美的置业

美的置業控股有限公司

MIDEA REAL ESTATE HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code：3990

2021 ANNUAL REPORT

COMPANY PROFILE

Midea Real Estate Holding Limited (the "**Company**" and together with its subsidiaries, the "**Group**" or "**Midea Real Estate**") (Stock Code: 3990.HK) is a listed company of The Stock Exchange of Hong Kong Limited and one of the top 100 private enterprises in Guangdong Province, whose shares are included in the constituents of seven indexes such as Hang Seng Stock Connect Hong Kong Index. Founded in 2004, the Group upholds the development orientation of "Smart Healthy Life Service Provider", and aims to create a better lifestyle by building "5M Smart Health Community" with intelligent, industrial, digital and quality construction and services backed by its profound manufacturing foundation and technological expertise.

Guided by the policy of "intensive development in focused areas and strategy upgrade", Midea Real Estate has established 354 projects in six regions (data as at 31 December 2021), including the Pearl River Delta Economic Region, Shanghai, Jiangsu & Anhui Region, Zhejiang & Fujian Region, the Midstream of Yangtze River Economic Region, North Region and Southwest Economic Region, with presence in national core cities such as Shanghai, Guangzhou, Tianjin, Chongqing, Chengdu, Zhengzhou and Wuhan, and in provincial capitals such as Hangzhou, Nanjing, Changsha, Hefei, Kunming, Fuzhou, Nanchang and Guiyang.

Midea Real Estate adheres to the coordinated development of "four major business segments", namely residential property development, property management services, commercial operations and real estate technologies. Among them, residential property development and services closely follow the trend of users' demands for smart and healthy living in the technological era of AIoT (Artificial Intelligence of Things). We have created the unique "5M Smart Health Community" strategic product system designed to provide customers with a sophisticated and smart living experience from five dimensions, namely M-Smart, M-Health, M-Quality, M-Service, and M-Life. For real estate technologies business, the Group has vigorously built an industry chain for creating a smart and technology-based living environment, so as to cultivate it into a "second runway" for independent development. We have developed intelligent industries and building technologies, thereby establishing a closed loop of the full value chain from research and development, design, production and construction to management, operation and maintenance, which helps establish our advantages in integrated products and services. We have received the recognition as the first National Standard Creation Base for Smart Living and continuously provide third parties with smart and green prefabricated integration solutions.

Looking forward, Midea Real Estate will continue to strengthen its foundation, innovate and reform, strengthen industrial empowerment, and lead industry development in a smart and healthy manner, so as to provide the nation with premium residence and create better value for society.

PROPERTY DEVELOPMENT

PROPERTY MANAGEMENT SERVICES

INVESTMENT AND OPERATION OF COMMERCIAL PROPERTIES

REAL ESTATE TECHNOLOGIES

CONTENTS

The total GFA of the Group's land reserves reached 49.52 million square metres, comprising 354 property development projects, covering 61 cities. These land reserves are located in six major regions namely the Pearl River Delta Economic Region, Shanghai, Jiangsu & Anhui Region, Zhejiang & Fujian Region, Midstream of Yangtze River Economic Region, North China Region and Southwest Economic Region.

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Inheriting Midea's technological and intelligent genes, we build an urban service ecosystem through our smart service capability, focus on property management services which are our main business and involve a variety of business services in residences, office buildings, industrial parks, cultural tourism and healthcare resorts, urban public buildings, and have business segments such as housing brokerage, advertising media, value-added services, non-owner value-added services and construction management, with a view to becoming a "better life and smart space service provider".

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Commercial properties which we have develop and operated cover urban complex, community centre and long-term rental apartments. With forward-looking planning, strong investment attraction ability and innovative operating capabilities, we design vigorous and smart commercial properties for cities.

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Remac Technology has built an industrial chain ecology for technological and smart living based on smart and healthy living environment and prefabricated buildings, developed a mature capability to serve third parties in smart home system, smart community system, most frequently used smart terminal products and prefabricated buildings, and made continuous efforts in the strategic investment of technology-based living industry and the integration of industrial ecological resources.

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FINANCIAL OVERVIEW

Overview of Results

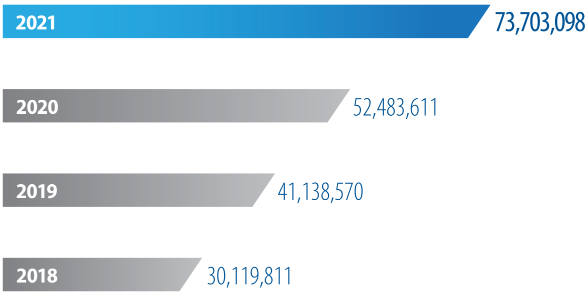
	For the Year Ended 31 December		
	2021	2020	**Change**
Revenue (RMB million)	**73,703.1**	52,483.6	+40.4%
Gross profit (RMB million)	**13,495.5**	11,658.0	+15.8%
Gross margin	**18.3%**	22.2%	-3.9%
Net profit (RMB million)	**5,302.8**	4,825.5	+9.9%
Net profit margin	**7.2%**	9.2%	-2.0%
Profit attributable to owners of the Company (RMB million)	**3,743.6**	4,326.5	-13.5%
Basic and diluted earnings per share (RMB)	**3.04**	3.52	-13.6%
Proposed final dividend per ordinary share to be distributed (HKD)	**1.60**	1.60	0.0%

Overview of Balance Sheet

	As at 31 December		
	2021	2020	**Change**
Total assets (RMB million)	**288,519.9**	283,754.5	+1.7%
Total cash and bank deposits (RMB million)	**34,196.5**	26,787.6	+27.7%
Short-term borrowings (RMB million)	**15,335.1**	12,254.8	+25.1%
Long-term borrowings (RMB million)	**40,988.5**	46,385.4	-11.6%
Total equity (RMB million)	**47,809.6**	40,219.4	+18.9%
Return on equity	**15.9%**	19.6%	-3.7%
Total liabilities/total assets	**83.4%**	85.8%	-2.4%
Net gearing ratio	**46.3%**	79.2%	-32.9%

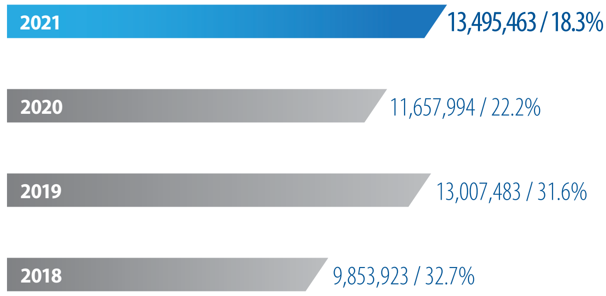
REVENUE

(RMB '000)



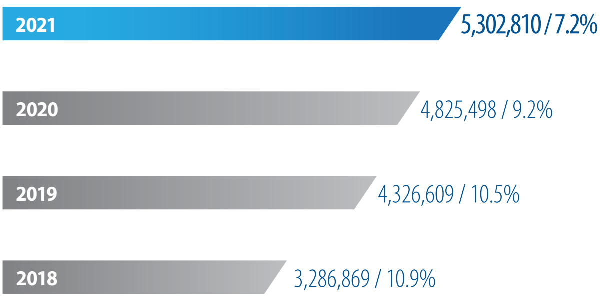
GROSS PROFIT AND GROSS MARGIN

(RMB'000/%)



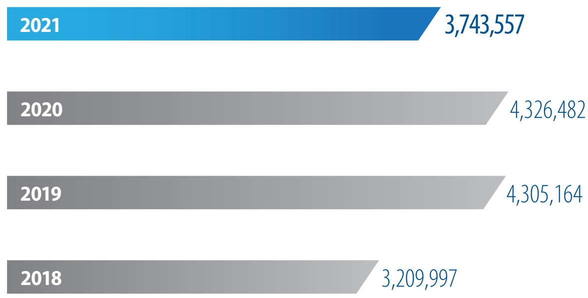
NET PROFIT AND NET MARGIN

(RMB'000/%)



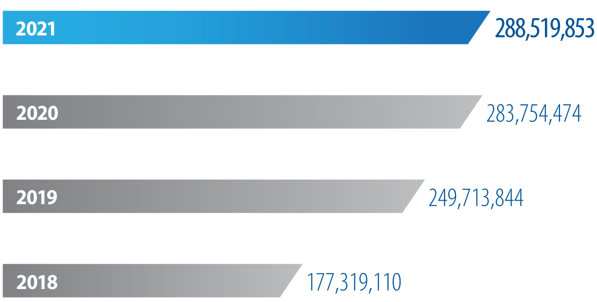
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

(RMB '000)



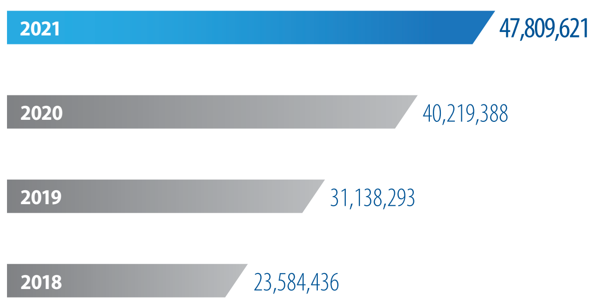
TOTAL ASSETS

(RMB '000)



TOTAL EQUITY

(RMB '000)



MILESTONES

FEB

A nationwide event themed "All Best Wishes for the Coming 2021": "Growing Happily with 700,000 Home Owners", a 2021 Spring Festival VLOG competition joint launched by Midea Real Estate and Midea Property Management, attracted more than 4 million Tik Tok views. Nearly 5,000 video clips from various perspectives represented a common theme, i.e. the best wishes for reunion and happiness.

APR

On 22 April 2021, the Company adopted a restricted share award scheme and granted 5,225,000 shares to 31 selected participants for nil consideration. According to the share option scheme approved by the 2020 annual general meeting, 66,660,000 share options were granted to 193 selected participants.

MAY

美尊 美享 美怡 美悦

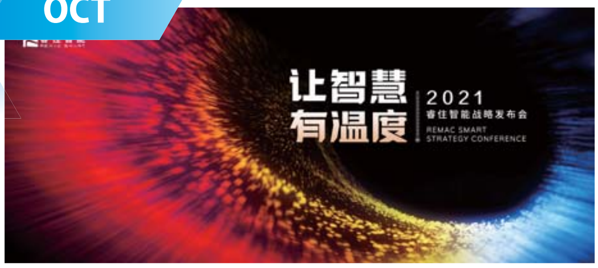
Midea Property Management launched 4 series of services i.e. Media Royalty (美尊), Media Enjoyment (美享), Media Joy (美怡) and Media Pleasure (美悦) to polish its service capabilities in a systematic, product-oriented and branding approach, seeking to bring customers a smart and beautiful new life beyond expectations.

The Group successfully issued RMB2.096 billion commercial mortgage-backed securities (CMBS), with a low coupon rate of 4.5% and a term of 17 years.

JUL

Through its AI-empowered Super Brain and leveraging the up-to-date AIOT technology, Midea Real Estate became the first mover in the industry to publish four intelligent health formulas of sound, light, water and air, which were planed and tailored in advance to cater for customer needs.

OCT



On October 27, "Remac Smart" strategy debuted with our Five-sense Smart Solution System, ecological product brand REMAC+ and blockbuster product Smart Cabin, along with our initiative for establishing the "Smart Life Solutions and Service Alliance", which attracted broad interest from inside and outside the industry.

NOV

In November, Huizhou Green Prefabricated Building Industrial Park commenced operation.

DEC

Our top product series "Jingrui" debuted in Kunming under our co-creation plan "Future in the Locality".

Handan Midea Wonderful Square, a large-scale shopping mall of the Group, opened for business.

MAJOR HONOURS AND AWARDS

BUSINESS ACHIEVEMENTS

Ranked 182nd among Top 500 Chinese Private Enterprises of 2021, and 64th among Top 100 Chinese Private Enterprises in Service Industry of 2021

(All-China Federation of Industry and Commerce)

Ranked 26th among Chinese Real Estate Enterprises of 2021 by Comprehensive Strength and 22nd among Chinese Real Estate Enterprises of 2021 by Brand Value

(EH Consulting)

Ranked 24th among Chinese Real Estate Developers of 2021 by Brand Value, and Chinese Real Estate Enterprises of 2021 by Professional Featured Brand — Smart Real Estate Award

(Shanghai E-house China R&D Institute, China Real Estate Appraisal Centre)

Ranked 24th among Chinese Listed Real Estate Companies of 2021, and 24th among Chinese Real Estate Companies of 2021 by Brand Value

(Guandian Index Academy)

Ranked 25th among Top 100 Chinese Listed Real Estate Companies of 2021

(China Real Estate Association, Shanghai E-house China R&D Institute, China Real Estate Appraisal Centre)

Ranked 1,063rd in the 2021 list of Forbes' Global 2000, a leap ahead by 201 places compared to our ranking in 2020

Included for the first time into Top 30 Chinese Real Estate Developers of 2021 by Comprehensive Strength, and ranked 2nd among Top 10 Chinese Real Estate Developers of 2021 by Operational Efficiency

(China Real Estate Association, Shanghai E-house China R&D Institute, China Real Estate Appraisal Centre)

INVESTMENT VALUE AND GROWTH POTENTIAL

Ranked 13th among 2021 Interim Top 50 Listed Real Estate Companies by Comprehensive Strength

(Securities Market Weekly)

Ranked 5th among Chinese Listed Real Estate Companies of 2021 by Capital Operation

(China Real Estate Association, Shanghai E-house China R&D Institute, China Real Estate Appraisal Centre)

SMART REAL ESTATE/INNOVATION

2021 Leading Smart Real Estate Company

(21st Century Business Herald)

Valuable Smart Real Estate Brand of 2021

(Guandian Index Academy)

Remac Smart's smart screen won the German Red Dot Design Award for 2021

Remac TY's BIM design team won the first prize of Golden Standard Cup

Remac TY won the 2021 WATIC Leading Award — Best Architecture Technology Enterprise

"REMAC + HOUSE", a self-developed product of Remac Industrialisation, won the Reard Design Silver Award and the Red Dot Design Award

PRODUCT STRENGTH

Ranked 21st among Chinese Real Estate Companies by Product Strength in 2021

Nanjing Midea Shanyu Xi Mansion was awarded as "National TOP10 quality projects in 2021"

(E-House's CRIC Research Centre and CRIC Wishbuild)

Midea Egret Lake — Annecy Town (美的鷺湖 — 安納希小鎮) was selected as the Best Cultural Tourism Town in China

(7th China Tourism and Accommodation Forum)

Guiyang Midea VIP Mansion (貴陽美的國賓府) obtained the Certificate of Green Ecological Community in Guizhou Province

(Guizhou Green Buildings and Technology Development Centre)

Received certificates of IS9001 Quality System, ISO14001 Environmental Management System and ISO45001 Occupational Health and Safety Management System

Remac Smart obtained CMMI Level 5 certification (in recognition of its maturity in software development capability)

SERVICE STRENGTH

Ranked 22nd among real estate companies by service strength and 10th by intelligent innovative services

Midea Property Management ranked 27th among the "Top 30 Chinese Property Management Service Companies of 2021 by Comprehensive Strength"

(China Property Management Research Institution)

The "Leading Chinese Company of 2021 in Quality Property Services", the "Leading Chinese Growth Company of 2021 in Property Services" and the "Leading Chinese Company of 2021 in Property Services for Industrial Parks"

(China Property Management Research Institution)

Foshan KUKA Robot Industrial Park Served by Midea Property Management was awarded the title of "2021 Property Management Excellent Benchmark Project"

Remac Industrialisation was named as "Excellent Supplier of 2021" by China Railway Construction Engineering Group

SOCIAL RESPONSIBILITY/EMPLOYER BRAND

Ranked 17th by human capital value and TOP50 by employer brand influence among Chinese Real Estate Companies of 2021

(Shanghai E-house China R&D Institute, China Real Estate Appraisal Centre)

CHAIRMAN'S STATEMENT

Dear shareholders:

I am pleased to present to you the annual report of Midea Real Estate Holding Limited and its subsidiaries (the "**Group**") for the year ended 31 December 2021.

Annual Results

I. Industry Overview

2500 years ago, Heraclitus said that "change is the only constant in life", which can be used as the most appropriate description of 2021. All kinds of shocks, challenges, problems, pressures were intertwined, bringing us into a complex world. As the once-in-a-century pandemic hit the world, the external environment became more complex, challenging and uncertain. History is flowing and surging forward against all odds, and blazing a new trail.

For the real estate industry, 2021 was a year of coexistence of "ice and fire", a year of settling down and rebirth after disruption. This year, real estate companies learned their lessons from the hard way as the common practices in the industry, such as prioritising scale-up, extensive management and standing in no awe of the market, gave rise to many problems and caused widespread credit defaults in the industry. This year, given tightening regulatory policies and shrinking financing channels, real estate companies cut their balance-sheets and retrenched, suggesting that the "high leverage, high debt and high turnover" model gradually came to an end. This year, the business logic returned to its origin, and the realisation of product performance and residential functions has become an important issue. The industry is about to enter a virtuous cycle era of low leverage and fine operation.

Gold will surface after sand is blown away. The great changes in the industry will inevitably come with pains, but will usher in a more stable future.

