ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION OF WILLEASE LIMITED

TO THE DIRECTORS OF TAI UNITED HOLDINGS LIMITED

Introduction

We report on the historical financial information of Willease Limited ("Willease") and its subsidiaries (together, the "Target Group") set out on pages III-5 to III-40, which comprises the consolidated statements of financial position of the Target Group at 31 December 2018, 2019 and 2020, and 31 July 2021 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the three years ended 31 December 2020 and the seven months ended 31 July 2021 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages III-5 to III-40 forms an integral part of this report, which has been prepared for inclusion in the circular of Tai United Holdings Limited (the "Company") dated 30 November 2021 (the "Circular") in connection with the major transaction of acquisition of the entire issued share capital of a company holding shopping mall business in the People's Republic of China by the Company.

Directors' responsibility for the Historical Financial Information

The sole director of Willease is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of Willease determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial

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Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Willease, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position at 31 December 2018, 2019 and 2020 and 31 July 2021 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to Note 2 to the Historical Financial Information, which indicates that as of 31 July 2021, the Target Group's current liabilities exceeded its current assets by approximately RMB 49,982,000. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt on the Target Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the seven months ended 31 July 2021 and other explanatory information (the "Interim Comparative Financial Information"). The sole director of Willease is responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity " issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our

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attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on Matters under the rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page III-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by the Target Group in respect of the Relevant Periods.

Yours faithfully,

Elite Partners CPA Limited
Certified Public Accountants
Leung Man Kin
Practicing Certificate Number: P07174
Hong Kong, 30 November 2021

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HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and were audited by Elite Partners CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2018 RMB'000 (audited)	2019 RMB'000 (audited)	2020 RMB'000 (audited)	Seven months ended 31 July 2020 RMB'000 (unaudited)	2021 RMB'000 (audited)
Revenue	6	9,032	9,095	6,725	3,508	4,668
Bank interest income		2	2	1	1	1
Other gains and losses	8	–	–	32	–	–
Employee benefits expenses		(2,273)	(2,465)	(2,321)	(1,264)	(1,443)
Other operating expenses		(4,956)	(5,561)	(2,926)	(1,589)	(1,774)
Changes in fair value of investment properties		15,000	17,000	(2,000)	–	(3,000)
Profit (loss) before tax		16,805	18,071	(489)	656	(1,548)
Income tax (expense) credit	9	(3,851)	(4,040)	1,215	–	750
Profit (loss) for the year/period	10	12,954	14,031	726	656	(798)
Other comprehensive income (expense):						
Items that will not reclassified subsequently to profit or loss						
Exchange differences arising on translation		(4,719)	(2,294)	6,343	(641)	1,223
Other comprehensive income (expense) for the year/period		(4,719)	(2,294)	6,343	(641)	1,223
Total comprehensive income for the year/period		8,235	11,737	7,069	15	425

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000	As at 31 July 2021 RMB'000
Non-current assets					
Plant and equipment	15	85	94	75	72
Investment property	16	490,000	507,000	505,000	502,000
		490,085	507,094	505,075	502,072
Current assets					
Other receivables and prepayments	18	4,322	3,417	3,436	3,559
Amount due from ultimate holding company	19	598,319	611,689	–	–
Bank balances and cash	20	788	1,064	2,780	2,337
		603,429	616,170	6,216	5,896
Current liabilities					
Accrued liabilities and other payables	21	59,162	57,463	57,660	55,878
Amounts due to fellow subsidiaries	22	700,951	716,615	–	–
Amount due to immediate holding company	22	–	–	98,584	–
Amount due to ultimate controlling party	22	17	25	32	–
		760,130	774,103	156,276	55,878
Net current liabilities		(156,701)	(157,933)	(150,060)	(49,982)
Total assets less current liabilities		333,384	349,161	355,015	452,090
Non-current liabilities					
Deferred tax liabilities	17	77,415	81,455	80,240	79,490
Net assets		255,969	267,706	274,775	372,600
Capital and reserves					
Share capital	23	–	–	–	–
Reserves		255,969	267,706	274,775	372,600
Total equity		255,969	267,706	274,775	372,600

