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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)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Shanghai Realway Capital Assets Management Co., Ltd. (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” or “**our**”) for the year ended 31 December 2020 (the “**Year**”), together with comparative figures for the year ended 31 December 2019.

### **HIGHLIGHTS**

- The Group recognised revenue of approximately RMB69.1 million for the Year, representing a year-on-year decrease of approximately 44.8% as compared to the revenue of approximately RMB125.2 million recognised in the previous year.
- The Group recognised a net profit of approximately RMB7.8 million during the Year, representing an increase of approximately 14.6% as compared to the corresponding period last year.
- The Group’s earnings per Share for the Year was approximately RMB2.89 cents.
- The Board does not recommend the distribution of final dividend for the Year.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***Year ended 31 December 2020*

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,076</b>	2,395
Right-of-use assets		<b>954</b>	3,342
Other intangible assets		<b>739</b>	766
Investments in joint ventures		<b>15,128</b>	16,339
Investment in an associate		<b>6,146</b>	8,287
Investments in associates or joint ventures at fair value through profit or loss (“IAFV”)	<i>11</i>	<b>189,084</b>	274,161
Deferred tax assets		<b>7,719</b>	4,518
Total non-current assets		<b>220,846</b>	309,808
<b>CURRENT ASSETS</b>			
Trade receivables	<i>9</i>	<b>89,239</b>	76,393
Prepayments, deposits and other receivables	<i>10</i>	<b>38,795</b>	11,213
Loan receivables		<b>6,873</b>	9,819
Investments in associates or joint venture at fair value through profit or loss (“IAFV”)	<i>11</i>	<b>29,736</b>	5,196
Dividend receivable		<b>2,931</b>	101
Cash and cash equivalents		<b>55,162</b>	22,296
Total current assets		<b>222,736</b>	125,018
<b>CURRENT LIABILITIES</b>			
Trade payables		<b>300</b>	–
Other payables and accruals	<i>12</i>	<b>30,691</b>	14,097
Advances from funds managed		<b>668</b>	3,791
Lease liabilities		<b>830</b>	2,057
Tax payable		<b>5,154</b>	13,729
Total current liabilities		<b>37,643</b>	33,674
<b>NET CURRENT ASSETS</b>		<b>185,093</b>	91,344
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>405,939</b>	401,152

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***31 December 2020*

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<u>137</u>	<u>1,195</u>
Total non-current liabilities		<u>137</u>	<u>1,195</u>
<b>NET ASSETS</b>		<u><b>405,802</b></u>	<u>399,957</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		<b>153,340</b>	153,340
Reserves		<u>249,683</u>	<u>245,425</u>
		<u><b>403,023</b></u>	<u>398,765</u>
<b>Non-controlling interests</b>		<u>2,779</u>	<u>1,192</u>
<b>TOTAL EQUITY</b>		<u><b>405,802</b></u>	<u>399,957</u>

## NOTES TO FINANCIAL STATEMENTS

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.

### 2. 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.

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

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.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (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.
- (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.

#### 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).

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Customer A	<u>NA</u>	<u>24,057</u>

#### 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers	<u>69,074</u>	<u>125,234</u>

##### Revenue from contracts with customers

Disaggregated revenue information

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

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

An analysis of other income and gains is as follows:

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

## 6. 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%.

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Current income tax charge for the year — Mainland China	<b>4,157</b>	13,011
Deferred tax	<b>(3,201)</b>	(7,929)
Total tax charge for the year	<b>956</b>	5,082

## 6. 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:

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

Tax payable in the consolidated statement of financial position represents:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
PRC corporate income tax payable	<u><b>5,154</b></u>	<u>13,729</u>

## 7. DIVIDENDS

The final dividends of RMB0.0652 per share of the Company (“**Share**”) totalling RMB10,000,000 for the year of 2018 have been approved by the Company’s shareholders (“**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).

## 8. 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:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per Share calculation	<u>4,426</u>	<u>9,451</u>
	<b>Number of shares</b>	
	<b>2020</b>	2019
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per Share calculation	<u>153,340,000</u>	<u>153,340,000</u>

## 9. TRADE RECEIVABLES

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	<b>99,901</b>	96,161
Impairment	<u>(10,662)</u>	<u>(19,768)</u>
	<u><b>89,239</b></u>	<u>76,393</u>

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.

## 9. TRADE RECEIVABLES (CONTINUED)

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:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year	<b>44,893</b>	64,604
1 to 2 years	<b>34,233</b>	11,786
Over 2 years	<b>10,113</b>	3
Total	<b>89,239</b>	76,393

The movements in the loss allowance for impairment of trade receivables for the year ended 31 December 2020 are as follows:

	<b>Individually impaired</b> <i>RMB'000</i>	<b>Collectively impaired</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At beginning of the year	19,330	438	19,768
Impairment losses	378	1,666	2,044
Amount reversed	(477)	–	(477)
Amount transferred by settling	(10,673)	–	(10,673)
At end of the year	<b>8,558</b>	<b>2,104</b>	<b>10,662</b>

The change in the loss allowance mainly consists of the decrease of the amount transferred by settling the balances of trade receivables.