II. Business Review

Looking back at the time of major changes in the industry, there is always a critical milestone to continue with the past and open up the future in the journey to realise a dream. Since its inception in 2004, the Group has been adapting to market and industry changes and adjusting its development strategy in due course. In 2011, based on its development in the past seven years, the Group went out of Guangdong to start nationwide expansion, and initially built a nationwide business network with a concentration on the Greater Bay Area, Yangtze River Delta, Southwest, North China and Central China. In 2015, the Group sped up its national expansion with the acceleration of China's new urbanisation, a loose monetary policy, and the growth in real estate demand. In 2018, the Group entered first- and second-tier cities such as Guangzhou and Chengdu, and was listed on the Hong Kong stock market, which was the largest real estate IPO of the year. In 2019, the Group's sales exceeded RMB100 billion as it quickly entered sizable markets such as Hangzhou, Wuhan and Tianjin and strategically shifted to regional expansion and urban upgrade, marking the entry into a stage of long-term stable development. In the past two years, the Group became more focused in terms of business operations and greatly enhanced its capabilities in real estate operations; continuously improved its business presence, and looked for value-added space in the upstream and downstream of the real estate industry, leading to growing business results. Every change is self-renewal. With product positioning and improvement and team training and adaptation, the Group leaves the comfort zone and enters a more competitive market.

Along the way, the Group has always been committed to forward-looking development. It always insists on self-examination and risk planning, remains in awe of scale-up and leverage, and upholds the original intention of creating value for customers and shareholders. Market and industry development has never been smooth but is full of ups and downs. In its prime, the Group maintained self-control and did not blindly follow the crowd and expand aggressively; in low times, it still maintained confidence and move forward firmly against headwinds.

2021 was a special year, with prosperity in the first half and recession in the second half. The Group made quick adjustments to respond to the rapidly changing market environment. Specifically, the Group emphasised ensuring the security of cash flow, sped up the disposal of projects in cities which are no longer the priorities, and further optimised its investment portfolio. Focus and deep development are the key words and serve as the basis for healthy development after the baptism of wind and rain.

(I) Business Development: Focusing on Key Areas and Improving the Quality of Land Bank

In terms of investment portfolio evolution, the Group has shifted from focusing on certain regions to going deep in cities especially core and satellite cities and to making the best of selected areas, and has developed a complete set of strategy models. During the Reporting Period, the Group further optimised its investment strategy, maintained its investment direction and focus, and made solid efforts to increase its market share. As at 31 December 2021, the Group had a total of 354 property development projects, covering 61 cities across China, and had a sizable land bank of 49.52 million square metres in GFA. During the year, an attributable GFA of approximately 4.71 million square metres was added, and the attributable amount of land acquisition represented 38% of attributable contracted sales.

During the Reporting Period, the Group invested more than 90% of its land acquisition spending in second-tier cities and above to unswervingly follow the journey of urban upgrade. The Group's land bank in first- and second-tier cities further expanded to 60%. The newly added land reserves are mainly concentrated in core regions such as the Yangtze River Delta and the Greater Bay Area. In particular, the "base" construction strategy was advancing in an orderly manner in core cities, provincial capitals and important rail transit cities.

(II) Sales Performance: Steadily Rising Sales and Intensifying Receivables Collection

The performance of excellent real estate companies usually shows the resilience of sales. When the industry is pessimistic, consumers are still willing to vote in favour with practical actions. During the Reporting Period, the contracted sales and contracted sales GFA of the Group, together with its joint ventures and associates, reached approximately RMB137.14 billion and 11.764 million square metres, representing an increase of 8.7% and 5.8% over the same period in 2020 respectively, higher than the industry average. Under the current market environment, the Group put more emphasis on receivables collection instead of simply pursuing high sales growth. During the Reporting Period, the Group's collection ratio of sales proceeds was 78%, which was at a high level in the industry (especially among non-state-owned enterprises). Meanwhile, the Group made reasonable construction plans and delivery schedules based on market changes to achieve a dynamic balance of supply, sales and inventory. During the Reporting Period, the Group's sell-through rate reached 65%.

The Group implemented the regional expansion and urban upgrade strategies, and leveraged its brand and organisational management advantages to increase market share and improve sales quality. The percentage of sales contribution of high-tier cities continued to increase, and the gross profit margin of new projects kept recovering. During the Reporting Period, the average selling price of the Group increased by 2.7% to RMB11,657 per square metre compared with the same period in 2020, and the percentage of sales contributed by high-tier cities continued to rise, with second-tier cities and above accounting for 78% of sales.

(III) Financial Performance: Staying Safe and Sound and Safeguarding the Risk Bottom Line

The Group always takes credit security and isolation of risks seriously and has obvious financial advantages. During the Reporting Period, the Group continued to take advantage of low-cost financing to build a core moat for financial security. As at 31 December 2021, the Group's weighted average financing cost was as low as 4.82%, making it one of the few nationwide non-state-owned real estate companies with sustained access to low-cost financing. During the Reporting Period, the weighted average effective interest rate of its new interest-bearing liabilities was 4.63%, and the financing cost may be further optimised.

Leverage management and optimisation of debt structure have always been the core goals of the Group. During the Reporting Period, the Group achieved great results in reducing debts. Specifically, the net gearing ratio fell significantly to 46.3%; the cash to current liabilities ratio increased substantially to 1.71; the asset-liability ratio after excluding advance receipts dropped to 72.1%. As at 31 December 2021, the total interest-bearing liabilities of the Group amounted to RMB56,323.55 million, representing a decrease of 4.0% as compared with the end of the previous year.

The Group focused on strengthening receivables collection to enhance financial soundness, and maintained sufficient cash and credit facilities to improve its anti-risk ability. As at 31 December 2021, the Group had total cash and bank balances of RMB34,196.54 million, and unused bank credit facilities of RMB100,124.82 million.

(IV) Product Strength: Returning to the Essence and Creating Product Labels

The transformation of the industry brings more and higher requirements for products. Nevertheless, long-termism and daring to innovate are the core values of the Group in terms of product strength. During the Reporting Period, the Group mapped its product portfolio by customer group and formed four mature product series. Among them, the launch of the top product series "Jingrui" not only carries the Group's mission of strategic urban expansion, but also represents an ideal modern lifestyle.

The Group strengthened the first-mover advantage in smart offerings, made the best of the support from Midea, insisted on co-creation with customers, explored life scenarios based on the actual needs of customers, and actively served the lifestyles of users. Given the new needs arising from the normalisation of COVID-19, multi-child policy, the Double Reduction policy and the carbon neutrality strategy, the Group opened a new chapter in the development of smart home scenarios. Moreover, it leveraged its advantages as a "manufacturing" and "smart" enterprise to solve customers' pain points.

(V) Service Capabilities: Respecting Customers and Exploring New Experience

Service capabilities represent one of the core capabilities in the value chain of real estate development. Good products need to be matched with good services. Midea Property Management launched four service standards of "royalty, enjoyment, joy and pleasure" to meet the diverse needs of different customer groups, and continued to build a business operation service system covering the whole life cycle of customers, all scenarios of the community and all service contact points, with a view to creating a new experience of intimate and quality life services.

In 2021, the Group launched a new user brand named "Chengyijia" (橙意家) to continuously deliver a "visible" beautiful life to customers based on quality. During the Reporting Period, the Group delivered 71,000 units nationwide, with a delivery rate of 90%. Nearly 40% of them were distributed in the first- and second-tier cities in the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta Economic Zone, and the Group ranked among the best in the industry in terms of homeowner satisfaction. While consolidating its principal business, the Group developed non-residential business, solidly promoted the market expansion strategy, strengthened its service capabilities for industrial parks, and entered sub-sectors such as cultural tourism, schools, elderly care, and urban public building, so as to enrich its business portfolio across the industry chain.

(VI) Diversified Development: Innovation and Transformation to Promote Space Technology Integration

Technology and intelligence are reshaping the real estate industry and injecting new impetus into the future development of the industry. The Group believes that the real estate industry with an ultra-long industrial chain still has a lot of potential to explore. Real estate companies need to change their traditional mindset, embrace innovative technologies and business models, create new growth drivers, and develop a more reasonable and diversified business structure.

During the Reporting Period, the commercial segment continued to put into operation landmark projects of the "Wonderful" series, had a total GFA of over 3.50 million square metres in operation, and partnered with more than 1,000 merchants; the industrial segment recorded a contracted sales of RMB2.16 billion.

Ruizhu Intelligent, a subsidiary of the Group, continued to focus on scientific research and innovation of smart scenarios. As of now, it has obtained over 500 patents for smart green products and has been certified for 20 national or industry standards for smart green technology. It has served more than 200 customers, and delivered smart life services to over 110,000 households in over 330 smart communities. According to data released by CRIC Research Centre, in 2021, the Group's smart home decoration rate was 48%, ranking first in the industry.

Ruizhu Capital of the Group upholds the investment philosophy based on "space technology" and empowers enterprises with its advantages in "capital, real estate and property management" platforms in an effort to build an ecosystem underpinned by smart, healthy, green and low-carbon capabilities.

(VII) Lean Management: Improving Efficiency and Cost-effectiveness and Returning to Manufacturing Mindset

In 2021, the Group's administrative expenses as a percentage of revenue decreased by 2.1% as compared with that in 2020. The Group continued to enhance capabilities in product standardisation and quality improvement, life cycle cost control, and improvement of development and operation efficiency. In the meantime, the Group strengthened digital application in the industry: internally, it transformed the company-wide value chain to realise the digitisation of production and operations; externally, on the one hand, it improved efficiency and user experience in the aspects of digital marketing and digital services; on the other hand, it secured reliable delivery from and had good interaction with upstream suppliers to improve the operation efficiency of the industrial chain.

III. Development Strategy and Outlook

In 2021, the industry faced unprecedented challenges. Looking ahead, the journey is still arduous and long. However, people's yearning for a better life will always exist. As a sector enabling everyone to "have a place to live and live in ease", the real estate industry will have great prospects. The development of the industry has entered a new normal, which will breed new opportunities. We are full of confidence in the industry.

As a Chinese poem goes, "It's strong and firm though struck and beaten without rest, careless of the wind from north or south, east or west." As a creditworthy non-state-owned real estate company with nationwide presence, the Group is also full of confidence in its future prospects. The Group will make the best of the strong support of Midea's ecosystem, its sound financial strategy, solid financing capacity, full-cycle development and operation capabilities, lean organisation management, ingenious and innovative products and service, and capabilities in building a space technology industry chain, to achieve quality growth and blaze a unique trail in the industry. On the road of stable and long-term development, we will continue to strengthen our faith, maintain confidence, cherish credit, and embrace changes to capture the future.

Ensuring financial security and returning to the fundamental logic. The Group will strictly implement the principle of "one control, one reduction, one stability and one increase" to control the cost and amount of interest-bearing liabilities; reduce inventory on the premise of sales with cash and cash with profits; stabilise selling prices and improve asset turnover. In the future, the Group will continue to consolidate the moat of financing capacity and maintain financial security and liquidity.

Upholding the principle of focusing on bases to cash out. The Group will unswervingly go deep in cities and concentrate on key regions (Yangtze River Delta, Greater Bay Area, provincial capitals, promising prefecture-level cities, core cities, and core districts) to increase the market share in these cities. The Group will scientifically assess its sales strategies, technical means and management measures, and make overall improvements under a result-oriented approach. In addition, it will constantly tap the market potential, stabilise the selling prices and increase premiums.

Understanding customer demands and improving delivery quality. The Group will develop panoramic plans for future communities based on innovative scenarios in the life of users, strengthen the label of "smart health", and comprehensively improve the community service and operation system. It will create differentiated advantages by developing unique product IPs and genes in the aspects of R&D, fine decoration and intelligence; continue to promote the construction of a customer research system and put the "customer-centric" approach into action.

Leveraging technology's power to strengthen industrial chain expansion. The Group will develop organisational management models and ways of thinking other than those for its principal business — real estate development, embrace technology based on insights into consumer needs more proactively, promote the deep integration of technology and living space, and constantly upgrade the supply capacity of smart space and smart life. Starting from application scenarios, it will address the pain points of the industry, integrate technical resources to empower scenario-based innovation through the power of capital, and create new lifestyles and business offerings.

Practicing lean management and building an elite organisation. The Group will focus on controlling ineffective costs in the process of production, operation and sales through system iteration and closed-loop management, so as to make the best of resources; uphold the result-oriented approach, improve execution efficiency, and continue to build an elite organisation; rapidly increase the talent pool and strengthen the training of all-round talents with multiple perspectives.

Insisting on value co-creation to build a community with a shared future. Under the general trend of the industry, only with concerted efforts can we open a new chapter by building a community with a shared future. The Group will join hands with its strategic suppliers and partners to grow together, upgrade capabilities, and resist risks.

Inheriting the culture of Midea and giving full play to its institutional advantages. The Group will inherit Midea's culture of result orientation and pragmatism, give full play to the advantages of Midea's professional manager system, provide long-term equity incentives for employees, and stimulate the subjective initiative of the front-line team. As the market enters a period of adjustment and restructuring, cultural and institutional advantages will show great competitiveness.

Running water does not compete for the first, but for endless flow. The Group will adhere to long-termism and become a motivated marathon runner.

The grass and trees are growing, and spring is within sight. Today's China is at the cusp of changes unseen in a century. In the turbulent international environment, the fate of companies is closely related to the fate of the country, and they are in the same vein. The Group hopes that the country will prosper, the mountains and rivers will remain beautiful, and the people will live in peace. Difficulty is the nurse of greatness. The industry needs a baptism to mature, and enterprises in the industry need reform to go far. The times and platforms have given us such a good opportunity. In the future, we will go through the business cycle with firm belief, tenacious will and great mission.

Appreciation

On behalf of the board of directors (the "**Board**" or "**Directors**") of the Company, I would like to take this opportunity to express sincere gratitude to all sectors of society for your trust and support. The Group will continue to improve in 2022 to create more value for shareholders, investors, partners, customers and society.

Chairman, Executive Director and President
Hao Hengle

25 March 2022
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

During the year, the Group recorded revenue of RMB73,703.10 million (2020: RMB52,483.61 million), representing a year-on-year increase of 40.4%. Operating profit amounted to RMB8,021.88 million (2020: RMB6,531.72 million), representing a year-on-year increase of 22.8%. Profit for the year amounted to RMB5,302.81 million (2020: RMB4,825.50 million), representing a year-on-year increase of 9.9%. Core net profit for the year increased by 13.6% to RMB5,457.54 million (2020: RMB4,804.69 million). Profit attributable to owners of the Company for the year amounted to RMB3,743.56 million (2020: RMB4,326.48 million).

Land Reserves

During the year, the Group unswervingly took the road of regional expansion and urban upgrade, maintained a prudent attitude amid the grave industry landscape, invested limited resources into property development projects that can generate the maximum value, and accelerated sales and payment collection to ensure delivery and cash flow security. Land investment was mainly concentrated in Shanghai, Jiangsu & Anhui Region with strong economic vitality and Zhejiang and Fujian regions with a good market environment, focusing on deep cultivation and not expanding urban presence.

As at 31 December 2021, the total GFA of the Group's land reserves reached 49.52 million square metres, comprising 354 property development projects, covering 61 cities. These land reserves are located in six major regions namely the Pearl River Delta Economic Region, Shanghai, Jiangsu & Anhui Region, Zhejiang & Fujian Region, Midstream of Yangtze River Economic Region, North China Region and Southwest Economic Region.