STATEMENTS OF FINANCIAL POSITION OF WILLEASE

	Notes	As at 31 December 2018 RMB'000	As at 31 December 2019 RMB'000	As at 31 December 2020 RMB'000	As at 31 July 2021 RMB'000
Non-current assets					
Investment in a subsidiary	30	–	–	–	–
Current assets					
Amount due from a subsidiary		–	–	–	117,083
Current liabilities					
Amount due to ultimate holding company	22	50	50	50	–
Amount due to ultimate controlling party	22	12	18	28	–
		62	68	78	–
Net current (liabilities) assets		(62)	(68)	(78)	117,083
Total assets less current liabilities		(62)	(68)	(78)	117,083
Net (liabilities) assets		(62)	(68)	(78)	117,083
Capital and reserves					
Share capital	23	–	–	–	–
Reserves		(62)	(68)	(78)	117,083
Total equity		(62)	(68)	(78)	117,083

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital* RMB'000	Translation reserves RMB'000	Other capital contribution reserve RMB'000 (Note)	Retained earnings RMB'000	Total RMB'000
At 1 January 2018	–	3,423	–	244,311	247,734
Profit for the year	–	–	–	12,954	12,954
Exchange differences arising on translation	–	(4,719)	–	–	(4,719)
Other comprehensive expense for the year	–	(4,719)	–	–	(4,719)
Total comprehensive income for the year	–	(4,719)	–	12,954	8,235
At 31 December 2018	–	(1,296)	–	257,265	255,969
Profit for the year	–	–	–	14,031	14,031
Exchange differences arising on translation	–	(2,294)	–	–	(2,294)
Other comprehensive expense for the year	–	(2,294)	–	–	(2,294)
Total comprehensive income for the year	–	(2,294)	–	14,031	11,737
At 31 December 2019	–	(3,590)	–	271,296	267,706
Profit for the year	–	–	–	726	726
Exchange differences arising on translation	–	6,343	–	–	6,343
Other comprehensive income for the year	–	6,343	–	–	6,343
Total comprehensive income for the year	–	6,343	–	726	7,069
At 31 December 2020	–	2,753	–	272,022	274,775
Loss for the period	–	–	–	(798)	(798)
Exchange differences arising on translation	–	1,223	–	–	1,223

* The amount is less than RMB1,000 throughout the Relevant Periods.

	Share capital* RMB'000	Translation reserves RMB'000	Other capital contribution reserve RMB'000 (Note)	Retained earnings RMB'000	Total RMB'000
Other comprehensive income for the period	–	1,223	–	–	1,223
Total comprehensive income for the period	–	1,223	–	(798)	425
Capitalisation of amount due to the immediate holding company	–	–	97,400	–	97,400
At 31 July 2021	–	3,976	97,400	271,224	372,600
At 1 January 2020 (audited)	–	(3,590)	–	271,296	267,706
Profit for the period	–	–	–	656	656
Exchange differences arising on translation	–	(641)	–	–	(641)
Other comprehensive expense for the period	–	(641)	–	–	(641)
Total comprehensive income for the period	–	(641)	–	656	15
At 31 July 2020 (unaudited)	–	(4,231)	–	271,952	267,721

Note: The other capital contribution reserve represents the capitalisation of the amount due to the immediate holding company.

* The amount is less than RMB1,000 throughout the Relevant Periods.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Seven months ended 31 July	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
OPERATING ACTIVITIES					
Profit (Loss) before tax	16,805	18,071	(489)	656	(1,548)
Adjustments for:					
Changes in fair value of investment properties	(15,000)	(17,000)	2,000	–	3,000
Depreciation of plant and equipment	6	8	7	3	3
Gain on disposal of plant and equipment	–	–	(32)	–	–
Interest income	(2)	(2)	(1)	(1)	(1)
Operating cash flows before movements in working capital	1,809	1,077	1,485	658	1,454
(Increase)decrease in other receivables and prepayments	(538)	905	(19)	(65)	(123)
(Decrease)increase in accrued liabilities and other payables	(1,922)	(1,699)	197	210	(1,782)
Cash (used in) generated from operations	(651)	283	1,663	803	(451)
Interest received	2	2	1	1	1
Net cash (used in) from operating activities	(649)	285	1,664	804	(450)