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.

## 9. TRADE RECEIVABLES (CONTINUED)

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			Total
	Less than 1 year	1 to 2 years	Over 2 years	
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			Total
	Less than 1 year	1 to 2 years	Over 2 years	
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

## 10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
A receivable related to the disposal of distressed assets	28,000	–
Prepayments	3,347	3,677
Deposits	1,861	2,242
Due from related parties	1	1,165
Other receivables	5,586	4,129
	<u>38,795</u>	<u>11,213</u>

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.

## 11. INVESTMENTS IN ASSOCIATES OR JOINT VENTURES AT FAIR VALUE THROUGH PROFIT OR LOSS (“IAFV”)

	2020 RMB'000	2019 RMB'000
Unlisted investments in associates or joint ventures, at fair value	<u>218,820</u>	<u>279,357</u>

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.

## 11. 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:

	<b>Cost</b> <i>RMB'000</i>	<b>Increase/ (decrease) in fair value of IAFV</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
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)
	<u>269,420</u>	<u>9,937</u>	<u>279,357</u>
At 31 December 2019	<u>269,420</u>	<u>9,937</u>	<u>279,357</u>
Comprising:			
Current portion	5,000	196	5,196
Non-current portion	264,420	9,741	274,161
	<u>269,420</u>	<u>9,937</u>	<u>279,357</u>
At 1 January 2020	269,420	9,937	279,357
Movements	–	(17,117)	(17,117)
Exit and/or realisation	(43,420)	–	(43,420)
	<u>226,000</u>	<u>(7,180)</u>	<u>218,820</u>
At 31 December 2020	<u>226,000</u>	<u>(7,180)</u>	<u>218,820</u>
Comprising:			
Current portion	28,000	1,736	29,736
Non-current portion	198,000	(8,916)	189,084
	<u>226,000</u>	<u>(7,180)</u>	<u>218,820</u>

## 12. OTHER PAYABLES AND ACCRUALS

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Payroll and welfare payable	<b>4,903</b>	5,985
Taxes and surcharges	<b>3,890</b>	2,930
Accruals	<b>1,641</b>	1,684
Due to related parties	<b>19,934</b>	2,577
Others	<b>323</b>	921
	<u><b>30,691</b></u>	<u>14,097</u>

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

In 2020, the global outbreak of coronavirus disease (COVID-19) pandemic (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)
<b>Total</b>	<b>25</b>	<b>4,838.5</b>	<b>23</b>	<b>4,894.1</b>

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 Urbanisation and redevelopment projects	7	2,067.0	43.2%	6	1,666.3	34.6%
Distressed assets projects	6	1,782.9	37.2%	5	1,187.7	24.6%
	4	936.4	19.6%	3	1,965.3	40.8%
<b>Total</b>	<b>17</b>	<b>4,786.3</b>	<b>100.0%</b>	<b>14</b>	<b>4,819.3</b>	<b>100.0%</b>

*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 Main Board of The Stock Exchange of Hong Kong Limited (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 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 (%)
<b>Project Funds</b>				
— 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%
<b>Sub-total</b>	<u>55,830</u>	<u>113,765</u>	<u>(57,935)</u>	<u>(50.9%)</u>
<b>FOFs</b>				
— regular management fees	11,172	11,065	107	1.0%
— performance fees	—	—	—	—
— one-off fund establishment fees	—	—	—	—
<b>Sub-total</b>	<u>11,172</u>	<u>11,065</u>	<u>107</u>	<u>1.0%</u>
Advisory fees	2,447	943	1,504	159.5%
Less: sales-related taxes	(375)	(539)	164	(30.4%)
<b>Total</b>	<u><u>69,074</u></u>	<u><u>125,234</u></u>	<u><u>(56,160)</u></u>	<u><u>(44.8%)</u></u>

## 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 (嵯泗項目), 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			Rate of
	2020	2019	Change	change
	<i>(RMB'000, except percentages)</i>			
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%)
<b>Total</b>	<b>21,211</b>	<b>5,127</b>	<b>16,084</b>	<b>313.7%</b>