List of Newly Acquired Land Reserves:

Economic Region	City	Project Name	Interest Attributable to the Group**	Area of Land Reserve (Square metres)
Pearl River Delta	Foshan	Foshan Nanhai Midea Lakeside Mansion (佛山南海美的濱湖學府)	50.1%	103,036
		Foshan Fantasia•Midea•Excellence•Good Time* (佛山花樣年•美的•卓越•好時光)	33.0%	79,401
	Dongguan	Dongguan Yuexiu-Midea Joy Bay Garden* (東莞越秀美的天悦江灣花園)	49.0%	96,671
	Huizhou	Huizhou Midea•Logan Acescene Park* (惠州美的•龍光玖悦台)	49.0%	56,013
	Guangzhou	Guangzhou Boyue Mingzhu ONE* (廣州鉑玥明珠ONE)	24.9%	46,888

Economic Region	City	Project Name	Interest Attributable to the Group**	Area of Land Reserve (Square metres)
Shanghai, Jiangsu & Anhui	Xuzhou	Xuzhou Midea Yunyuhu (徐州美的雲與湖)	70.0%	535,263
		Xuzhou Hezhu Hushan* (徐州和著湖山)	33.0%	65,767
		Xuzhou Kunlun Yipin* (徐州昆侖一品)	33.0%	61,913
		Xuzhou Cuiping Fenghua* (徐州翠屏風華)	33.0%	35,851
	Wuxi	Wuxi Huaxia Road Project* (無錫華夏路項目)	62.0%	104,021
		Wuxi Dongxiang Road Project* (無錫東翔路項目)	51.0%	103,385
		Wuxi Yunshang Siji* (無錫雲上四季)	49.0%	80,667
		Wuxi Guiyu Yunjian Project* (無錫桂語雲間項目)	41.0%	30,857
		Wuxi Shanshui Shijian* (無錫山水拾澗)	30.0%	29,237
	Hefei	Hefei C&D-Midea Junhe Mansion* (合肥建發美的珺和府)	40.0%	92,567
		Hefei Emerald Cloud Villas* (合肥萃語雲築)	33.0%	51,213
	Changzhou	Changzhou Yanzheng West Avenue Project* (常州延政西大道項目)	45.0%	73,991
	Suzhou	Suzhou Yunyue Paradise (蘇州雲悦天境)	60.0%	54,781
	Nanjing	Nanjing Huafa-Midea Cloud Villas* (南京華髮美的雲築)	49.0%	48,946
	Yangzhou	Yangzhou Cloud Villas* (揚州雲築)	33.0%	43,496
Zhejiang & Fujian	Quanzhou	Quanzhou Taishang Midea Yunxi Community Phase II (泉州台商美的雲璽台二期)	100.0%	263,788
		Quanzhou Dehua Midea Yunxi Community Phase II (泉州德化美的雲璽台二期)	100.0%	130,517
		Quanzhou Dehua Yunyin Landscape (泉州德化雲印江山)	79.0%	93,026
	Wenzhou	Wenzhou Midea Royal Orchid Fairview (溫州美的君蘭錦繡)	89.5%	444,882
		Wenzhou C&D-Midea-Redsun Royal Orchid Hezhu* (溫州建發美的弘陽君蘭和著)	33.0%	39,008
	Jinhua	Jinhua Midea-Longfor Royal Orchid Tianxi* (金華美的龍湖君蘭天璽)	70.0%	177,843
		Jinhua Midea Royal Orchid Fairview (金華美的君蘭錦繡)	50.1%	174,996
	Fuzhou	Fuzhou Greentown-Midea Guiyu Yingyue* (福州綠城美的桂語映月)	50.0%	83,483
		Fuzhou Midea-C&D Royal Orchid Heming* (福州美的建發君蘭和鳴)	51.0%	56,117
		Fuzhou Midea-Lanyuan Yunxi Community* (福州美的蘭園雲璽台)	51.0%	38,786
		Fuzhou Midea-Xiangyu Grand Garden* (福州美的象嶼公園天下)	51.0%	26,437
	Ningbo	Ningbo Cixi Midea Junyao Mansion (寧波慈溪美的君耀府)	100.0%	155,303
	Shaoxing	Shaoxing Midea-Vanke Royal Orchid Fairview* (紹興美的萬科君蘭錦繡)	51.0%	97,691

Economic Region	City	Project Name	Interest Attributable to the Group**	Area of Land Reserve (Square metres)
Midstream of Yangtze River	Changsha	Changsha Midea Riverside Court* (長沙美的濱河苑)	50.0%	111,810
		Changsha Greentown Midea Mingyue Jiangnan* (長沙綠城美的明月江南)	50.0%	109,088
	Nanchang	Nanchang Jiaotou Properties Sunac Midea Qingshanyin (南昌交投置業融創美的青山印)	34.0%	142,514
	Ganzhou	Ganzhou Lakeside Avenue Project* (贛州湖邊大道項目)	51.0%	133,930
	Yueyang	Yueyang Midea Platinum Joy Mansion Phase II (岳陽美的鉑悦府二期)	100.0%	30,859
North China	Handan	Handan Midea Grand Garden (邯鄲美的公園天下)	100.0%	177,292
	Luoyang	Luoyang Midea Royal Orchid Landscape (洛陽美的君蘭江山)	50.1%	151,779
	Tianjin	Tianjin Midea Hezhu Meijiang* (天津美的和築梅江)	49.0%	73,624
Southwest	Guiyang	Guiyang Midea Elegance of Jingyue Phase II (貴陽美的璟悦風華二期)	100.0%	383,870
	Nanning	Nanning Midea•Tianyue (南寧美的•天玥)	100.0%	254,343
	Chengdu	Chengdu Midea-Dexin Dongyue Jiuyuan* (成都美的德信東樾玖院)	50.0%	126,824

* The land reserve of the properties held by our joint ventures/associates has been discounted in proportion to ownership percentage.

** Interest attributable to the Group refers to the equity interest held by the Group in each project company as at 31 December 2021, and the ownership structures of some projects may be further adjusted according to the cooperation agreements in the future.

Financial Review

Revenue

Property Development and Sales

During the year, the Group's recognised revenue from property development and sales increased by 40.8% to RMB72,518.12 million from RMB51,516.19 million in 2020, primarily due to the increase in the GFA recognised. Total GFA recognised amounted to 8.489 million square metres, representing an increase of 39.7% from 6.076 million square metres in 2020.

Property Management Services

During the year, the Group's revenue derived from property management services increased by 17.1% to RMB908.69 million from RMB776.29 million in 2020, primarily due to an increase in the GFA under management.

Investment and Operation of Commercial Properties

During the year, the Group's revenue from investment and operation of commercial properties increased by 44.6% to RMB276.29 million from RMB191.13 million in 2020. The increase was mainly due to the gradual and steady recovery and further development of property rental business and cultural tourism projects with the effective control of the pandemic in China.

Cost of Sales

The Group's cost of sales primarily represents the costs incurred directly from the property development activities, the provision of property management services and other business activities. During the year, the Group's cost of sales increased by 47.5% to RMB60,207.64 million from RMB40,825.62 million in 2020. The increase was primarily due to the growth in total GFA recognised by 39.7% from 2020 to 8.489 million square metres.

Gross Profit

During the year, the Group's gross profit increased by 15.8% to RMB13,495.46 million from RMB11,657.99 million in 2020. The increase in gross profit was mainly driven by the increase in sales revenue.

Other Income and Gains — Net

During the year, the Group's other income and gains — net increased by 36.6% to RMB894.12 million from RMB654.74 million in 2020. The above other income and gains primarily consist of management and consultancy service income, compensation income, gains from disposal of joint ventures and associates, realised and unrealised gains on financial assets at fair value through profit or loss, etc. During the year, the Group's management and consultancy service income increased compared with that of 2020, which resulted in an increase in other income and gains.

Selling and Marketing Expenses

During the year, the Group's selling and marketing expenses increased by 21.4% to RMB2,662.87 million from RMB2,194.35 million in 2020. The Group's sales scale continued to expand further, driving the corresponding growth in marketing expenses.

Administrative Expenses

During the year, the Group's administrative expenses decreased by 3.9% to RMB3,382.19 million from RMB3,518.26 million in 2020. During the year, the Group implemented stringent cost control measures and boosted per capita efficiency, resulting in a decrease in administrative expenses.

Finance Income — Net

The Group's net finance income primarily consists of interest expenses for bank loans, other borrowings, domestic corporate bonds and lease liabilities net of capitalised interest relating to properties under development, interest income from bank deposits, as well as foreign exchange gains and losses arising from financing activities. The general and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (assets that necessarily take a substantial period of time to get ready for their intended use or sale) are capitalised into the costs of those assets, until such assets are substantially ready for their intended use or sale.

During the year, the Group's net finance income recorded a net income of RMB720.99 million, representing an increase of 4.9% as compared with RMB687.59 million in 2020 primarily attributable to the increase in interest income.

Profit Attributable to Owners of the Company

During the year, profit attributable to owners of the Company amounted to RMB3,743.56 million (2020: RMB4,326.48 million).

Liquidity and Capital Resources

Cash Position and Available Funds

The Group's total cash and bank deposits reached RMB34,196.54 million as at 31 December 2021 (31 December 2020: RMB26,787.64 million), including RMB26,288.55 million in cash and cash equivalents (31 December 2020: RMB18,595.11 million), nil term deposits with initial terms of over three months (31 December 2020: RMB52.31 million) and RMB7,907.99 million in restricted cash (31 December 2020: RMB8,140.22 million). Several property development companies of the Group are required to deposit certain amounts of pre-sale proceeds at designated bank accounts as guarantee deposits for the construction of related properties. As at 31 December 2021, the Group's pre-sale proceeds under supervision amounted to RMB7,415.81 million. As at 31 December 2021, the Group's unused credit facilities from banks were RMB100,124.82 million.

Borrowings and Net Gearing Ratio

As at 31 December 2021, the Group's total borrowings amounted to RMB56,323.55 million. Bank and other borrowings, and corporate bonds were RMB45,814.04 million and RMB10,509.51 million, respectively. As at 31 December 2021, the net gearing ratio was 46.3% (31 December 2020: 79.2%). The net gearing ratio is calculated based on net borrowings divided by total equity. Net borrowings were calculated as total amount of borrowings less cash and cash equivalents, term deposits with initial terms of over three months and restricted cash.

Borrowing Costs

During the year, the total borrowing costs of the Group amounted to RMB2,898.66 million, representing a decrease of RMB197.29 million from RMB3,095.95 million in 2020, mainly due to the lower borrowing cost resulting from the increase in the proportion of low-cost financing during the year.

Contingent Liabilities and Guarantees

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to our customers in order to secure the repayment obligations of such customers. The mortgage guarantees were issued from the date of grant of the relevant mortgage loans, and released upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of the properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, we are responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and we are entitled to retain the legal title and take over the possession of the related properties. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As at 31 December 2021, the Group's guarantee in respect of mortgage facilities for certain purchasers amounted to RMB90,111.88 million (31 December 2020: RMB80,416.62 million).

In addition, the Group also provides guarantees for borrowings of several joint ventures and associates. As at 31 December 2021, the Group's guarantee for the loans of joint ventures and associates amounted to RMB12,434.24 million (31 December 2020: RMB11,917.46 million).

Commitments

As at 31 December 2021, the Group's capital and property development expenditure commitments amounted to RMB46,575.43 million (31 December 2020: RMB30,414.02 million).

Interest Rate Risk

The Group's interest rate risk arises from interest-bearing bank deposits, corporate bonds, bank and other borrowings. Bank deposits, bank and other borrowings issued at variable rates expose the Group to cash flow interest rate risk. Corporate bonds, bank and other borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets and cash deposits with banks.

The carrying amounts of trade and other receivables, contract assets, restricted cash, term deposits with initial terms over three months and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

Liquidity risk

Management of the Group aims at maintaining sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

Currency Risk

The Group's businesses are mainly conducted in RMB and most of its assets are denominated in RMB. Non-RMB assets and liabilities are mainly bank deposits and borrowings denominated in Hong Kong dollars and US dollars. The Group is subject to certain foreign exchange risks arising from future commercial transactions and recognised assets and liabilities which are denominated in Hong Kong dollars and US dollars.

Legal Contingencies

The Group may be involved in litigations and other legal proceedings in its ordinary course of business from time to time. The Group believes that the liabilities arising from these legal proceedings will not have a material adverse effect on our business, financial condition or results of operations.

Subsequent Events

On 13 January 2022, Midea Real Estate Group Limited (美的置業集團有限公司) ("**Midea Real Estate Group**"), an indirectly wholly-owned subsidiary of the Company, has applied and obtained the approval from the National Association of Financial Market Institutional Investors whereby Midea Real Estate Group is permitted to issue the medium-term notes with a principal amount of RMB5,000,000,000. On 1 March 2022, Midea Real Estate Group issued the first tranche of medium-term notes in an aggregate principal amount of RMB1,500,000,000 with a coupon rate of 4.50% for a term of 4 years. At the end of the second year, Midea Real Estate Group has the right to adjust the coupon interest rate, and the investors may exercise their option to sell back the first tranche of medium-term notes they hold.

On 11 March 2022, Nanjing Midea Property Development Company Limited (南京美的房地產發展有限公司) (the "**Acquisition Purchaser**"), an indirectly wholly-owned subsidiary of the Company, entered into an acquisition equity transfer agreement (the "**Acquisition Agreement**") with Nanjing Baijun Property Development Company Limited (南京百俊房地產開發有限公司) (the "**Acquisition Vendor A**"), Jiangsu Jinke Tianchen Property Development Company Limited (江蘇金科天宸房地產有限公司) (the "**Acquisition Vendor B**"), Nanjing Kechen Property Development Company Limited (南京科宸房地產開發有限公司) (the "**Acquisition Target Company A**") and Nanjing Shanhe Chenyuan Management Company Limited (南京山河宸園企業管理有限公司) (the "**Acquisition Target Company B**") in relation to (1) the acquisition of 53.0% of the equity interests in Acquisition Target Company A (the "**Acquisition Target Company A Equity Interests**") and 50.0% of the equity interests in Acquisition Target Company B (the "**Acquisition Target Company B Equity Interests**") by the Acquisition Purchaser; (2) the novation of a loan in the principal amount of RMB497,362,000 advanced by Acquisition Target Company A to Acquisition Vendor A and acceptance of such novation by the Acquisition Purchaser; and (3) the assignment of a shareholder's loan in the principal amount of RMB75,600,000 advanced by Acquisition Vendor B to Acquisition Target Company B (the "**Acquisition Assignment Loan**") and acceptance of such assignment by the Acquisition Purchaser. The total consideration of the acquisition of Acquisition Target Company A Equity Interests and the Acquisition Target Company B Equity Interests and the Acquisition Assignment Loan is RMB907,210,000. Acquisition Target Company A is engaged in property development in Nanjing City, Jiangsu Province of the PRC. Upon completion of the acquisition, Acquisition Target Company A and Acquisition Target Company B will become wholly-owned subsidiaries of the Acquisition Purchaser.

On 11 March 2022, Foshan Gaoming District Midea Property Development Company Limited (佛山市高明區美的房地產發展有限公司) (the "**Liuzhou Disposal Vendor**"), an indirectly wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "**Liuzhou Disposal Agreement**") with Liuzhou Jinzhuoliu Property Development Company Limited (柳州金卓柳房地產開發有限公司) (the "**Liuzhou Disposal Purchaser**") and Liuzhou Tongxin Property Development Company Limited (柳州同鑫房地產開發有限公司) (the "**Liuzhou Disposal Target Company**") in relation to (1) the disposal of 34% of the equity interests in Liuzhou Disposal Target Company (the "**Liuzhou Disposal Target Equity Interests**") by the Liuzhou Disposal Vendor; and (2) the assignment of a shareholder's loan in the principal amount of RMB76,707,720 advanced by the Liuzhou Disposal Vendor to the Liuzhou Disposal Target Company (the "**Liuzhou Disposal Assignment Loan**") and acceptance of such assignment by the Liuzhou Disposal Purchaser. The total consideration of the acquisition of the Liuzhou Disposal Target Equity Interests and the Liuzhou Disposal Assignment Loan is RMB100,000,000. The Liuzhou Disposal Target Company is engaged in property development in Liuzhou City, Guangxi Zhuang Autonomous Region of the PRC. Upon completion of the disposal, the Group will cease to have any interest in the Liuzhou Disposal Target Company and the Liuzhou Disposal Target Company will no longer be accounted as a subsidiary of the Company.

On 11 March 2022, Changsha Midea Property Development Company Limited (長沙市美的房地產開發有限公司), (the "**Yueyang Disposal Vendor**"), an indirectly wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "**Yueyang Disposal Agreement**") with Jinke Property Group Hubei Company Limited (金科地產集團湖北有限公司) (the "**Yueyang Disposal Purchaser**") and Yueyang County Dingyue Property Development Company Limited (岳陽縣鼎岳房地產開發有限公司), (the "**Yueyang Disposal Target Company**") in relation to (1) the disposal of 50.1% of the equity interests in Yueyang Disposal Target Company (the "**Yueyang Disposal Target Equity Interests**") by the Yueyang Disposal Vendor; and (2) the novation of a loan in the principal amount of RMB24,148,200 advanced by the Yueyang Disposal Target Company to the Yueyang Disposal Vendor and acceptance of such novation by the Yueyang Disposal Purchaser. The consideration of the disposal of the Yueyang Disposal Target Equity Interests is RMB84,148,200. The Yueyang Disposal Target Company is engaged in property development in Yueyang City, Hunan Province of the PRC. Upon completion of the disposal, the Group will cease to have any interest in the Yueyang Disposal Target Company and the Yueyang Disposal Target Company will no longer be accounted as a subsidiary of the Company.

Acquisition Vendor A, Acquisition Vendor B, Liuzhou Disposal Purchaser and Yueyang Disposal Purchaser are the members of Jinke Property Group Company Limited (金科地產集團股份有限公司), a company established in the PRC and listed on the Shenzhen Stock Exchange with stock code: 000656.SZ. For details of the Acquisition Agreement, the Liuzhou Disposal Agreement and the Yueyang Disposal Agreement, please refer to the Company's announcement dated 11 March 2022.

Use of Proceeds From Initial Public Offering

Trading of shares in the Company on the Main Board of The Stock Exchange of Hong Kong Limited commenced on 11 October 2018, and the Company raised net proceeds of approximately RMB2,786.87 million (including the exercise of the over-allotment option), after deducting the underwriting commission and other expenses in connection with the initial public offering ("**IPO**").

As at 31 December 2021, an analysis of the utilisation of IPO proceeds of the Company is as follows:

	Original allocation of IPO proceeds (including the exercise of the over-allotment option) RMB million	**Utilised IPO proceeds as at 31 December 2021** RMB million	**Unutilised IPO proceeds as at 31 December 2021** RMB million
Land acquisition or mergers and acquisitions to increase land reserves	1,950.81	1,950.81 (Note 1)	–
Land acquisition and construction for prefabricated construction projects	418.03	418.03	–
Research and development of smart home solutions	139.34	139.34	–
General working capital	278.69	278.69	–
Total	2,786.87	2,786.87	–

Note:

1. According to the Company's prospectus dated 28 September 2018, the Group intended to apply approximately 70% of the IPO proceeds for land acquisition to increase the land reserves by seeking and acquiring land parcels or suitable merger and acquisition opportunities in cities in which we currently operate and plan to expand by the end of 2020. The Group had attempted to utilise the IPO proceeds basically according to the schedule for expanding its land reserves in Changzhou, Wuxi, Yangzhou and Xuzhou etc.. However, the utilisation of such proceeds was delayed due to the implementation of the control policies on the real estate industry and the business and economic activities of the Group had been affected in 2020 to some extent.