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
INVESTING ACTIVITIES					
Advances to fellow subsidiaries	(27,512)	(13,370)	–	(3,781)	–
Acquisition of plant and equipment	–	(17)	–	–	–
Proceeds from disposal of plant and equipment	–	–	44	–	–
Net cash (used in) from investing activities	(27,512)	(13,387)	44	(3,781)	–
FINANCING ACTIVITIES					
Advance from the ultimate controlling party	1	8	8	8	7
Advances from fellow subsidiaries	27,512	13,370	–	3,780	–
Net cash from financing activities	27,513	13,378	8	3,788	7
Net (decrease) increase in cash and cash equivalents	(648)	276	1,716	811	(443)
Cash and cash equivalents at 1 January	1,436	788	1,064	1,064	2,780
Cash and cash equivalents at 31 December/31 July, represented by bank balances and cash	788	1,064	2,780	1,875	2,337

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Willease Limited ("**Willease**") was incorporated in the British Virgin Islands (the "**BVI**") on 2 Janaury 2009. The address of the Willease's registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

Stone Wealth Limited is the immediate holding company of Willease. In the opinion of the sole director of Willease, the ultimate holding company of Willease is Apex Assure Limited, a company incorporated in the BVI with limited liability, and Mr. Dai Yongge, who is the sole director of Willease, is the ultimate controlling party of Willease.

Willease is an investment holding company. The principal activity of the Willease's principal subsidiary is the development, lease and management of underground shopping mall in the People's Republic of China (the "**PRC**").

No statutory financial statements of Willease have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

The Historical Financial Information is presented in RMB, which is the functional currency of the subsidiary carrying on the principal activities of the Target Group. Willease and its functional currency is Hong Kong dollar ("**HKD**"). Since pricipal operations are conducted in the PRC, the Target Group has adopted RMB as its presentation currency.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information for the Relevant Periods has been prepared in accordance with the accounting policies set out in Note 4 which conform with HKFRSs issued by the HKICPA.

Going Concern Basis

As of 31 July 2021, the Target Group's current liabilities exceeded its current assets by approximately RMB49,982,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Target Group's ability to continue as a going concern. Therefore, the Target Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the financial support of the ultimate controlling party of Willease, at a level sufficient to finance the working capital requirements of the Target Group. The ultimate controlling party has agreed to provide adequate funds for the Target Group to meet its liabilities as they fall due. The sole director of Willease is therefore of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis. Should the Target Group be unable to continue as a going concern, adjustments would have to be made to the Historical Financial Information to adjust the value of the Target Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the Historical Financial Information.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Group has consistently applied the accounting policies which conform with HKFRSs, which are effective for the accounting period beginning on 1 January 2021 throughout the Relevant Periods, including HKFRS 9 *Financial Instruments*, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 16 *Leases*.

Application of HKFRS 9, HKFRS 15 and HKFRS 16

HKFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities, and introduces new rules of hedge accounting and a new impairment model for financial assets. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards HKAS 18 'Revenue' and HKAS 11 'Construction Contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases. The standard replaces HKAS 17 "Leases" and related interpretations. Under HKAS 17, operating lease commitments are disclosed separately in a note to the Historical Financial Information and are recognised outside of the consolidated statement of financial position. Under HKFRS 16, all leases (except for those with lease term of less than 12 months or of low value) must be recognised in the form of an asset (being the right-of-use assets) and a financial liability (being the lease liabilities). The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted.

New and amendments to HKFRSs in issue but not yet effective:

The Target 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 sole director of Willease anticipates that the application of all the above new and amendments to HKFRSs will have no material impact on the Target Group's consolidated financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis except for the investment properties which are measured at fair value 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 Target 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, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

For the 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 at initial recognition 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.

The principal accounting policies are set out below.

Basis of consolidation

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

- 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 Target 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 Target Group obtains control over the subsidiary and ceases when the Target 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 Target Group gains control until the date when the Target Group ceases to control the subsidiary.

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

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

Revenue from contracts with customers

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

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

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

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

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

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

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

The Target Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

Right-of-use assets in which the Target Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Target Group presents right-of-use assets that do not meet the definition of properties under development, completed properties held for sale and investment properties as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of properties under development, completed properties held for sale and investment properties are presented within "properties under development", "completed properties held for sale" and "investment properties".

Refundable rental deposits

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

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

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

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

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

The Target Group as a lessor

Classification and measurement of leases

Leases for which the Target 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 are derived from the Target Group's ordinary course of business are presented as revenue.

