Kong Dollars	(367,967,906)	(718,957,695)
Singapore Dollars	<u>(798,805,154)</u>	<u>(964,758,882)</u>

Sensitivity analyses

The following table details the Group's sensitivity to a 5% (2020: 5%) increase or decrease in Renminbi against the relevant foreign currencies. 5% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis covers only outstanding foreign currency-denominated monetary items and adjusts their translation at the end of the reporting period in response to 5% (2020: 5%) changes in the exchange rate between Renminbi and the relevant foreign currencies. A positive number below indicates an increase in profit or a decrease in loss where Renminbi strengthens by 5% (2020: 5%) against the relevant foreign currencies. For a 5% (2020: 5%) weakening of Renminbi against the relevant foreign currencies, there would be an equal and opposite impact on the profit or loss and the balances below would be negative.

	<u>2021</u> HK\$	<u>2020</u> HK\$
Hong Kong Dollars	18,398,395	35,947,884
Singapore Dollars	<u>39,940,258</u>	<u>48,237,944</u>

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

17. FINANCIAL INSTRUMENTS - continued

b. Financial risk management objectives and policies

Credit risk

As at 31 December 2021 and 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of other receivables are managed through an internal process. The credit quality of counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. In addition, the Group performs impairment assessment under ECL model on the outstanding balances. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other receivables, the Group measures the loss allowance at 12m ECL. The directors of the Company consider the counterparty with good credit worthiness based on its past repayment history and subsequent settlement. In the opinion of the directors of the Company, the risk of default by the counterparties is not significant and the Group assessed that the ECL on these balances are insignificant and thus no loss allowance provision was recognised for the year ended 31 December 2021 and 2020.

For bank balances, the Company measures the loss allowance at 12m ECL. The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC.

Liquidity risk

The Group is exposed to liquidity risk as the Group had net current liabilities.

The directors of the Company consider that the Group is able to mitigate the risk as CIFI has agreed to provide adequate funds to enable the Group to meet in full its obligations as they fall due in the foreseeable future.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

17. FINANCIAL INSTRUMENTS - continued

b. Financial risk management objectives and policies - continued

Liquidity risk - continued

	Weighted average <u>interest rate</u> %	On demand or less than <u>1 year</u> HK\$	<u>1 - 5</u> <u>years</u> HK\$	Total undiscounted <u>cash flows</u> HK\$	Total carrying <u>amounts</u> HK\$
<u>2021</u>					
Trade and other payables	-	172,016,293	-	172,016,293	172,016,293
Amounts due to related companies					
- interest bearing	2.35	-	609,827,593	609,827,593	542,960,000
- non-interest bearing	-	1,029,301,255	-	1,029,301,255	1,029,301,255
Bank borrowings	3.29	-	995,947,588	995,947,588	845,675,264
		<u>1,201,317,548</u>	<u>1,605,775,181</u>	<u>2,807,092,729</u>	<u>2,589,952,812</u>
<u>2020</u>					
Trade and other payables	-	101,580,442	-	101,580,442	101,580,442
Amounts due to related companies					
- interest bearing	4.13	359,480,000	331,109,468	690,589,468	658,523,062
- non-interest bearing	-	964,762,977	-	964,762,977	964,762,977
Bank borrowings	4.36	359,480,000	331,109,468	690,589,468	658,523,062
		<u>1,785,303,419</u>	<u>662,218,936</u>	<u>2,447,522,355</u>	<u>2,383,389,543</u>

c. Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their corresponding fair values.

18. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amounts due to related <u>companies</u> HK\$	Bank <u>borrowings</u> HK\$
At 1 January 2020	1,446,340,036	545,210,419
Advances from related companies	175,493,964	-
Repayment to related companies	(19,000,000)	-
New bank borrowing raised	-	111,860,596
Repayment of bank borrowings	-	(19,000,000)
Interest expenses	23,978,508	23,978,508
Interest paid	(22,458,508)	(22,458,508)
Foreign exchange translation	18,932,039	18,932,047
	<hr/>	<hr/>
At 31 December 2020	1,623,286,039	658,523,062
Advances from related companies	948,414,990	-
Repayment to related companies	(999,439,774)	-
New bank borrowing raised	-	1,149,433,701
Repayment of bank borrowings	-	(1,060,297,928)
Interest expenses	13,419,641	24,751,458
Interest paid	(19,085,550)	(19,085,549)
Foreign exchange translation	5,665,909	92,350,520
	<hr/>	<hr/>
At 31 December 2021	<u>1,572,261,255</u>	<u>845,675,264</u>