   During the year ended 31 December 2021, funds amounting to RMB732.56 million were used in certain property development projects in Xuzhou and Zhenjiang, and the Board confirms that all the IPO proceeds were fully utilised by the end of 2021 in accordance with the original intended allocation of IPO proceeds.

Human Resources

As at 31 December 2021, the Group had employed 14,908 full time employees, most of whom were based in the PRC. Employee's remuneration includes salaries, bonuses and other cash subsidies. The remuneration and bonuses of the employees are determined based on the Group's remuneration and welfare policies, the performance of the employees, the profitability of the Group and market level. The Group will also provide employees with comprehensive welfare plans and career development opportunities, including social insurances, housing provident funds, commercial insurance as well as internal and external training opportunities.

In addition, the Group had granted certain share options and award shares for the purpose of providing incentives to eligible participants of the Group. For details, please refer to the sections headed "Share Option Scheme" and "Share Award Scheme" below.

Principal Risks and Uncertainties

Principal risks and uncertainties of the Group include:

Uncertainties about the potential impact of the financial regulatory policies on China's real estate industry

The financial regulation over the real estate industry is still tightening, as evidenced by the ongoing implementation of a series of policies including "Three Red Lines" regarding financing of real estate companies and "Two Red Lines" regarding management of mortgage loans. If industry players fail to catch up with the requirements of and changes in regulatory policies by optimising the asset-liability structure, their financing may be restricted, which is not conducive to fully meeting their capital needs. In addition, if an enterprise cannot fully utilise its idle capital to enhance the capital turnover ratio, the profitability of the enterprise would be negatively impacted due to the lower capital usage efficiency.

Uncertainty about China's economic condition and the performance of China's real estate market

The development of the real estate industry is closely linked to the cycle and operating conditions of the macro economy. Under the pressure of economic downturn, the wait-and-see sentiments of property buyers may strengthen, resulting in moderating real estate sales and lower investment expectation. Our business and prospects depend on the economic condition of China and the performance of the Chinese real estate market. Should the macro economy continue to fluctuate in the future and adversely affect the real estate market, our business, financial condition and operating results may be adversely affected.

Risks related to project development and operation

The real estate projects have long development cycles and large investment amounts, involve a wide range of related industries and cooperating companies, and are subject to the approval and supervision of a number of government departments such as planning, land resources, construction, housing management, fire and environmental protection departments. This imposes high demands on the Group's ability to control the pace of land acquisition and development progress. Despite our strong project operation capabilities and rich project operation experience, should there be any defaults from buyers or strategic business partners, insufficient construction risk management, or other peripheral factors, our operations may be adversely affected to varying degrees.

PROPERTY PREVIEWS

Some of our Residential Projects

Pearl River Delta Economic Region

Foshan Shunde Midea-Shimao Riverside No. One

Zhuhai Midea Powerlong City

Foshan Nanhai Dongyue Bay

Shanghai, Jiangsu & Anhui Region

Suzhou Midea Cloud Villas

Yangzhou Midea-Yuzhou Great River

Changzhou Midea-Shimao Cloud Villas

Zhejiang & Fujian Region

Jinhua Midea Royal Orchid Fairview

Ningbo Midea Seaside Cloud City

Quanzhou Midea Grand Garden

Midstream of Yangtze River Economic Region

Changsha Greentown Midea Mingyue Jiangnan

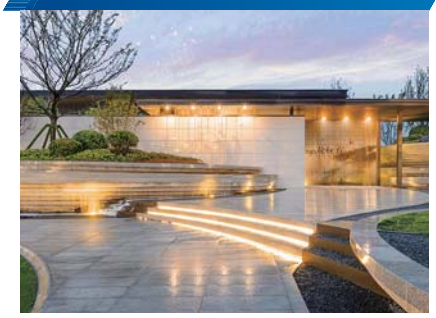
Ganzhou Midea Aikang Grand Garden

Nanchang Jiaotou Properties Sunac Midea Qingshanyin

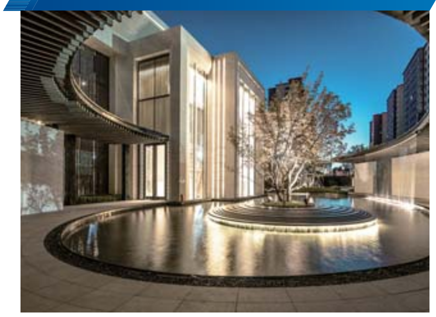
North China Region

Tianjin Midea-CIFI Grand Joy Mansion

Zhengzhou Midea Grand Joy Mansion

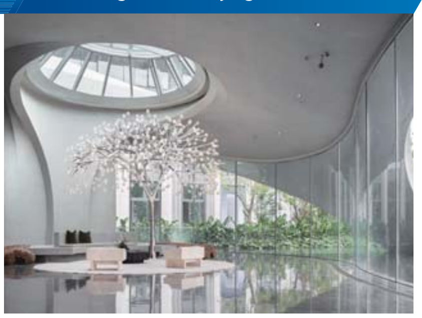


Shenyang Midea Han Court

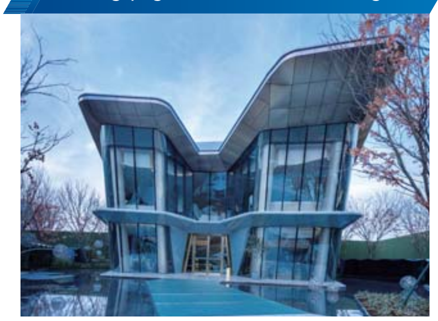


Southwest Economic Region

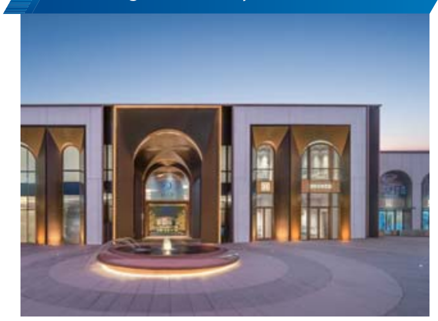
Kunming Midea Beijing Road No. 9



Chongqing Jinke-Midea Yuanshang



Nanning Midea·Tianyue

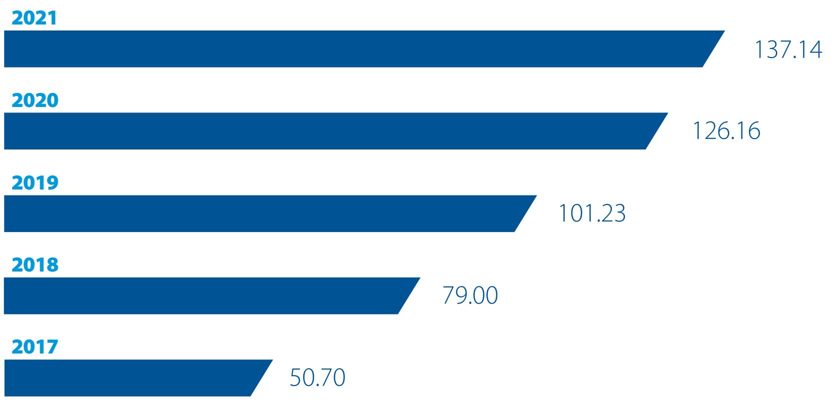


PROPERTY DEVELOPMENT

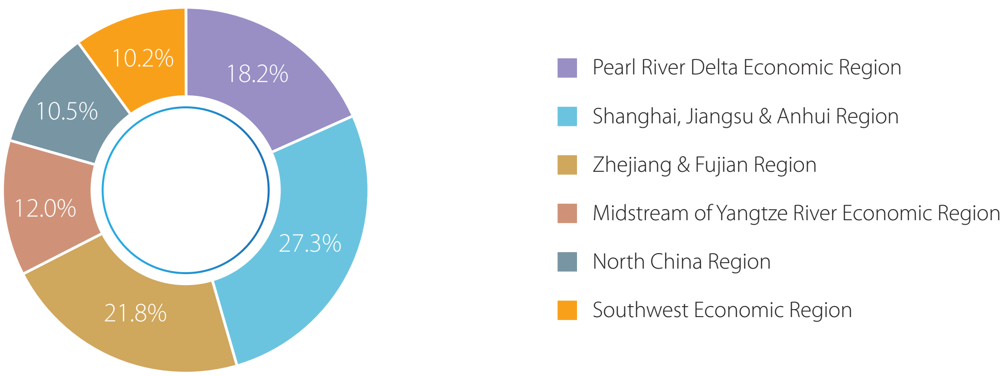
Contracted sales

In 2021, the Group, together with its joint ventures and associates, achieved a total contracted sales amount of about RMB137.14 billion, with contracted GFA sales of approximately 11.764 million square metres. In particular, the sales amount of second-tier cities and above accounted for 78%. In terms of contribution by single cities, approximately 40% of the sales amount came from cities with a sales volume of over RMB5 billion. In terms of market share, approximately 40% of the sales amount came from top 10 cities by market share. The Group strategically adhered to regional expansion and urban upgrade, and prospectively marched into key regions and core cities with growth potential, thus delivering strong sales performance with high-quality products and services in an adverse environment.

Contracted sales amount by year (unit: RMB billion)



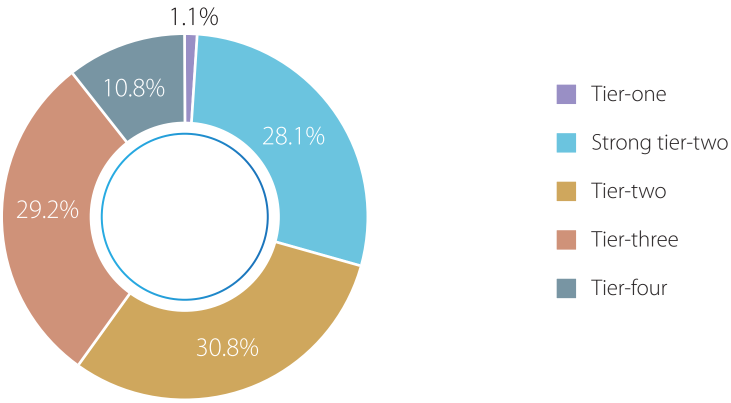
Contracted sales amount by economic region



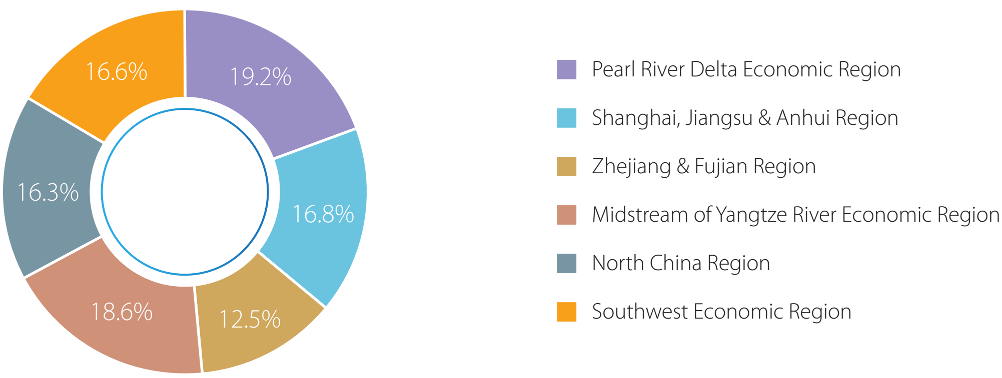
Land reserves

As at 31 December 2021, the total GFA of the Group's land reserves reached 49.52 million square metres, comprising 354 property development projects in 61 cities, 113 of which were participated through joint ventures and associates.

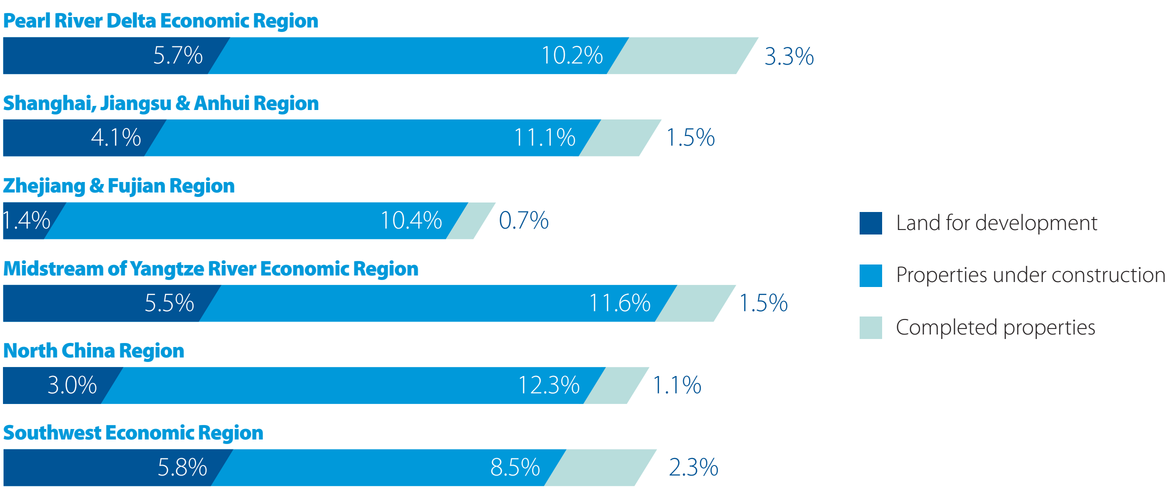
Land reserves by city tier



Land reserves by economic region



Land reserves by project status



Properties distribution map

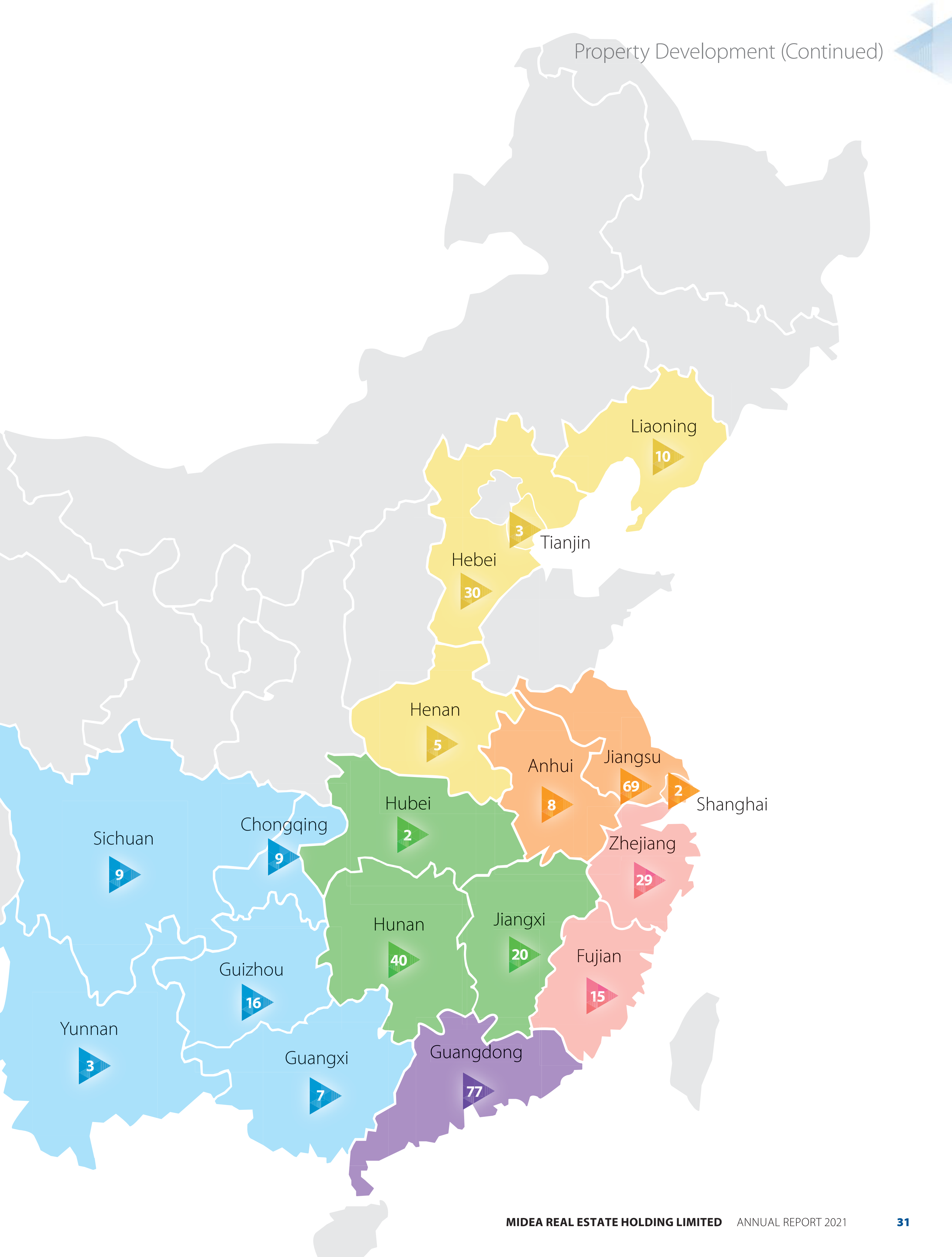
As at 31 December 2021, the Group owned 241 property development projects and participated in 113 projects through joint ventures and associates, which are located in six major regions namely the Pearl River Delta Economic Region, Shanghai, Jiangsu & Anhui Region, the Zhejiang & Fujian Region, the Midstream of Yangtze River Economic Region, the North China Region and the Southwest Economic Region.