Refundable rental deposits

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

Lease modification

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 Target Group's operations are translated into the presentation currency of the Target Group (i.e. Renminbi) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Target Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of Willease are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Target Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Target Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Taxation

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

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

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

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

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

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

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

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

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

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

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

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

Employee benefits

Retirement benefit costs and termination benefits

The Target Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Target Group pays a fixed percentage of its qualifying staff's wages as contributions to the plans. Payments to such retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Plant and equipment

Plant and equipment, including properties held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated in the consolidated statements of financial position at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment other than construction in progress 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 plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Target Group under operating leases.

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its 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.

Impairment of plant and equipment and right-of-use assets

At the end of each reporting period, the Target Group reviews the carrying amounts of its plant and equipment and right-of-use assets 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).

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

In addition, the Target Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Target Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Target Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

Provisions

Provisions are recognised when the Target Group has a present obligation as a result of a past event, and it is probable that the Target Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Target Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a 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 except for accounts receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

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.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting 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.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset, the Target Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Target Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Target Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(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.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

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

The Target Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including accounts receivable (including lease receivables), other receivables, bank balances and amount due from ultimate holding company) which are subject to impairment 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 Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Group always recognises lifetime ECL for accounts receivable. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Target Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target 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 Target 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 Target 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.

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

Despite the aforegoing, the Target Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument 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 Target Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Target 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 Target 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 Target Group, in full (without taking into account any collaterals held by the Target Group).

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Target 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 Target 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.

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

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

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

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

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

Derecognition of financial assets

The Target 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 risks and rewards of ownership of the asset to another entity. If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements entered into 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 Target Group after deducting all of its liabilities. Equity instruments issued by the Willease are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including borrowings and other payables are subsequently measured at amortised cost, using the effective interest method.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Target Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition of financial liabilities

The Target Group derecognises financial liabilities when, and only when, the Target 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.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in Note 4, the sole director of Willease is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revisions affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgements, apart from those involving estimations (see below), that the sole director of Willease has made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Deferred taxation on investment properties

The Target Group recognises deferred tax in respect of the changes in fair value of the investment properties based on directors' best estimate assuming future tax consequences through usage of such properties for rental purpose, rather than through sale. The final tax outcome could be different from the deferred tax liabilities recognised in the Historical Financial Information should the investment properties are subsequently disposed of by the Target Group, rather than consumed substantially all of the economic benefits embodied in the investment properties by leasing over time. In the event the investment properties are being disposed of, the Target Group may be liable to higher tax upon disposal considering the impact of land appreciation tax.

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 each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Valuation of investment properties

As at 31 December 2018, 2019, 2020 and 31 July 2021, the Target Group's investment properties are stated at fair value of approximately RMB490,000,000, RMB507,000,000, RMB505,000,000 and RMB502,000,000 respectively based on the valuations performed by independent qualified professional valuers. In determining the fair values, the valuers have made reference to market evidence of transaction prices for similar properties in the same location and conditions and where appropriate by capitalisation of rental income from properties.

In relying on the valuations, the management of Target Group has exercised their judgments and is satisfied that the valuation technique used is reflective of the current market conditions. Details of the investment properties are disclosed in Note 16.

6. REVENUE

	Year ended 31 December			Seven months ended 31 July	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Leases	7,812	7,913	5,758	3,038	4,058
Revenue from contracts with customers:					
Revenue from property management and relevant service	1,220	1,182	967	470	610
	9,032	9,095	6,725	3,508	4,668
Timing of revenue recognition					
Overtime	1,220	1,182	967	470	610

For property management services and the relevant services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. They are rendered in short period of time and there is no unsatisfied performance obligation at the end of respective periods.

Leases					
Lease payment that are fixed	7,812	7,887	5,740	3,029	4,048
Variable lease payment that do not depend on an index or a rate	–	26	18	9	10
Total revenue arising from leases	7,812	7,913	5,758	3,038	4,058

7. SEGMENT REPORTING

Information reported to the Target Group's senior executive management, being the chief operating decision maker, for the purposes of resource allocation and assessment focuses on revenue analysis by products and services delivered or provided. The Target Group's operating segment is property investment. No other discrete financial information is provided other than the Target Group's results and financial position as a whole. Accordingly, only entity-wide disclosures and major customers are presented.

The Target Group's operation is located in the PRC, therefore no geographical segment reporting is presented.