## **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\* (深圳新喬園項目), 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 and better adapted to marketing our fund products to their investors, 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 <i>(Note 1)</i>	Distressed assets projects	100,000	50.0%	8,518	97,449	22.0%	(2,551)	106,038	Internal resources
2 FOF IX <i>(Note 2)</i>	Commercial real estate projects	48,000	8.0%	-	40,739	9.2%	(7,261)	46,899	Proceeds from the Share Offer
3 FOF III <i>(Note 3)</i>	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 <i>(Note 4)</i>	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 <i>(Note 5)</i>	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)* (寧波梅山保稅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
		<u>226,000</u>		<u>17,526</u>	<u>218,820</u>		<u>(7,180)</u>	<u>279,357</u>	

### Notes:

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

### **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.

Given the arbitration has commenced and is pending judgement, it is not possible to determine its impact on the investment gain or loss to be realised by the Company at this stage. Currently the businesses of the Group are in normal operation. Shanghai Ruixiang, the fund manager, has frozen the bank account and part of the property of Hai Shi Urban Renew through judicial preservation procedures, and the Company will take all appropriate steps to safeguard its rights and interests.

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 announcement, the Group did not hold any significant investments during the Year.

## 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 announcement). 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 announcement, 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.

## CORPORATE GOVERNANCE PRACTICES

It is always one of the Group’s top priorities to adhere to and comply with the generally accepted standards laid down by the principles and practices of corporate governance. The Board believes that good corporate governance is one of the factors leading to the Company’s success and balancing the interests among our Shareholders, clients and employees and is committed to its ongoing efforts to enhance the efficiency and effectiveness of such principles and practices. For the Year, the Company had adopted and complied with the code provisions (the “**Code Provision(s)**”) set out in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Listing Rules, save and except for the deviation from Code Provision A.2.1 of the CG Code.

Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the Year, the roles of chairman and chief executive officer of the Company were performed by Mr. Zhu Ping.

As Mr. Zhu Ping now serves as both the Chairman and the Chief Executive Officer, 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 Ping 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 Ping’s familiarity with every aspect of the Group’s operations owing to his capacity as the Group’s principal founder and heavy involvement 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 check and balance for the protection of the interests of the Group and its Shareholders.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

The Company has adopted a code for securities transactions by Directors and a code for securities transactions by supervisors of the Company (the “**Supervisors**”) as its own codes of conduct governing Directors’ and Supervisors’ dealings in the Company’s securities (the “**Securities Dealing Code**”) on terms no less exacting than the standards required by the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and Supervisors and they have confirmed that they have complied with the relevant Securities Dealing Code throughout the Year.

The Company has also established written guidelines (the “**Employees Written Guidelines**”) for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Group which are on terms no less exacting than the Model Code. No incident of non-compliance with the Employees Written Guidelines by our employees was noted by the Company during the Year.

## **SHARE OPTION SCHEME**

As at 31 December 2020, the Company has no share option scheme in place.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

## **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 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 Min 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.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company (the “AGM”) will be held on Friday, 28 May 2021. Shareholders should refer to the circular of the Company, the notice of AGM and the enclosed form of proxy to be dispatched by the Company for details regarding the AGM.

## **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 will be registered. In order to be eligible to attend and vote at the AGM, all transfers of Shares of the Company, 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 Area, Shanghai (for domestic Shareholders), no later than 4:30 p.m. on Tuesday, 27 April 2021 for registration.

## **COMPETING INTERESTS**

The Directors are not aware of any business or interest of the Directors or the controlling shareholder of the Company or any of their respective close associates (as defined under the Listing Rules) that compete or may compete with the business of the Group, or any other conflicts of interest which any such person has or may have with the Group during the Year.

## **SCOPE OF WORK OF AUDITOR**

The figures in respect of our consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been verified by Ernst & Young (“EY”), our auditor, against the amounts set out in our preliminary consolidated financial statements for the Year. The work performed by EY in this respect does not constitute any assurance engagement in accordance with the Hong Kong Standards on Auditing, the Hong Kong Standards on Review Engagements or the Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the preliminary announcement.

## AUDIT COMMITTEE

In order to comply with the Listing Rules, the Board has established an audit committee which comprises three independent non-executive Directors. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed the audit, internal control and financial reporting matters including a review of the annual results of the Group for the Year.

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.realwaycapital.com](http://www.realwaycapital.com)). The annual report for the Year, containing all information required under the Listing Rules, will be dispatched to Shareholders and posted on the websites of the Stock Exchange and the Company in due course.

By order of the Board  
**Shanghai Realway Capital Assets Management Co., Ltd.**  
**Mr. Zhu Ping**  
*Chairman, Chief Executive Officer and Executive Director*

Shanghai, the PRC, 30 March 2021

*As at the date of this announcement, the Board of the Company comprises Mr. Zhu Ping, Mr. Duan Kejian and Ms. Chen Min as executive Directors; Mr. Wang Xuyang and Mr. Cheng Jun as non-executive Directors; and Ms. Yang Huifang, Mr. Shang Jian and Mr. Liu Yunsheng as independent non-executive Directors.*

\* *for identification purpose only*