6 ECONOMIC REGIONS

61 CITIES

354 PROJECTS*

* Including 113 projects participated through joint ventures and associates.


Liaoning
10
3
Tianjin
Hebei
30
Henan
5
Anhui
8
Jiangsu
69
2
Shanghai
Hubei
2
Chongqing
9
Sichuan
9
Zhejiang
29
Hunan
40
Jiangxi
20
Fujian
15
Guizhou
16
Yunnan
3
Guangxi
7
Guangdong
77

Breakdown of property development projects (As at 31 December 2021)

Property development projects of our subsidiaries

Project Name	City	Area of Land Reserve (Square metres)	Completed Saleable and Rentable GFA (Square metres)	GFA under Development (Square metres)	Planned GFA to be Developed in the Future (Square metres)	(Estimated) Date of Completion	Company's Attributable Interest
Foshan Midea Xinduhui Mall	Foshan	22,467	22,467			September 2016	100.0%
Foshan Midea Flowerbay City	Foshan	24,577	24,577			August 2018	100.0%
Foshan Shunde Beijiao Midea Real Estate Square	Foshan	254,732	254,732			December 2019	100.0%
Foshan Midea Lakeside Court	Foshan	42,268	42,268			March 2021	100.0%
Foshan Midea Peninsula Garden	Foshan	94,149		72,083	22,066	June 2023	75.8%
Foshan Midea West River Mansion	Foshan	222,092	141,202	80,890		December 2022	100.0%
Foshan Nanhai Midea Square	Foshan	152,408		152,408		December 2023	100.0%
Foshan Midea Jiufeng Square	Foshan	63,506	27,791	35,715		September 2022	90.0%
Foshan Shunde Midea Real Estate Wanda Plaza	Foshan	346,811	208,173	138,638		March 2023	56.0%
Foshan Chancheng Midea Times	Foshan	57,369	57,369			June 2021	100.0%
Foshan Chancheng Midea Times Phase II	Foshan	75,718		75,718		December 2022	100.0%
Foshan Shunde Midea Yunjing	Foshan	148,557		148,557		April 2023	100.0%
Foshan Midea Minghu	Foshan	21,427	21,427			June 2019	100.0%
Foshan Midea Egret Lake Forest Resort	Foshan	1,097,424	122,434	251,670	723,320	March 2024	90.0%
Foshan Midea City	Foshan	18,676	18,676			October 2020	100.0%
Foshan Gaoming Midea Egret Park	Foshan	110,866		110,866		July 2023	60.0%
Foshan Shunde Midea-Shimao Riverside No. One	Foshan	360,422		188,736	171,687	February 2025	75.0%
Foshan Chancheng Fengxiang Bay No. One	Foshan	320,240		258,294	61,945	December 2025	46.0%
Foshan Midea Yunyue Landscape	Foshan	571,457		380,610	190,847	April 2024	42.0%
Foshan Nanhai Midea Lakeside Mansion	Foshan	103,036		59,526	43,509	December 2024	50.1%
Yangjiang Midea Future Centre	Yangjiang	979,207	28,552	233,429	717,225	April 2024	60.0%
Yangjiang Midea Grand View Garden	Yangjiang	118,004	37,838	80,166		November 2022	80.0%
Maoming Midea Real Estate Square	Maoming	649,965	25,113	159,982	464,870	July 2023	100.0%
Heyuan Midea City	Heyuan	450,951	100,351	346,412	4,188	December 2023	60.0%
Heyuan Midea Cloud Villas	Heyuan	123,940		123,940		June 2023	80.0%
Zhaoqing Midea Grand Garden	Zhaoqing	91,400	3,103	88,296		March 2023	100.0%
Zhaoqing Midea-Country Garden SkyTeam	Zhaoqing	78,821	46,774	32,047		April 2022	50.0%
Zhaoqing Country Garden-KWG-Midea Riverside Mansion	Zhaoqing	148,744	7,537	141,208		October 2022	34.0%
Zhaoqing Midea Yueshan	Zhaoqing	75,752	3,700	72,051		March 2022	100.0%
Guangzhou Midea Cloud Villas	Guangzhou	78,002	23,796	54,206		September 2022	100.0%
Guangzhou Midea Jiangshang Yunqi	Guangzhou	116,873		116,873		May 2023	67.0%
Guangzhou Midea-Greentown Xiaofeng Yinyue	Guangzhou	120,376		120,376		February 2023	50.5%
Huizhou Midea-CIFI Landscape Residence	Huizhou	58,028	58,028			September 2021	50.0%
Huizhou Midea-Redco-Kaisa Cloud Villa Garden	Huizhou	225,156		225,156		July 2023	34.0%
Jiangmen Midea Begonia Residence	Jiangmen	98,498	6,019	92,479		March 2023	55.0%
Jiangmen Midea Yueshan Mansion	Jiangmen	155,407		155,407		July 2023	100.0%
Dongguan Midea-China Merchants Dongyue Garden	Dongguan	114,401	3,809	110,591		November 2022	50.0%
Zhongshan Midea Residence	Zhongshan	10,441	10,441			July 2019	100.0%
Zhongshan Midea Joy Mansion	Zhongshan	22,604	22,604			January 2020	100.0%
Xuzhou Midea Grand Garden	Xuzhou	16,674	16,674			September 2021	100.0%

Project Name	City	Area of Land Reserve (Square metres)	Completed Saleable and Rentable GFA (Square metres)	GFA under Development (Square metres)	Planned GFA to be Developed in the Future (Square metres)	(Estimated) Date of Completion	Company's Attributable Interest
Xuzhou Eastern Midea City	Xuzhou	221,100	14,049	207,052		October 2024	100.0%
Xuzhou Midea Joy City	Xuzhou	121,018	75,282	45,736		November 2022	75.0%
Xuzhou Midea Guantang	Xuzhou	19,336	19,336			December 2020	51.0%
Xuzhou CIFI-Midea Tianque	Xuzhou	234,622		234,622		April 2023	51.0%
Xuzhou Midea East Lake Sky City	Xuzhou	248,492	3,999	244,493		August 2023	100.0%
Xuzhou Midea-Redsun-Bright East Lake Joy Mansion	Xuzhou	228,924		228,924		October 2022	34.0%
Xuzhou Midea Skyfame	Xuzhou	964,812		769,724	195,087	March 2025	100.0%
Xuzhou Midea-Dexin Academician Mansion	Xuzhou	56,100		56,100		September 2022	51.0%
Xuzhou Midea-Jinke Cloud Villas	Xuzhou	136,836		136,836		June 2023	100.0%
Xuzhou Midea-Jinke Royal Orchid Lake	Xuzhou	41,046		41,046		July 2023	100.0%
Suzhou Midea Yunyuhu	Xuzhou	535,263		24,696	510,567	December 2026	70.0%
Yangzhou Midea-Vanke Jade Cloud Deck	Yangzhou	376,158	18,217	202,857	155,084	September 2024	50.0%
Yangzhou Midea VIP Mansion	Yangzhou	13,798	13,798			November 2021	60.0%
Yangzhou Midea-Yuzhou Great River	Yangzhou	440,996		176,786	264,210	April 2024	70.0%
Wuxi Midea-China SCE Royal Bay	Wuxi	152,382	13,600	138,782		June 2022	60.0%
Wuxi Midea Taihu Royal Mansion	Wuxi	149,612	51,977	97,635		June 2022	34.0%
Wuxi Midea-Love Cloud Villas	Wuxi	236,215		236,215		May 2023	55.0%
Zhenjiang Midea City	Zhenjiang	88,461	88,461			June 2021	100.0%
Zhenjiang Jinshan Masterpiece	Zhenjiang	110,323	53,840	56,483		March 2023	32.8%
Zhenjiang Midea Royal Orchid Joy	Zhenjiang	270,675	5,200	122,775	142,700	June 2026	100.0%
Zhenjiang Midea Yuelan Mountain	Zhenjiang	58,484	945	57,539		August 2022	100.0%
Suzhou Midea Cloud Villas	Suzhou	165,725	893	164,831		July 2022	100.0%
Suzhou Midea Ziyu Mansion	Suzhou	31,863	31,863			May 2021	34.0%
Suzhou Midea Lanyue Villas	Suzhou	120,001	15,364	104,636		April 2022	100.0%
Suzhou Yunyue Paradise	Suzhou	54,781		54,781		August 2023	60.0%
Shanghai Ten Miles Riverside Phase I	Shanghai	45,081	45,081			June 2021	34.0%
Shanghai Ten Miles Riverside Phase II	Shanghai	102,383		102,383		July 2022	34.0%
Changzhou Midea VIP Mansion	Changzhou	21,721	21,721			September 2021	55.0%
Changzhou Midea•Grand Garden	Changzhou	107,797	19,212	88,584		July 2022	100.0%
Nantong Midea Cloud Villas	Nantong	84,857		84,857		March 2023	100.0%
Nantong Midea-Redsun Royal Orchid Tianyue	Nantong	17,220	17,220			July 2021	55.0%
Nanjing Midea Greenfields Garden	Nanjing	27,410	27,410			November 2019	100.0%
Nanjing Shanyu Xi Mansion	Nanjing	64,763		64,763		July 2022	37.0%
Fuyang Midea-Xinhua City	Fuyang	55,927		55,927		April 2023	50.0%
Hefei Lujiang Midea City	Hefei	12,978	12,978			June 2021	100.0%
Quanzhou Midea Grand Garden	Quanzhou	127,062	127,062			August 2021	95.0%
Quanzhou Julong Midea Junyue Mansion	Quanzhou	229,019		163,454	65,565	November 2023	65.0%
Nan'an Midea Smart City	Quanzhou	655,438		247,679	407,759	April 2024	86.0%
Quanzhou Dehua Midea Yunxi Community	Quanzhou	193,236		193,236		July 2022	70.0%
Quanzhou Taishang Midea Yunxi Community	Quanzhou	273,385		273,385		March 2024	51.0%
Quanzhou Dehua Yunyin Landscape	Quanzhou	93,026		93,026		March 2023	79.0%
Quanzhou Dehua Midea Yunxi Community Phase II	Quanzhou	130,517		130,517		October 2023	100.0%
Quanzhou Taishang Midea Yunxi Community Phase II	Quanzhou	263,788		263,788		December 2023	100.0%

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Ningbo Midea Butterfly Sea	Ningbo	102,285	102,285			January 2021	100.0%
Ningbo Midea Mingzhou Yard	Ningbo	14,893	14,893			December 2019	100.0%
Ningbo Midea Yinghaichao	Ningbo	338,283		338,283		May 2022	100.0%
Ningbo Midea Seaside Cloud City	Ningbo	272,867		272,867		June 2023	100.0%
Ningbo Midea-Country Garden Mountainside Villa	Ningbo	13,189	13,189			March 2021	51.0%
Ningbo Midea-KWG Meiyun Hefu	Ningbo	118,677		118,677		November 2022	50.0%
Ningbo Cixi Midea Junyao Mansion	Ningbo	155,303		77,324	77,978	July 2023	100.0%
Jinhua Midea Golden Mansion	Jinhua	10,199	10,199			July 2019	100.0%
Jinhua Midea-Powerlong Inheritance Garden	Jinhua	61,581	61,581			March 2021	50.0%
Jinhua Midea Shanghu Huazhang	Jinhua	129,715		129,715		May 2022	100.0%
Jinhua Midea-Dafa Cloud Villas	Jinhua	71,675		71,675		August 2022	70.0%
Jinhua Midea Yunchao Mansion	Jinhua	265,298		265,298		July 2023	100.0%
Jinhua Midea Royal Orchid Fairview	Jinhua	174,996		174,996		December 2023	50.1%
Wenzhou Midea Royal Orchid Fairview	Wenzhou	444,882		444,882		February 2024	89.5%
Taizhou Huahong-Midea Meichen Garden	Taizhou	263,467		263,467		March 2022	50.0%
Taizhou Midea-Yincheng Royal Orchid Mansion	Taizhou	106,150		106,150		March 2022	60.0%
Hangzhou Midea Xijing Xiaofeng	Hangzhou	256,974		256,974		October 2022	90.0%
Hangzhou Midea Lakeside Green Mansion	Hangzhou	38,082		38,082		November 2022	100.0%
Zhoushan Midea Grand Garden	Zhoushan	95,489		95,489		February 2022	55.0%
Zhuzhou Midea Blue Valley	Zhuzhou	110,560	5,379	105,181		April 2023	100.0%
Zhuzhou Midea Times Square	Zhuzhou	29,185	29,185			January 2017	100.0%
Zhuzhou Midea Tan Mansion	Zhuzhou	20,198	19,406	792		December 2023	80.0%
Zhuzhou Midea Parasol Garden	Zhuzhou	111,337	5,847	82,182	23,308	February 2026	80.0%
Zhuzhou Midea Purple Cloud Community	Zhuzhou	138,432	3,315	62,455	72,662	August 2028	100.0%
Zhuzhou Midea Bay	Zhuzhou	273,944	2,548	97,851	173,546	August 2027	100.0%
Zhuzhou Midea Platinum Joy Mansion	Zhuzhou	181,475	3,691	170,917	6,867	October 2024	100.0%
Zhuzhou Eastern Midea City • Gongyuanli Project	Zhuzhou	294,853		153,004	141,849	August 2026	100.0%
Xiangtan Midea VIP Mansion	Xiangtan	278,416	15,542	67,339	195,535	August 2028	65.0%
Xiangtan Midea Lotus Front Mansion	Xiangtan	650,898	29,312	156,309	465,276	January 2029	100.0%
Xiangtan Midea Lotus Front Mansion East Group	Xiangtan	180,838	5,141	71,384	104,313	February 2027	100.0%
Changsha Midea Parasol Garden	Changsha	111,992	2,983	109,009		November 2022	100.0%
Changsha Liuyang Midea Phoenix Mountain	Changsha	86,599	533	86,067		May 2022	51.0%
Changsha CIFI-Midea Dongyue City	Changsha	38,072	38,072			August 2021	50.0%
Changsha Midea Lu Mansion	Changsha	168,827		168,827		May 2023	72.5%
Changsha Midea Real Estate Square	Changsha	126,474		102,965	23,509	March 2023	70.0%
Ningxiang Midea City	Changsha	134,279	10,745	123,535		May 2023	100.0%
Ningxiang Midea VIP Mansion	Changsha	427,302	16,305	149,159	261,837	May 2024	88.2%
Wuhan Midea Royal Orchid Byland	Wuhan	591,785		440,600	151,186	June 2025	100.0%
Wuhan Midea Cloud Villas	Wuhan	388,988		255,909	133,079	September 2024	100.0%
Ganzhou Midea Royal Orchid Byland	Ganzhou	295,402	165	295,237		November 2023	60.0%
Ganzhou Midea Aikang Grand Garden	Ganzhou	470,970		470,970		March 2024	51.0%
Hengyang Midea-Jinke Tanyue	Hengyang	345,129	21,299	238,080	85,751	November 2023	50.1%
Hengyang Midea Yunxi Mansion	Hengyang	96,391	5,666	90,725		May 2023	100.0%

Project Name	City	Area of Land Reserve (Square metres)	Completed Saleable and Rentable GFA (Square metres)	GFA under Development (Square metres)	Planned GFA to be Developed in the Future (Square metres)	(Estimated) Date of Completion	Company's Attributable Interest
Hengyang Midea Egret Bay	Hengyang	228,366	26,303	71,587	130,476	September 2022	70.0%
Yueyang Midea Parasol Garden	Yueyang	334,809	20,353	314,456		September 2024	80.0%
Yueyang Midea-Jinke Commandery	Yueyang	74,267	74,267			August 2021	50.1%
Yueyang Midea Platinum Joy Mansion	Yueyang	123,271	3,012	120,259		January 2024	100.0%
Yueyang Midea Platinum Joy Mansion Phase II	Yueyang	30,859			30,859	January 2024	100.0%
Chenzhou Midea Yunxi Mansion	Chenzhou	310,244	28,113	282,131		October 2023	60.0%
Chenzhou Midea-Renda Platinum Joy Mansion	Chenzhou	242,620	6,195	181,482	54,943	October 2023	51.0%
Changde Jinke-Midea Willow Leaf Peace Garden	Changde	249,435	1,679	213,028	34,728	February 2023	50.1%
Changde Jinke-Midea Willow Leaf Peace Garden Tangyue	Changde	65,325		65,325		October 2022	50.1%
Nanchang Southern Midea City	Nanchang	39,844	39,844			November 2020	65.0%
Nanchang Midea Riverside Mansion	Nanchang	79,991	33,129		46,863	December 2024	65.0%
Nanchang Jiaotou Properties Sunac Midea Qingshanyin	Nanchang	142,514		97,944	44,570	September 2024	34.0%
Shangrao Midea-Yango Millan Mansion	Shangrao	27,597	27,597			November 2020	50.0%
Shangrao Midea-Newpower Emperor Bay	Shangrao	38,247	38,247			September 2021	34.0%
Shangrao Midea-Country Garden Tianyue	Shangrao	81,431	309	81,123		March 2022	33.0%
Jiujiang Midea VIP Mansion	Jiujiang	57,334	57,334			December 2021	65.0%
Jiujiang Midea Platinum Joy Mansion	Jiujiang	18,854	18,854			January 2021	100.0%
Handan Midea City	Handan	75,405	75,405			June 2020	100.0%
Handan Midea Times City	Handan	57,885	57,885			December 2019	100.0%
Handan Eastern Midea City	Handan	324,168	7,487	316,681		March 2023	51.0%
Handan Midea Parasol Whisper	Handan	99,626	18,482		81,144	May 2025	55.0%
Handan Western Midea City	Handan	396,720		396,720		April 2023	100.0%
Handan Midea Real Estate Square	Handan	171,164		171,164		June 2022	100.0%
Handan Midea Cambridge Commandery	Handan	809,184		786,171	23,014	December 2024	49.0%
Handan Midea Riverside Mansion	Handan	129,307		129,307		April 2022	100.0%
Handan Country Garden-Midea Donglin Mansion	Handan	288,428		288,428		June 2023	45.0%
Handan Midea Kangde Mansion	Handan	78,101		78,101		June 2023	65.0%
Handan Midea Jinguan City	Handan	499,917		396,046	103,872	December 2024	75.0%
Handan Millennium Western City	Handan	122,129		122,129		October 2023	60.0%
Handan Midea-Bringspring Roland Pinnacle View	Handan	134,297		134,297		September 2023	51.0%
Handan Midea-Tien Zon Smart City	Handan	321,690		240,201	81,489	May 2024	51.0%
Handan Midea Grand Garden	Handan	177,292		51,817	125,475	August 2024	100.0%
Shenyang Midea City	Shenyang	84,994	73,788	11,206		May 2024	100.0%
Shenyang Midea Times City	Shenyang	37,684	769	36,915		February 2022	100.0%
Shenyang Midea Grand Joy Mansion	Shenyang	11,196	11,196			May 2021	100.0%
Shenyang Midea Grand Court	Shenyang	20,618	18,442	2,176		November 2023	100.0%
Shenyang Midea Royal Orchid Landscape	Shenyang	241,018		168,713	72,305	June 2026	55.0%
Shenyang Midea Han Court	Shenyang	141,725	8,448	133,277		September 2024	60.0%
Shenyang Midea East Court	Shenyang	88,089	85,329	2,760		May 2024	74.0%
Shenyang Midea Rundong Mansion	Shenyang	142,404		118,834	23,571	July 2023	100.0%
Shenyang Meiyue Mansion	Shenyang	276,694		163,135	113,560	November 2023	51.0%
Shenyang Xuefu Midea City	Shenyang	330,689		106,304	224,385	June 2026	85.0%