Information about major customers

For the years ended 31 December 2018, 2019, 2020 and the seven months ended 31 July 2020 and 2021, revenue from customer contributes 10% or more of the total revenue of the Target Group are as follows.

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Customer A	838	838	698	384	515

8. OTHER GAINS AND LOSSES

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Gain on disposal of plant and equipment	–	–	32	–	–
	–	–	32	–	–

9. INCOME TAX EXPENSE (CREDIT)

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Deferred tax	3,851	4,040	(1,215)	–	(750)

No provision for Hong Kong Profits Tax was made as the Target Group did not earn any income subject to Hong Kong Profits Tax during the Relevant Periods.

Pursuant to the Enterprise Income Tax ("**EIT**") Law of the PRC, the Target Group's PRC subsidiaries were subject to EIT at a rate of 25% during the Relevant Periods. No provision for EIT has been made as the Target Group did not have any assessable profit subject to EIT during the Relevant Periods.

The income tax expense (credit) for the Relevant Periods can be reconciled to the profit (loss) before tax per the consolidated statements of profit or loss and other comprehensive income are as follows:

	Year ended 31 December			Seven months ended 31 July	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Profit (loss) before tax	16,805	18,071	(489)	656	(1,548)
Tax at the applicable PRC EIT rate of 25%	4,202	4,517	(123)	165	(388)
Tax effect of expenses not deductible for tax purposes	4	6	9	2	2
Tax effect of income not taxable for tax purposes	(355)	(483)	(1,101)	(167)	(364)
Income tax expense (credit) for the year/period	3,851	4,040	(1,215)	–	(750)

10. PROFIT (LOSS) FOR THE YEAR/PERIOD

	Year ended 31 December			Seven months ended 31 July	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Profit (loss) for the year/period has been arrived at after charging (crediting):					
Directors' emoluments *(Note 11)*	–	–	–	–	–
Other staff costs:					
– Salaries, allowances and benefits in kind	2,085	2,183	2,184	1,182	1,214
– Retirement benefit scheme contributions	188	282	137	82	229
Total staff costs	2,273	2,465	2,321	1,264	1,443
Depreciation of plant and equipment	6	8	7	3	3
Gross rental income from investment properties less direct operating expenses	7,812	7,913	5,759	3,039	4,059

11. DIRECTOR'S REMUNERATION

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Mr. Dai Yongge					
Fees	–	–	–	–	–
Other emoluments					
Salaries, allowances and benefits in kind	–	–	–	–	–
Retirement benefit scheme contributions	–	–	–	–	–
	–	–	–	–	–

The director's emoluments shown above was for his services in connection with the management of the affairs of the Target Group.

12. EMPLOYEES' REMUNERATION

The five highest paid individuals of the Target Group during the Relevant Periods included 5 individuals for the years ended 31 December 2018, 2019 and 2020, and for the seven months ended 31 July 2020 (unaudited) and 2021 are as follows:

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Salaries, allowances and benefits in kind	574	632	611	312	393
Retirement benefit scheme contributions	77	91	40	23	60
Total	651	723	651	335	453

The number of the five highest paid employees whose remuneration fell within the following band is as follows:

	No. of employees				
	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
	(audited)	(audited)	(audited)	(unaudited)	(audited)
nil to HK$1,000,000	5	5	5	5	5

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of Willease during the Relevant Periods.

14. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful.

15. PLANT AND EQUIPMENT

	Motor vehicles *RMB'000*	Furniture fixtures and equipment *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2018	491	751	1,242
Addition	–	–	–
At 31 December 2018	491	751	1,242
Addition	–	17	17
At 31 December 2019	491	768	1,259
Disposal	(240)	–	(240)
At 31 December 2020	251	768	1,019
Addition	–	–	–
At 31 July 2021	251	768	1,019
Accumulated depreciation			
At 1 January 2018	467	684	1,151
Provided for the year	–	6	6
At 31 December 2018	467	690	1,157
Provided for the year	–	8	8
At 31 December 2019	467	698	1,165
Provided for the year	–	7	7
Eliminated on disposal	(228)	–	(228)
At 31 December 2020	239	705	944
Provided for the period	–	3	3
At 31 July 2021	239	708	947
Carrying values			
At 31 July 2021	12	60	72
At 31 December 2020	12	63	75
At 31 December 2019	24	70	94
At 31 December 2018	24	61	85

The above items of plant and equipment are depreciated, after taking into account of their estimated residual values of 5%, on a straight-line method, at the following rates per annum:

Motor vehicles	20%
Furniture, fixtures and office equipment	20%

16. INVESTMENT PROPERTIES

During the Relevant Periods, the Target Group leases out various shops and venue spaces under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 2 years. The leases are either with only fixed lease payment or contain variable lease payment that are based on 50% of sales and minimum annual lease payment that are fixed over the lease term.

The Target Group is not exposed to foreign currency risk as a result of the lease arrangements as all leases are denominated in RMB, which is the functional currency of the subsidiary in PRC. The lease contracts do not contain residual value guarantee or lessee's option to purchase the property at the end of lease term.

	Investment properties *RMB'000*
Fair value	
At 1 January 2018	475,000
Changes in fair value recognised in profit or loss	15,000
At 31 December 2018	490,000
Changes in fair value recognised in profit or loss	17,000
At 31 December 2019	507,000
Changes in fair value recognised in profit or loss	(2,000)
At 31 December 2020	505,000
Changes in fair value recognised in profit or loss	(3,000)
At 31 July 2021	502,000

The fair value of investment properties as at 31 December 2018, 2019 and 2020 and 31 July 2021 has been arrived at on the basis of a valuation carried out on the respective dates by Norton Appraisals Limited, an independent qualified professional valuer not connected to the Target Group.

In determining the fair value of the investment properties, the Target Group engages the independent qualified professional valuer to perform the valuation. The management of the Target Group works closely with them to establish the appropriate valuation techniques and inputs to the model and explain the cause of fluctuations in the fair value of the investment properties to the sole director of the Target Group.

There has been no change from the valuation technique used during the years ended 31 December 2018, 2019, 2020 and 31 July 2021. In estimating the fair values of the investment properties for disclosure purpose, the highest and the best use of the investment properties is their current use. The fair values of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

The following table presents the fair value of investment properties measured at the end of each reporting period on a recurring basis, categorised into the level 3 fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Investment properties	Valuation technique	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Shopping Mall in the PRC	Income capitalization approach	Capitalisation rate, taking into account the capitalization of rental, income potential, nature of property, and prevailing market condition, of 4.25%, 4.25%, 4.50%, 4.50% as at 31 December 2018, 2019, 2020 and 31 July 2021 respectively.	The higher the capitalization rate, the lower the fair value.
		Monthly market rent, taking into account the differences in location, and individual factor, such as frontage and size, between the comparables and the property.	A significant increase in the market rent used result in significant increase in fair value, and vice versa.

Capitalisation rate is the rate taking into account the capitalisation of rental income potential, nature of the property and prevailing market condition. Market rent per square foot is the market rent taking into account the direct comparable market transactions to the related properties.

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

There were no transfers into or out of Level 3 during Relevant Periods.

17. DEFERRED TAXATION

For the presentation purposes of the consolidated statements of financial position, certain deferred taxation assets (liabilities) have been offset. The following is an analysis of the deferred taxation balances for financial reporting purposes:

	As at 31 December			As at 31 July
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	6,029	6,239	6,954	6,954
Deferred tax liabilities	(83,444)	(87,694)	(87,194)	(86,444)
	(77,415)	(81,455)	(80,240)	(79,490)

The components of deferred tax assets (liabilities) recognised in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	Tax losses	Revaluation of investment properties	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2018	6,130	(79,694)	(73,564)
Charged to profit or loss	(101)	(3,750)	(3,851)
At 31 December 2018	6,029	(83,444)	(77,415)
Credited (Charged) to profit or loss	210	(4,250)	(4,040)
At 31 December 2019	6,239	(87,694)	(81,455)
Credited to profit or loss	715	500	1,215
At 31 December 2020	6,954	(87,194)	(80,240)
Credited to profit or loss	–	750	750
At 31 July 2021	6,954	(86,444)	(79,490)

As at 31 December 2018, 2019, 2020 and 31 July 2021, the Target Group has estimated unused tax losses of approximately RMB24,118,000, RMB24,956,000, RMB27,815,000 and RMB27,815,000 available to offset against future profits respectively. The tax losses as at 31 December 2018, 2019, 2020 and 31 July 2021 will expire from 2019 to 2026.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the Target Group's subsidiary in the PRC from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the retained profits earned by the subsidiary in the PRC as at 31 December 2018, 2019, 2020 and 31 July 2021 respectively, as the Target Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

18. OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December			As at 31 July
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables*	933	486	437	540
Other tax prepayments *(Note)*	3,389	2,931	2,999	3,019
	4,322	3,417	3,436	3,559

Note: Other tax prepayments mainly represent prepayment of value-added tax and business tax.