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Xingtai Midea VIP Mansion South Court	Xingtai	195,373		149,698	45,675	March 2024	60.0%
Xingtai Midea VIP Mansion	Xingtai	168,232	16,920	151,311		May 2022	45.0%
Xingtai Midea Grand Garden	Xingtai	197,573		120,832	76,742	June 2024	100.0%
Xingtai Midea Times City	Xingtai	86,707	16,038	70,669		May 2022	100.0%
Xingtai Midea Future City	Xingtai	125,810		125,810		May 2023	100.0%
Xingtai Midea-Country Garden Guanlan No. One	Xingtai	193,625	26,211	94,047	73,366	June 2024	45.0%
Zhengzhou Midea Grand Joy Mansion	Zhengzhou	213,571		213,571		April 2023	100.0%
Zhengzhou Midea-Sundrun Smart City	Zhengzhou	365,306		77,396	287,910	December 2025	100.0%
Luoyang Midea-Haode Yunxi Mansion	Luoyang	210,618		210,618		December 2023	40.0%
Luoyang Midea Royal Orchid Landscape	Luoyang	151,779		24,389	127,390	December 2024	50.1%
Kaifeng Midea VIP Mansion	Kaifeng	183,304		183,304		April 2023	100.0%
Tianjin Midea Yunxi Mansion	Tianjin	93,729	53,841	39,888		September 2022	80.0%
Guiyang Midea Lincheng Times	Guiyang	94,879	94,879			December 2018	100.0%
Guiyang Yueranli	Guiyang	60,757		60,757		August 2022	100.0%
Guiyang Midea Yunxi Mansion	Guiyang	19,766	19,766			August 2019	100.0%
Guiyang Midea VIP Mansion	Guiyang	712,292	200,659	257,641	253,992	September 2026	100.0%
Guiyang Midea VIP Mansion Phase II and Phase III	Guiyang	313,559		24,391	289,167	March 2026	100.0%
Guiyang Midea Square	Guiyang	264,114	21,197	239,322	3,595	February 2025	90.0%
Guiyang Midea Huaxi Yard	Guiyang	59,030	59,030			June 2021	100.0%
Guiyang Midea Elegance of Jingyue	Guiyang	520,038		439,110	80,928	September 2025	100.0%
Guiyang Midea Elegance of Jingyue Phase II	Guiyang	383,870			383,870	January 2025	100.0%
Zunyi Midea City	Zunyi	85,539	85,539			November 2019	100.0%
Zunyi Midea Grand Garden	Zunyi	42,236	42,236			November 2020	100.0%
Zunyi Midea Yunxi Mansion	Zunyi	70,642	70,642			June 2021	100.0%
Zunyi Midea-Jinke Wanlu Mansion	Zunyi	363,031	4,747	358,284		October 2024	51.0%
Zunyi Yunxi Mansion Phase II — Midea Jiangshanyue	Zunyi	236,785		236,785		October 2022	70.0%
Zunyi Midea Riverside Mansion	Zunyi	453,685	70,963	182,917	199,805	October 2025	90.0%
Kunming Midea Shuncheng Mansion	Kunming	153,160	51,933	101,227		September 2022	100.0%
Kunming Meihua Jingyue Bay	Kunming	370,832		370,832		October 2023	100.0%
Kunming Midea Beijing Road No. 9	Kunming	622,216		332,702	289,514	September 2026	100.0%
Wuzhou Midea Central Square	Wuzhou	876,861	17,965	122,002	736,894	September 2025	51.0%
Nanning Midea Wisdom City	Nanning	26,771	26,771			March 2021	100.0%
Nanning Midea Riverside Mansion	Nanning	69,561		69,561		March 2023	100.0%
Nanning Midea•Tianyue	Nanning	254,343		69,897	184,446	February 2025	100.0%
Chongqing Midea-Rongan Grand Garden	Chongqing	42,914	42,914			December 2020	50.0%
Chongqing Jinke-Seazen-Midea Daishan Road No. 8	Chongqing	256,345	114,109	142,235		March 2023	35.0%
Leshan Midea Junyu Mansion	Leshan	263,281	21,107	242,174		May 2023	100.0%
Chengdu Midea-Seazen Grand Garden	Chengdu	108,175	4,665	103,509		May 2022	70.0%
Chengdu Pengzhou Midea-Country Garden Guanlan Mansion	Chengdu	153,035	22,069	128,392	2,575	November 2023	78.0%
Meishan Midea Cloudbay Commandery	Meishan	81,522	223	81,299		July 2023	100.0%
Meishan Midea Jinhui Commandery	Meishan	87,419		87,419		November 2022	50.0%
Liuzhou Jinke-Midea-Bright Lanshan Palace	Liuzhou	81,673	2,037	79,636		July 2022	34.0%
Other 31 projects	–	128,194	128,194			–	–

Properties held by joint ventures/associates*

Project Name	City	Area of Land Reserve (Square metres)	Completed Saleable and Rentable GFA (Square metres)	GFA under Development (Square metres)	Planned GFA to be Developed in the Future (Square metres)	(Estimated) Date of Completion	Company's Attributable Interest
Foshan Phoenix Grand Palace	Foshan	18,174	36,347			June 2020	50.0%
Foshan Country Garden-Midea Future City	Foshan	191,874	138,870	244,878		November 2025	50.0%
Foshan Sanshui Midea-CIFI-Agile Changle Mansion	Foshan	89,317	133,917	128,780		April 2023	34.0%
Foshan Gaoming Midea Minghu North	Foshan	10,899	32,066			March 2021	34.0%
Foshan Poly Yue Mansion	Foshan	25,395	101,580			November 2021	25.0%
Foshan Midea Junhan Grand View	Foshan	30,036	60,072			October 2021	50.0%
Foshan Gaoming Midea Guanlan Mansion	Foshan	25,334	7,347	44,356		September 2022	49.0%
Foshan Gaoming Midea-Helenbergh Cloud Bay	Foshan	58,407		107,966	11,232	November 2023	49.0%
Foshan Shunde Greentown-Midea Willow Commandery	Foshan	126,925		234,190	91,259	July 2024	39.0%
Foshan Gaoming Helenbergh-Midea Jiuyue Mansion	Foshan	87,411		106,120	72,269	July 2024	49.0%
Foshan Nanhai Dongyue Bay	Foshan	129,598		127,525	132,191	August 2024	49.9%
Foshan Fantasia•Midea•Excellence•Good Time	Foshan	79,401		133,009	107,600	March 2025	33.0%
Jiangmen Midea-Agile Briliant Garden	Jiangmen	11,818	24,118			January 2021	49.0%
Jiangmen Agile-Midea Royal Palace	Jiangmen	47,626	13,612	83,583		April 2023	49.0%
Jiangmen Midea-K.Wah Crape Myrtle Residence	Jiangmen	70,144		100,206		March 2023	70.0%
Jiangmen Midea-Sino-Ocean Yunzhu	Jiangmen	88,911		129,182	52,268	September 2024	49.0%
Maoming Jinke-Midea Jimei Mix	Maoming	136,759	23,441	139,442	110,635	April 2023	50.0%
Zhuhai Midea Powerlong City	Zhuhai	118,276		157,170	79,382	December 2024	50.0%
Guangzhou Midea-Huafa Tianbo	Guangzhou	55,327		110,654		February 2023	50.0%
Guangzhou Boyue Mingzhu ONE	Guangzhou	46,888		65,191	123,302	May 2025	24.9%
Dongguan Yuexiu-Midea Joy Bay Garden	Dongguan	96,671			197,288	June 2024	49.0%
Huizhou Midea•Logan Acescene Park	Huizhou	56,013		86,540	27,773	February 2024	49.0%
Xuzhou Midea-Poly-Country Garden-Zhenro Parasol Residence	Xuzhou	72,329		264,064	25,252	October 2024	25.0%
Xuzhou Midea-Gongrun Yunlan Paradise	Xuzhou	148,486		221,405	75,567	October 2024	50.0%
Xuzhou Midea-Agile-Dexin Chinoiserie Mansion	Xuzhou	31,073		131,386		August 2023	23.7%
Xuzhou Hezhu Hushan	Xuzhou	65,767		55,749	143,546	September 2024	33.0%
Xuzhou Cuiping Fenghua	Xuzhou	35,851		40,743	67,896	August 2024	33.0%
Xuzhou Kunlun Yipin	Xuzhou	61,913		48,276	139,339	June 2024	33.0%
Wuxi Uptown No. One	Wuxi	136,309		201,315	71,302	November 2023	50.0%
Wuxi River West Paradise	Wuxi	51,290		131,514		December 2022	39.0%
Wuxi Zhenro-Midea Yunyue	Wuxi	62,885		128,337		April 2023	49.0%
Wuxi Huaxia Road Project	Wuxi	104,021		37,841	129,934	June 2024	62.0%
Wuxi Dongxiang Road Project	Wuxi	103,385			202,716	March 2025	51.0%
Wuxi Yunshang Siji	Wuxi	80,667		49,564	115,061	September 2024	49.0%
Wuxi Guiyu Yunjian Project	Wuxi	30,857		47,226	28,029	January 2024	41.0%
Wuxi Shanshui Shijian	Wuxi	29,237		53,156	44,299	September 2023	30.0%
Changzhou Midea-Shimao Cloud Villas	Changzhou	191,872		376,219		October 2023	51.0%
Changzhou Roadking-Midea Forest No. One	Changzhou	80,280		163,838		April 2023	49.0%
Changzhou Yanzheng West Avenue Project	Changzhou	73,991			164,424	March 2024	45.0%
Fuyang Midea Grand Garden	Fuyang	165,198		330,396		October 2023	50.0%
Fuyang Ganglong-Midea Cloud Villas	Fuyang	184,751		283,309	276,542	March 2024	33.0%

Project Name	City	Area of Land Reserve (Square metres)	Completed Saleable and Rentable GFA (Square metres)	GFA under Development (Square metres)	Planned GFA to be Developed in the Future (Square metres)	(Estimated) Date of Completion	Company's Attributable Interest
Hefei Midea-Jinke Commandery	Hefei	145,816	169,236	122,395		December 2022	50.0%
Hefei C&D-Midea Junhe Mansion	Hefei	92,567		39,952	191,464	February 2024	40.0%
Hefei Emerald Cloud Villas	Hefei	51,213		32,401	122,790	April 2024	33.0%
Nanjing Midea-C&D Runjin Garden	Nanjing	13,014	26,028			January 2021	50.0%
Nanjing Xinyue Shangchen	Nanjing	60,579		121,159		June 2022	50.0%
Nanjing Shanhe Chen Garden	Nanjing	85,302		203,100		June 2023	42.0%
Nanjing Shanyu Jing Mansion	Nanjing	19,226	64,088			December 2021	30.0%
Nanjing Midea-Jinmao Greenfields	Nanjing	57,835		115,671		April 2023	50.0%
Nanjing Huafa-Midea Cloud Villas	Nanjing	48,946		99,889		April 2024	49.0%
Suzhou Spring Harmony Courtyard	Suzhou	28,693	58,558			December 2021	49.0%
Suzhou Yuehu Mountain Harmony Villa	Suzhou	35,716		108,230		November 2022	33.0%
Suzhou Uptown Times	Suzhou	120,833		241,666		December 2023	50.0%
Nantong Chongzhou Yunxi	Nantong	68,511		69,588	101,689	June 2024	40.0%
Zhenjiang Elegance of Seasons Phase I	Zhenjiang	31,326		92,137		May 2022	34.0%
Zhenjiang Elegance of Seasons Phase II	Zhenjiang	12,861		37,826		August 2023	34.0%
Yangzhou Cloud Villas	Yangzhou	43,496		131,805		November 2023	33.0%
Wenzhou Midea-CIFI City	Wenzhou	289,926		579,853		December 2023	50.0%
Wenzhou C&D-Midea-Redsun Royal Orchid Hezhu	Wenzhou	39,008		118,206		November 2023	33.0%
Shaoxing Shimao-Midea Cloud Villas	Shaoxing	155,236		310,472		June 2023	50.0%
Shaoxing Midea-Vanke Royal Orchid Fairview	Shaoxing	97,691		191,551		May 2024	51.0%
Fuzhou Greentown Midea Guiyu Yingyue	Fuzhou	83,483		166,967		March 2023	50.0%
Fuzhou Midea-Lanyuan Yunxi Community	Fuzhou	38,786		76,051		October 2023	51.0%
Fuzhou Midea-C&D Royal Orchid Heming	Fuzhou	56,117		110,033		June 2023	51.0%
Fuzhou Midea-Xiangyu Grand Garden	Fuzhou	26,437		51,837		August 2023	51.0%
Jinhua Midea-Ronshine Royal Orchid Landscape	Jinhua	11,362	28,405			September 2020	40.0%
Jinhua Midea-Longfor Royal Orchid Tianxi	Jinhua	177,843		80,380	173,682	June 2024	70.0%
Hangzhou New Hope-Midea Changlin Mansion	Hangzhou	134,120		268,241		June 2022	50.0%
Quanzhou Zhongnan-Midea Heyue	Quanzhou	84,507		211,267		September 2022	40.0%
Ningbo Midea-Poly Royal Orchid Fairview Garden	Ningbo	76,654		153,308		March 2023	50.0%
Nanchang Midea-Newpower Grand Garden	Nanchang	157,695	9,023	253,802		February 2024	60.0%
Nanchang Midea Flowerbay City	Nanchang	50,508	322	176,528		September 2023	28.6%
Nanchang Poly-Midea Cloud Villas	Nanchang	39,596		80,808		September 2022	49.0%
Nanchang Zhenro-Jinmao-Midea Cloud Realm	Nanchang	59,256		179,564		September 2023	33.0%
Nanchang Lianfa-Midea Yunxi Community	Nanchang	77,646		158,461		March 2023	49.0%
Nanchang Lianfa-Midea Yuexi Mansion	Nanchang	72,271			144,542	November 2027	50.0%
Nanchang Lianfa-Midea Yuexi Community	Nanchang	76,251		73,396	82,219	March 2025	49.0%
Changsha Midea Hancheng	Changsha	39,899	199,495			December 2021	20.0%
Ningxiang Country Garden-Midea Yard	Changsha	104,293	52,365	138,717	17,504	August 2023	50.0%
Ningxiang Midea Yard	Changsha	44,470	24,116	66,639		October 2022	49.0%
Changsha Greentown Midea Mingyue Jiangnan	Changsha	109,088		215,516	2,660	January 2024	50.0%
Changsha Midea Riverside Court	Changsha	111,810		125,714	97,906	July 2024	50.0%
Changde Midea-Country Garden Willow Leaves Mansion	Changde	10,716	21,432			May 2021	50.0%

Project Name	City	Area of Land Reserve (Square metres)	Completed Saleable and Rentable GFA (Square metres)	GFA under Development (Square metres)	Planned GFA to be Developed in the Future (Square metres)	(Estimated) Date of Completion	Company's Attributable Interest
Changde Midea-Zhongliang Yuhu Byland	Changde	184,388		93,941	274,835	January 2026	50.0%
Ganzhou Lakeside Avenue Project	Ganzhou	133,930		100,269	162,339	August 2024	51.0%
Yueyang Midea-Jinke Commandery parcel 15#	Yueyang	129,074			258,665	May 2026	49.9%
Jiujiang Midea-Jinke Royal Mansion	Jiujiang	57,722	87,125	30,675		May 2022	49.0%
Zhuzhou Midea Paramount Mansion	Zhuzhou	51,963	10,561	61,945	31,420	December 2024	50.0%
Handan Midea LaDefense	Handan	39,258		65,429		May 2022	60.0%
Handan Midea-Poly Millennium City	Handan	294,539		499,218		August 2023	59.0%
Handan Roland Valley • Fuyuan	Handan	36,719		146,876		May 2022	25.0%
Handan Huaxi Valley • Qinyuan	Handan	24,904		99,614		October 2022	25.0%
Handan Midea Roland Jade	Handan	167,390		257,522		May 2023	65.0%
Tianjin Midea-CIFI Grand Joy Mansion	Tianjin	184,276	118,755	257,319		June 2023	49.0%
Tianjin Midea Hezhu Meijiang	Tianjin	73,624		150,252		March 2025	49.0%
Chongqing Midea-Jinke Commandery	Chongqing	84,458	130,026	38,889		August 2022	50.0%
Chongqing Liyue Landscape	Chongqing	11,810	42,540	16,508		January 2023	20.0%
Chongqing Midea Wanlu Mansion	Chongqing	97,166		121,458		March 2023	80.0%
Chongqing Jinke-Midea Yuanshang	Chongqing	73,949	11,651	136,247		May 2023	50.0%
Chongqing Midea-China SCE Yunjing	Chongqing	204,044	26,735	81,233	300,121	November 2025	50.0%
Chengdu Vanke Gaoxian Park	Chengdu	174,522		183,555	356,091	May 2026	32.3%
Chengdu Ganglong-Midea Weilaiying Garden	Chengdu	64,621		143,602		April 2023	45.0%
Chengdu Midea-Dexin Dongyue Jiuyuan	Chengdu	126,824		71,058	182,590	March 2024	50.0%
Nanning Midea-CIFI City	Nanning	42,948	85,895			December 2020	50.0%
Nanning Midea-New Hope Lakeside Cloud Villas	Nanning	106,524		99,997	113,052	March 2025	50.0%
Zunyi Jinke Guantianxia	Zunyi	97,963		121,022	78,904	January 2025	49.0%
Other 7 projects	–	50,288	141,073			–	–

* The land reserves total GFA of the properties held by our joint ventures/associates has been discounted in proportion to ownership percentage.