* Other receivables includes receivable with fellow subsidiaries, approximately amounting to RMB2,161,000, RMB350,000, RMB350,000 and RMB350,000 as at 31 December 2018, 2019, 2020 and 31 July 2021 respectively, which are unsecured, interest-free and repayable on demand.

Details of impairment assessment of other receivables are set out in Note 27.

19. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount is unsecured, interest free and repayable on demand.

20. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.3% to 1.5% during the Relevant Periods.

The bank balances, including time deposits with original maturities less than 3 months, carry interest at prevailing market rates per annum.

During the Relevant Periods, the Target Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

21. ACCRUED LIABILITIES AND OTHER PAYABLES

	As at 31 December			As at 31 July
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction payables*	53,807	55,759	54,429	54,175
Receipt in advance	1,326	946	916	917
Other payables	25	12	1,440	59
Deposits received from customers	4,004	746	875	727
	59,162	57,463	57,660	55,878

* The amount includes payable with fellow subsidiaries, approximately amounting to RMB33,616,000, RMB39,955,000, RMB35,955,000 and RMB34,609,000 as at 31 December 2018, 2019, 2020 and 31 July 2021 respectively, which are unsecured, interest-free and repayable on demand.

22. AMOUNTS DUE TO FELLOW SUBSIDIARIES/IMMEDIATE HOLDING COMPANY/ULTIMATE HOLDING COMPANY/ULTIMATE CONTROLLING PARTY

The amounts are unsecured, interest free and repayable on demand.

23. SHARE CAPITAL

	As at 31 December			As at 31 July
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised:				
50,000 ordinary shares at United States Dollar ("US$") 1 each	341	341	341	341
Issued and fully paid:				
1 ordinary share at US$1 each*	–	–	–	–

* The amount is less than RMB1,000 throughout the Relevant Periods.

24. OPERATING LEASES

The Target Group as lessor

	Year ended 31 December			Seven months ended 31 July	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Property rental income, net of negligible outgoings under operating leases during the years/periods	7,812	7,913	5,759	3,039	4,059

At the end of each reporting period, the Target Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December			As at 31 July
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	4,737	4,667	7,040	2,231
In the second to fifth year inclusive	2,898	1,714	1,908	370
	7,635	6,381	8,948	2,601

Property rental income represents rentals receivable by the Target Group. Leases are negotiated for a term ranging from 1 to 2 years with fixed rentals or contain variable leases that base on 50% of sales and minimum annual lease payment.

25. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of the sole director of the Target Company, being the key management personnel, are set out in Note 11.

26. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to shareholders, to support the Target Group's stability and growth, and to strengthen the Target Group's financial management capability.

The capital structure of the Target Group consists of net debts, net of bank balances and cash and equity attributable to owner of Willease, comprising issued share capital and other reserves.

The sole director of the Target Group actively and regularly reviews its capital structure and make adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payables to shareholders, issue new shares or raise and repay debts. The Target Group's capital management objectives, policies or processes were unchanged during the Relevant Periods.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 31 July
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Amortised cost	600,040	613,239	3,217	2,877
Financial liabilities				
Amortised cost	758,804	773,157	155,360	54,961

(b) Financial risk management objectives and policies

The Target Group's major financial instruments include other receivables, amount due from ultimate holding company, bank balances and cash, other payables, amounts due to fellow subsidiaries/immediate holding company/ultimate controlling party. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The sole directors of Willease manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Target Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances as disclosed in Note 20.

The Target Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

No sensitivity analysis presented for Target Group's exposure to variable-rate bank balances as the management considers that the exposure to these risks for bank balances are insignificant.