PROPERTY MANAGEMENT SERVICES

In 2021, the property management services continued to grow steadily and rapidly. As at 31 December 2021, Midea Property Management operated in more than 70 cities and had contracts with more than 300 projects with a contracted GFA of over 85.00 million square metres. This means that our GFA under management will further increase in the future, which will increase the certainty of business growth.

Building high-quality service capabilities is our constant pursuit on the path of practicing long-termism. In 2021, after in-depth research, we launched four service systems of "royalty, enjoyment, joy and pleasure" to meet the diverse needs of different home owners with surprising and attentive services. In 2021, we continued to improve our smart and information-based service and management model, built a smart community ecosystem, and upgraded the Cloud Neighbourhood Community to version 4.0, which has covered 85% of home owners' houses.

We also value and boost the synergy between property management services and other business offerings. For this end, we develop services for communities, public buildings and cities and explore non-residential business, in an effort to deliver high-quality services and achieve growth. With high-quality service capabilities and manufacturing management experience, we have been well recognised in the industrial park market, and added 33 industrial park projects during the year. As our capabilities in operating projects under management are widely recognised, Foshan KUKA Robot Industrial Park was awarded the title of "2021 Property Management Benchmark Project".

We vigorously explore urban space services. In 2021, we signed two strategic cooperation agreements with Infore Enviro, a leading domestic smart sanitation investment and operation platform and a leading enterprise in the field of smart sanitation equipment, to make a foray into urban space services under the urban housekeeper model of "smart property management + smart sanitation" by combining the advantages in hardware equipment and management system. In this way, we and Infore Enviro launched the first smart cleaning project and jointly established the Urban Housekeeping Research Institute, and will gradually deepen our urban space operation and service model in the future.

During the year, as our smart property management and quality services were well recognised by the industry, we received the awards of "Top 27 Chinese Property Management Services Companies of 2021 by Comprehensive Strength", the "Leading Chinese Company of 2021 in Quality Property Services", the "Leading Chinese Growth Company of 2021 in Property Services" and the "Leading Chinese Company of 2021 in Property Services for Industrial Parks" from China Property Management Research Institution, Shanghai E-house China R&D Institute and China Real Estate Appraisal Centre.

INVESTMENT AND OPERATION OF COMMERCIAL PROPERTIES

As at 31 December 2021, the Group had a total of 15 commercial property projects, including 9 projects in operation, namely, Foshan Midea Wonderful Square, Foshan Midea Wonderful Street, Zhenjiang Midea Wonderful Square, Handan Midea Wonderful Square, Xuzhou Midea Square, Zhuzhou Midea Times Square, Foshan Wonderful Apartment, Foshan Midea Real Estate Headquarters, and Midea Luhu Forest Resort. The three "Wonderful" commercial product lines of the Group have materialised. It is expected that Guiyang Midea Wonderful Square, Guiyang Midea Wonderful Times, Xuzhou Midea Wonderful Street, Foshan Midea Wonderful Future City and Foshan Nanhai Midea Wonderful Apartment will open for business between 2022 and 2023.

With forward-looking planning, strong investment attraction ability and innovative operating capabilities, we position ourselves as a designer and creator for urban development and design vigorous and smart commercial properties for cities to meet the commercial needs of various cities and customer groups. Guiyang Midea Wonderful Times won the "Highly Anticipated Experience Trend Project Award"; Guiyang Midea Wonderful Square was included in the "List of Excellent Planning and Design Cases" and received the title of "New Urban Commercial Landmark"; and Handan Midea Wonderful Square won the "Industry Potential Star Award".

REAL ESTATE TECHNOLOGIES

Smart Space Offerings

Remac Smart

In 2021, Foshan Remac Smart Technology Co., Ltd. and its subsidiaries (collectively, "**Remac Smart**") rapidly expanded its multiple business lines based on its mature smart home and smart communities services. Meanwhile, it built a service platform to further improve the full-chain service capabilities ranging from consulting, design and delivery to after-sales, operation and maintenance services.

As at 31 December 2021, Remac Smart had more than 500 employees, two R&D centres in Shenzhen and Foshan and eight regional companies, and operated over 80 after-sales and installation outlets nationwide with over 1,730 professional service personnel, covering 65 key cities in China. It had served more than 200 clients, including government agencies, top 30 real estate companies, leading enterprises in various industries, etc.

In 2021, Remac Smart delivered 128 smart communities and 40.8 thousand smart homes. It had brought smart space experience to more than 110,000 households in over 320 community projects.

In addition, Remac Smart has gained access to over 300 partner brands, covered more than 340,000 users and connected more than 1.20 million devices. In terms of R&D achievements, Remac Smart has applied for 136 patents and 69 software copyrights and obtained intellectual property management system certification and CMMI Maturity Level 5 certification. It was awarded the title of "2020-2021 Top 20 Technology Enterprises by Real Estate Digital Power", accredited as a "specialised and new" enterprise in Foshan, and included in the 2021 Patent New Stars List of Foshan.

Guided by Maslow's hierarchy of needs and "people's demand + spatial traffic flow", Remac Smart creates a five-sense smart space covering all family and community scenarios with independent intellectual properties.

For family scenarios, Remac Smart puts forward the "1+N+X" solution system, constructs the Remac HomeOS system, and creates an integrated solution cloud platform covering scheme design, device twins, smart operation and maintenance and online mall with completely independent intellectual properties, thus realizing "4+2" SaaS services and mobile applications including smart home SaaS services: digital design cloud Tiance, digital operation and maintenance cloud Tianmu, digital twin cloud Tiangong, digital mall cloud Tianxuan; and smart home mobile applications: Ruizhijia and Ruigongjiang. The smart life solution brand "Remac Smart Selection" was successfully launched to provide users with one-stop, full-category and all-round smart life services by selecting high-quality intelligent products.

For community scenarios, Remac Smart builds an AIOT platform with object model capability and develops a unified business middle office based on four community SaaS clouds (digital cloud, customer cloud, service cloud and operation cloud) and eight smart SaaS clouds (smart access control, smart driving, smart security, smart equipment, smart low-carbon emission, smart delivery, smart lighting and smart intercom), which are connected through a data middle office, so as to achieve a closed-loop business of smart community, assist in standardizing operation and refining management for real estate developers and property management service providers and help customers improve human efficiency and reduce management costs in all aspects.

Prefabricated Construction

Remac Industrialisation

In 2021, Remac Industrialisation developed a mature operations management system under the "innovative smart cloud factory" model by building a lean manufacturing management system, a standardised technology system and a digital cloud management platform, enabling rapid expansion and development.

Achieving a steady growth in business results. During the year, Remac Industrialisation signed RMB700 million worth of contracts, representing a year-on-year increase of 27%. It added 67 new service projects, and had signed a total of over 185 projects. Its Foshan factory, which serves as a manufacturing base in the Greater Bay Area, was put into operation at full capacity in the first year with an annual capacity of 68,000 m^3, and recorded a year-on-year increase of 38% in daily production volume, outperforming its peers in terms of output in the Greater Bay Area.

Developing a wealth of product offerings to seek expansion. In 2021, Remac Industrialisation founded Remac Bandi (睿住班邸), a prefabricated interior decoration brand, thereby building full life cycle service capabilities covering prefabricated design, supply of prefabricated components (PCs), and prefabricated interior decoration. In the meantime, its first "cloud factory" project — Huizhou production base was put into operation, covering the market on the east bank of the Pearl River in the Greater Bay Area. In addition, it reached strategic cooperation with Gongrun Technology of XCMG, Shanghai Baoye, Guang Ya Aluminium, and Tianan New Material on prefabricated business, aluminum alloy products, low-carbon new decorative panels and smart space components, with a view to providing customers with integrated low-carbon prefabricated building solutions.

Building technical barriers via technological innovation. In 2021, the Prefabricated Innovation Research Institute focused on conducting research on low-carbon and eco-friendly building decoration materials, new prefabrication technologies and smart manufacturing. The institute has been granted 255 patents. In terms of operations and management, is has obtained ISO 9001, ISO 15001 and ISO 45001 certifications and the contract-abiding and trustworthy certificate, proving that it is well recognised by customers.

Design Technology

Remac TY

In 2021, Remac TY, positioned as an integrated service provider based on design technology, provided full-process design consultation and integrated design services. As a practitioner of digital reform and transformation, it insists on building a design technology segment, continuously conduct smart design activities, and promote its innovative design business through people-oriented, ecosystem and digital approaches. It upholds the belief that "smart design makes life warmer", and develops and iterates innovative products in the traditional home design sector.

During the year, Remac TY implemented 359 design projects with a total GFA of approximately 2.95 million m^2, serving 72 high-quality clients including Midea Real Estate, China Merchants, Yuexiu Property, Lionful Land, Guangzhou Metro, China Construction Third Engineering Bureau, SIE Consulting and CLOU Electronics.

We persist in innovative R&D to empower product strength improvement in the industry. In 2021, Remac TY carried out 270 innovative R&D tasks, among which helped develop 15 national/industry standards, and received 89 awards. In particular, it ranked fifth in the Top 100 Chinese Interior Design Companies and received the WATIC Leading Award — Best Building Technology Enterprise, the title of Most Promising Smart Architecture Technology Company in China, the award of Top 10 Design Institutions by Brand Value in the Golden-Creativity International Space Design Competition, and the award of Top 10 Real Estate Space Design Institutions in the Asia-Pacific Space Design Competition. In addition, Guangdong BIM (TY) Engineering Technology Research Centre was accredited as a provincial engineering technology research centre. At the project level, Remac TY won the first prize in the "New Infrastructure Cup" China Intelligent Construction and BIM Application Competition, the first prize in the "Golden Standard Cup" BIM/CIM Application Maturity Innovation Competition, the gold award of the "Smart Construction Cup" Smart Construction Innovation Application Awards, and the Tien-yow Jeme Civil Engineering Prize — Gold Award for Outstanding Residential Community.

In 2021, Remac TY established an international urban think tank on design technology with the Royal Institute of British Architects (RIBA). The think tank has worked with leading technology firms to establish digital application scenarios and launch four design technology application models — urban renewal, intelligent investment screening, twin community, and smart commercial. It explores cutting-edge technologies, iterates application scenarios for zero-carbon buildings, and builds a full industry chain for building industrialisation, with a view to achieving the "carbon peak and neutrality" goals and promoting the 2030 Agenda for Sustainable Development.

DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

Executive Directors

Mr. Hao Hengle (郝恒樂) (alias, He Hengle (赫恒樂)), aged 52, has been a Director since 29 November 2017. Mr. Hao was re-designated as the Chairman and an executive Director and appointed as president of the Company on 15 May 2018. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee. Mr. Hao presides over the Board and is primarily responsible for the overall business direction and day-to-day business and management of the Group. Mr. Hao has extensive experience in the PRC real estate industry. Since joining the Group in May 2004, Mr. Hao has served as a director and also the president of Midea Real Estate Group Limited (美的置業集團有限公司), the principal subsidiary of the Company, since January 2006. Mr. Hao has also assumed multiple directorships in other subsidiaries of the Company, including, among others, Guangdong Bomei Property Services Co., Ltd. (廣東鉑美物業服務股份有限公司), formerly known as Guangdong Midea Property Management Co., Ltd. (廣東美的物業管理股份有限公司), a company delisted from the National Equities Exchange and Quotations System since 11 January 2021, and Midea Construction (Hong Kong) Limited (美的建業（香港)有限公司).

Mr. Hao had also served various management positions from July 1998 to December 2005 in Midea Group Co., Ltd. (美的集團股份有限公司) (Shenzhen Stock Exchange: 000333), a connected person of the Company, the shares of which have been listed since 2013, including the chief legal officer and the chief supervisor of the legal management and audit department where he was primarily responsible for the management of legal affairs. Mr. Hao graduated from Shanghai University of Finance and Economics (上海財經大學) in the PRC with a bachelor's degree of Law in Economic Legal Studies. He also graduated from China Europe International Business School (中歐國際工商學院) in the PRC with an executive master's degree in Business Administration. He has been admitted to practice law in the PRC since April 1995.

Mr. Wang Quanhui (王全輝), aged 48, has been appointed as an executive Director and senior vice president of the Company since 4 June 2021. Mr. Wang is primarily responsible for the businesses of the lean operations, product management, marketing, and cost control, tendering and procurement of the Group. Since joining the Group in June 2001, Mr. Wang has served various positions in Midea Real Estate Group Limited (美的置業集團有限公司), the principal subsidiary of the Company, including: (i) director; (ii) general manager of the city company; (iii) general manager of the North China regional company; and (iv) vice president and general manager of the central regional company.

Mr. Wang graduated from Shijiazhuang School of Economics (石家莊經濟學院) (currently known as Hebei GEO University (河北地質大學)) in the PRC in July 1997 in accounting and obtained a master's degree in Business Administration from Northwest University (西北大學) in the PRC in June 2014. Mr. Wang has been an intermediate accountant accredited by the Ministry of Finance of the People's Republic of China (中華人民共和國財政部) since September 2003.

Mr. Lin Ge (林戈), aged 49, has been an executive Director and chief financial officer of the Company since 15 May 2018, and was also appointed as a joint company secretary of the Company on 11 February 2022. Mr. Lin is primarily responsible for the overall management of the financial and treasury affairs, securities business and investor relations of the Group. Since joining the Group in November 2014, Mr. Lin has served various positions in Midea Real Estate Group Limited (美的置業集團有限公司), the principal subsidiary of the Company, including: (i) deputy director in charge of finance matters; (ii) general manager of risk management centre; (iii) general manager of finance and capital centre; and (iv) since July 2018, chief financial officer. Mr. Lin has also assumed multiple directorships in other subsidiaries of the Company, including, among others, Guangdong Bomei Property Services Co., Ltd. (廣東鉑美物業服務股份有限公司), formerly known as Guangdong Midea Property Management Co., Ltd. (廣東美的物業管理股份有限公司), a company delisted from the National Equities Exchange and Quotations System since 11 January 2021, and Midea Construction (Hong Kong) Limited (美的建業（香港)有限公司). Mr. Lin has served as a supervisor of certain subsidiaries of the Company in the PRC.

Mr. Lin had also served various positions from January 2001 to February 2014 in Midea Group Co., Ltd. (美的集團股份有限公司) (Shenzhen Stock Exchange: 000333), a connected person of the Company, the shares of which have been listed since 2013, including as an accounting manager of the finance management centre, a senior manager of the tax affairs management centre, an assistant to the director of the tax affairs management centre, the deputy director of the finance management department and the director in charge of tax affairs of the finance management department. Mr. Lin graduated from Jinan University (暨南大學) in the PRC with a professional certificate in Accounting.

Mr. Zhang Ziliang, aged 40, has been appointed as an executive Director since 25 March 2022. Mr. Zhang is currently the general manager of the Zhejiang-Fujian regional company of the Group and is primarily responsible for the property development and operation in the Zhejiang-Fujian region. Since joining the Group in September 2009, Mr. Zhang has served various positions in Midea Real Estate Group Limited (美的置業集團有限公司), the principal subsidiary of the Company, including: (i) general manager of human resources centre; (ii) general manager of audit and supervision centre; (iii) general manager of the Fujian regional company; and (iv) general manager of the Jiangxi and Fujian regional company. Mr. Zhang has also assumed multiple directorships in other subsidiaries of the Company, including, among others, Ningbo Meishan Midea Real Estate Development Co., Ltd. (寧波市梅山美的房地產發展有限公司), Hangzhou Midea Real Estate Development Co., Ltd. (杭州美的房地產發展有限公司) and Quanzhou Midea Real Estate Development Co., Ltd. (泉州市美的房地產開發有限公司).