Credit risk and impairment assessment

Credit risk refers to the risk that the Target Group's counterparties default on their contractual obligations resulting in financial losses to the Target Group. The Target Group's credit risk exposures are primarily attributable to other receivables, bank balances and amount due from ultimate holding company. The Target Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

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

Other receivables

For other receivables, the Target Group makes periodic individual assessment on the recoverability of other receivables based on histiorical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Target Group also actively monitors the outstanding amounts owed by each debtor and uses internal credit rating to assess whether credit risk has increased significantly since initial recognition.

Amount due from ultimate holding company

In determining the ECL for amount due from ultimate holding company, the Target Group considers the probability of default is negligible as ultimate holding company has the financial capacity to meet its contractual cash flow obligations in the near term, and conduced that the credit risk is insignificant. Accordingly, no loss allowance was made in the financial statements.

Bank balances

Bank balances are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions, therefore the Target Group's credit risk on liquid funds is limited.

Liquidity risk

Liquidity risk is the risk that the Target Group will not be able to meet its financial obligations as they fall due. The Target Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet its liquidity requirements in the short and longer term.

Ultimate responsibility for liquidity risk management rests with the sole director of Willease, which has established an appropriate liquidity risk management framework for the Target Group's short-, medium- and long- term funding and liquidity management requirements. The Target Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The remaining contractual maturities at as at 31 December 2018, 2019, 2020 and 31 July 2021 of the Target Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date that the Target Group can be required to pay, are within one year or on demand.

28. RETIREMENT BENEFIT SCHEMES

The Target Group has retirement plans covering a substantial portion of its employees. The principal plans are defined contribution plans.

The Target Group's subsidiary in the PRC, in compliance with the applicable regulations of respective jurisdictions, participated in various pension schemes operated by the relevant municipal and provincial governments. This subsidiary is required to make defined contributions to these schemes at a fixed percentage of their covered payroll. The Target Group has no other obligations for the payment of its staff's retirement and other post-retirement benefits other than the contributions described above.

The total contributions in respect of the year ended 31 December 2018, 2019, 2020 and the seven months ended 31 July 2020 and 2021 charged to consolidated statement of profit or loss and other comprehensive income amount approximately to RMB188,000, RMB282,000, RMB137,000, RMB82,000 and RMB229,000 respectively.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target 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 Target Group's consolidated statement of cash flows from financing activities:

	Amounts due to fellow subsidiaries *RMB'000*	Amount due to immediate holding company *RMB'000*	Amount due to ultimate controlling party *RMB'000*
At 1 January 2018	668,720	–	16
Financing cash flows	27,512	–	1
Non-cash transactions			
Foreign exchange translation	4,719	–	–
At 31 December 2018	700,951	–	17
Financing cash flows	13,370	–	8
Non-cash transactions			
Foreign exchange translation	2,294	–	–
At 31 December 2019	716,615	–	25
Financing cash flows	–	–	8
Non-cash transactions			
Offset to amounts due from fellow subsidiaries	(611,689)	–	–
Transfer	(98,584)	98,584	–
Foreign exchange translation	(6,342)	–	(1)
At 31 December 2020	–	98,584	32
Financing cash flows	–	–	7
Non-cash transactions			
Capitalisation to equity	–	(98,584)	(39)
At 31 July 2021	–	–	–
At 1 January 2020	716,615	–	25
Financing cash flows	3,735	–	8
Non-cash transactions			
Foreign exchange translation	641	–	–
At 31 July 2020 (unaudited)	720,991	–	33

30. INTERESTS IN SUBSIDIARIES

Details of Willease's subsidiaries as at 31 December 2018, 2019, 2020 and 31 July 2021 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered and paid-up capital	Effective equity interest attributable to Willease				Principal activities
			As at 31 December			As at 31 July	
			2018	2019	2020	2021	
Asian Leader Investments Limited	Hong Kong	Hong Kong Dollar (HKD) 1	100%	100%	100%	100%	Investment holding
Anyan Jiangchuan Public Facilities Co., Ltd.* 安陽江川公共設施有限公司 (formerly known as: Anyang Renhe New World Public Facilities Co., Ltd.* 安陽人和新天地公共設施有限公司)	The PRC	USD15,000,000	100%	100%	100%	100%	Development, lease and management of underground shopping mall

* *Established as a wholly foreign owned enterprise in the PRC. The English name is for identification purpose only.*

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group, Willease or any of its subsidiaries have been prepared in respect of any period subsequent to 31 July 2021.