From March 2006 to August 2009, Mr. Zhang worked at the human resources centre of a subsidiary of Midea Group Co., Ltd. (美的集團股份有限公司) (Shenzhen Stock Exchange: 000333), a connected person of the Company, the shares of which have been listed since 2013. Mr. Zhang graduated from South China Agricultural University (華南農業大學) in the PRC in 2004 with a bachelor's degree of Management. Mr. Zhang was a deputy to the Foshan Municipal People's Congress and a member of Jiusan Society for the Grassroots Committee of Shunde District, Foshan City (九三學社佛山市順德區基層委員會).

Non-executive Directors

Mr. He Jianfeng (何劍鋒), aged 54, has been appointed as a non-executive Director since 15 May 2018. He is primarily responsible for providing strategic advice and recommendations on the operations and management of the Group.

Mr. He Jianfeng is the chairman and president of Infore Group Co., Ltd. (盈峰集團有限公司), formerly known as Infore Holding Group Co., Ltd. (盈峰控股集團有限公司), and has held multiple directorships and/or senior management position(s) in other companies which are connected persons of the Company, including Midea Group Co., Ltd. (美的集團股份有限公司) (Shenzhen Stock Exchange: 000333) and Midea Holding Co., Ltd. (美的控股有限公司). Mr. He Jianfeng graduated from South China University of Technology (華南理工大學) in the PRC with a degree in Industrial Management Engineering. He completed the president programme and the CEO business study programme at Tsinghua University (清華大學) in the PRC, and the CEO programme at Cheung Kong Graduate School of Business (長江商學院) in the PRC. He has also served as the chairman of He Foundation (廣東省和的慈善基金會) and the curator of the He Art Museum (和美術館). Mr. He Jianfeng is the spouse of Ms. Lu Deyan and the son of Mr. He Xiangjian, the controlling shareholders of the Company.

Mr. Zhao Jun (趙軍), aged 46, has been a Director since 29 November 2017 and was re-designated as a non-executive Director on 15 May 2018. He is also a member of each of the Audit Committee and Remuneration Committee. Mr. Zhao is primarily responsible for providing strategic advice and recommendations on the operations and management of the Group. Since joining the Group in November 2012, Mr. Zhao has been the vice chairman of Midea Real Estate Group Limited (美的置業集團有限公司), the principal subsidiary of the Company, and also assumed multiple directorships in other subsidiaries of the Company, including Midea Construction (Hong Kong) Limited (美的建業（香港)有限公司).

Mr. Zhao is the executive president of Midea Holding Co., Ltd. (美的控股有限公司), a connected person of the Company. He has also served as the supervisor of Midea Group Co., Ltd. (美的集團股份有限公司) (Shenzhen Stock Exchange: 000333), a connected person of the Company, and a director of Guangzhou SiE Consulting Co., Ltd. (廣州賽意信息科技股份有限公司) (Shenzhen Stock Exchange: 300687). Mr. Zhao graduated from Northeastern University at Qinhuangdao (東北大學秦皇島分校) in the PRC with a bachelor's degree of Economics in Accounting Studies. He graduated from The Chinese University of Hong Kong with a master's degree in Accounting, and from China Europe International Business School (中歐國際工商學院) in the PRC with a master's degree in Business Administration. Mr. Zhao is a certified public accountant conferred by the Treasury Certified Public Accountants Examination Committee (財政部註冊會計師考試委員會).

Independent Non-executive Directors

Mr. Tan Jinsong (譚勁松), aged 57, has been appointed as an independent non-executive Director on 15 May 2018 with effect from 11 October 2018. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee. He is primarily responsible for providing independent advice on the operations and management of the Group.

Mr. Tan has served as a professor of the School of Management of Sun Yatsen University (中山大學) in the PRC, and has extensive experience serving in a number of listed companies, including: (i) an independent director of Shanghai RAAS Blood Products Co., Ltd. (上海萊士血液製品股份有限公司) (Shenzhen Stock Exchange: 002252) since April 2016; (ii) an independent director of COSCO Shipping Specialised Carriers Co., Ltd. (中遠海運特種運輸股份有限公司) (Shanghai Stock Exchange: 600428) since December 2018; and (iii) an independent non-executive director of Guangzhou Rural Commercial Bank Co., Ltd. (廣州農村商業銀行股份有限公司) (Stock Exchange: 1551) since March 2021. Mr. Tan was an independent director of Guangzhou Hengyun Enterprises Holding Ltd. (廣州恆運企業集團股份有限公司) (Shenzhen Stock Exchange: 000531) from May 2014 to January 2021, an independent non-executive director of China Southern Airlines Company Limited (中國南方航空股份有限公司) (Stock Exchange: 1055) from December 2013 to April 2021 and an independent director of Huafa Industrial Co., Ltd. Zhuhai (珠海華發實業股份有限公司) (Shanghai Stock Exchange: 600325) from September 2015 to May 2021. Mr. Tan graduated from Hunan University of Finance and Economics (湖南財經學院) in the PRC with a bachelor's degree of Economics in Accounting Studies. He further obtained a master's degree of Economics and a doctoral degree of Management in Accounting Studies from Renmin University of China (中國人民大學) in the PRC. He is a non-practising senior member of the Chinese Institute of Certified Public Accountants.

Mr. O'Yang Wiley (歐陽偉立), aged 59, has been appointed as an independent non-executive Director on 15 May 2018 with effect from 11 October 2018. He is also the chairman of the Remuneration Committee and a member of the Audit Committee. He is primarily responsible for providing independent advice on the operation and management of the Group. He has extensive experience in the accounting, finance and legal fields.

Mr. O'Yang is a managing director of Shanggu Securities Limited, a licenced corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities. Prior to joining Shanggu Securities Limited, Mr. O'Yang worked for various investment banks, including CMBC International Holdings Limited, a wholly-owned subsidiary of China Minsheng Banking Corporation Limited, Kim Eng Securities (Hong Kong) Limited, a wholly-owned subsidiary of Malayan Banking Berhad, UBS AG, Hong Kong Branch, J.P. Morgan Securities (Asia Pacific) Limited and BNP Paribas Capital (Asia Pacific) Limited and held the positions of managing director and executive director. Prior to those, he was a partner of Richards Butler (currently known as Reed Smith Richards Butler), an international law firm. Mr. O'Yang also served as independent non-executive directors of Hong Kong Economic Times Holdings Limited (Stock Exchange: 423), D&G Technology Holding Company Limited (Stock Exchange: 1301), AB Builders Group Limited (Stock Exchange: 1615), Tianyun International Holdings Limited (Stock Exchange: 6836) and Edvantage Group Holdings Limited (Stock Exchange: 382), all companies are listed on The Stock Exchange of Hong Kong Limited, since October 2012, May 2019, June 2019, November 2019 and February 2022 respectively. Mr. O'Yang graduated from The Chinese University of Hong Kong with a bachelor's degree in Social Science and a master's degree in Business Administration. He is also a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Law Society of Hong Kong.

Mr. Lu Qi (陸琦), aged 65, has been appointed as an independent non-executive Director on 15 May 2018 with effect from 11 October 2018. He is also a member of each of the Remuneration Committee and Nomination Committee. He is primarily responsible for providing independent advice on the operations and management of the Group.

Mr. Lu has served as a professor at the School of Architecture of South China University of Technology (華南理工大學) in the PRC. Prior to that, he worked at the Architectural Design and Research Institute of Guangdong Province (廣東省建築設計研究院) and served as the deputy chief architect. From April 2015 to January 2019, Mr. Lu served as an independent director in Huayuan Landscape Architecture Co., Ltd. (廣州華苑園林股份有限公司), a company that focuses on providing engineering and construction services, where he was primarily responsible for providing independent landscape advice on the operations and management of the company. Mr. Lu graduated from the School of Architectural and Engineering of Chongqing Jianzhu University (重慶建築工程學院) (currently known as the Faculty of Architecture and Urban Planning of Chongqing University (重慶大學建築城規學院)) in the PRC with a bachelor's degree of Engineering in Architectural Studies. He further obtained a doctoral degree of Engineering in Architectural History and Theories from South China University of Technology (華南理工大學) in the PRC. Mr. Lu is a Guangdong provincial senior architect (professor grade) conferred by Guangdong Province Personnel Department (廣東省人事廳). He has also served as a standing director of the National Architecture Institute of China (中國民族建築研究會) and a principal member of the Dwelling Construction Scholarship Committee (民居建築學術委員會) of the Architectural Society of China (中國建築學會).

Please refer to pages 73 to 74 of the Directors' Report for details of Directors' interest in the shares of the Company as disclosed under the section headed "Disclosure of Interests".

Senior Management

Mr. Xu Chuanfu (徐傳甫), aged 53, is primarily responsible for the services business segment of the Group. Since joining the Group in March 2005, Mr. Xu has served various positions in Midea Real Estate Group Limited (美的置業集團有限公司), the principal subsidiary of the Company, including: (i) head of project management; (ii) assistant to the general manager; (iii) general manager of the Southwest regional company; (iv) vice president and general manager of the Shanghai-Jiangsu regional company; (v) senior vice president; and (vi) chairman and general manager of the group of Meizhi Services. Mr. Xu has also assumed multiple directorships in other subsidiaries of the Company, such as Meizhi Services Group Co., Ltd. (美置服務集團有限公司), Guangdong Bomei Property Management Services Co., Ltd. (廣東鉑美物業服務股份有限公司) and so on.

Prior to joining the Group, Mr. Xu served as a manager of project management department and a project manager in other construction supervision and real estate companies. Mr. Xu has extensive experience in real estate development and management. Mr. Xu obtained a professional certificate in Economics and Management from the Party School of Central Committee of C.P.C (中共中央黨校) in the PRC in December 2000 and a master's degree in Business Administration from the Guanghua School of Management of Peking University (北京大學) in the PRC in July 2016. Mr. Xu has also obtained the global credential of project management professional as awarded by the Project Management Institute since June 2007.

The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its corporate governance policies and practices. The Company had complied with the provisions of the CG Code during the year ended 31 December 2021, except for certain deviations as specified with reasons below.

The Company is committed to achieving a high standard of corporate governance so as to enhance the transparency and accountability to the shareholders of the Company. The Board believes that good corporate governance will contribute to maximising the corporate value of the Company to its shareholders. The Board will continue to review and monitor the procedures in place with reference to Appendix 14 to the Listing Rules so as to maintain a high standard of corporate governance of the Company.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the Model Code during the year ended 31 December 2021.

The Board

The Board is responsible for laying down the Group's future development direction, overall strategies and policies, evaluation of the Group's performance and approval of matters that are of material and substantial in nature. The day-to-day management, administration and operations of the Group are delegated by the Board to the senior management of the Company, who is responsible for implementing the strategies and policies as determined by the Board, and overseeing different businesses and functions of the Group in accordance with their particular areas of expertise. The Board has also delegated various responsibilities to the Board committees. Details of these Board committees are set out below in this report.

Board Composition

As at the date of this annual report, the Board comprised of nine Directors:

Executive Directors

Mr. Hao Hengle (Chairman)
Mr. Wang Quanhui (appointed by the shareholders at the annual general meeting of the Company held on 4 June 2021)
Mr. Lin Ge
Mr. Zhang Ziliang (appointed on 25 March 2022)
Mr. Xu Chuanfu (retired at the annual general meeting of the Company held on 4 June 2021)
Mr. Yao Wei (resigned on 25 March 2022)

Non-executive Directors

Mr. He Jianfeng
Mr. Zhao Jun

Independent non-executive Directors

Mr. Tan Jinsong
Mr. O'Yang Wiley
Mr. Lu Qi

During the year ended 31 December 2021, the Company had complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of at least three independent non-executive directors (representing at least one-third of the board) including at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

The biographies of each of the Directors are set out on pages 44 to 48 in this annual report. The Directors have no financial, business, family or other material or relevant relationships with each other.

Chairman and President

Our Chairman is responsible for formulating the overall strategies and policies of the Company and providing leadership for the Board in fulfilling its roles and responsibilities and the establishment of sound corporate governance practices and procedures for the Company. Our Chairman, as chief executive of the Company, is also delegated the authority by the Board to lead the day-to-day operation and business management of the Group in accordance with the corporate objectives, directions and policies laid down by the Board.

According to code provision C.2.1 of the CG Code, the roles of chairman and the chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2021, Mr. Hao Hengle performed his duties as the chairman and president of the Company. As such, the Company has deviated from code provision C.2.1 of the CG Code. Given Mr. Hao has considerable experience in the PRC real estate industry and the business operations of the Group, and is familiar with Midea's operations and management core values, the Board believes that vesting both roles of chairman and president in Mr. Hao facilitates the execution of the Group's long-term strategic aims and achieving its operations and business objectives, thereby maximising the effectiveness of the Group's operations.

The Board believes that this structure is in the best interest of the Company, and that this situation will not impair the balance of power and authority between the Board and the management of the Company because the Board comprises nine experienced and high-calibre individuals with demonstrated integrity, of which three are independent non-executive Directors, and they will take the lead where potential conflicts of interests of other Directors arise.

Further, major decisions of the Board are collectively made by way of majority voting. Therefore, major decisions must be made in consultation with members of the Board and appropriate committees. The Group had engaged an external internal control consultant to perform evaluation on top ten risks annually so as to identify, review and mitigate potential risks that may affect the Group's operation management. Senior management and/or external professional consultants are also invited to attend Board and committee meetings from time to time to provide adequate, accurate, clear, complete and reliable information to members of the Board for consideration in a timely manner.

The Board will nevertheless review the effectiveness of this structure and the Board composition from time to time.

Board Diversity Policy

The Board has adopted a board diversity policy with effect from 12 September 2018 which sets out the approach to achieve diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. For further details, please refer to the board diversity policy published on the Company's website.

As at 31 December 2021, an analysis of the Board composition based on the range of diversity perspectives is set out as follows:

<table>
<tr><th>No. of Directors</th><th>Gender</th><th>Designation</th><th>Age Group</th><th>Years of Service</th><th>Skills and Knowledge</th></tr>
<tr><td>1.</td><td rowspan="9">Male</td><td rowspan="4">Executive Director</td><td>≥ 60</td><td rowspan="2">≥ 13</td><td rowspan="4">General Management and Strategy Development</td></tr>
<tr><td>2.</td><td rowspan="5">50–59</td></tr>
<tr><td>3.</td><td rowspan="2">9–12</td></tr>
<tr><td>4.</td></tr>
<tr><td>5.</td><td rowspan="2">Non-executive Director</td><td>5–8</td><td rowspan="3">Accounting and Financial</td></tr>
<tr><td>6.</td><td rowspan="4">0–4</td></tr>
<tr><td>7.</td><td rowspan="3">Independent non-executive Director</td><td rowspan="3">40–49</td></tr>
<tr><td>8.</td><td>Legal</td></tr>
<tr><td>9.</td><td>Architecture and Design</td></tr>
</table>

The Company recognises the benefits of having a diverse Board, and views diversity at Board level would assist the Company in sustaining a competitive advantage. As such, the Nomination Committee had considered certain measurable objectives on the basis of merit and contribution, with due regard to the benefits of diversity on the Board for the nomination of potential candidate as an executive Director in 2021. It nominated Mr. Wang Quanhui to the Board due to his considerable experience in the sales management, operation management, cost control and tendering and procurement, project management, product research and development, brand management and customer relationship management of the Group, and it being satisfied that he would provide professional advice to the Board to safeguard the interests of the Company and its shareholders.

The Nomination Committee has reviewed the structure, size, composition and diversity of the Board at least annually, and confirmed that the Company has maintained a balanced composition with a strong independent element on the Board. In future, the Nomination Committee will continue to monitor the implementation of the board diversity policy with reference to the measurable objectives and ensure that the Board has the appropriate balance of skills, experience and diversity perspectives that are required to support the business strategy and maintain the effectiveness of the Board.

Independent Non-executive Directors

The independent non-executive Directors actively participate in Board meetings to bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They will take the lead where potential conflicts of interests of other Directors arise. They serve as members of various Board committees and will scrutinise the performance of the Group in achieving agreed corporate goals and objectives and monitor performance reporting.

Each of the independent non-executive Directors has submitted to the Company the annual confirmation of independence for the year ended 31 December 2021. The Nomination Committee has reviewed such annual confirmation of independence and assessed the independence of each of the independent non-executive Directors based on the guidelines set out in Rule 3.13 of the Listing Rules and considered that all the independent non-executive Directors are independent. The Board adopted the view of the Nomination Committee and confirmed that all the independent non-executive Directors are independent.

None of the independent non-executive Directors holds seven or more listed company directorships.

Appointments, Re-election and Removal of Directors

The appointment of a new Director is made on the recommendation by the Nomination Committee or by shareholders in a general meeting. Shareholders may propose a person for election as Director in accordance with the articles of association of the Company (the "**Articles of Association**"). For details, please refer to the section headed "Shareholders' Rights" below.

All Directors (including our non-executive Directors and independent non-executive Directors) are appointed for a specific term of three years under their service contracts or letters of appointment (as the case may be). Such term is subject to retirement by rotation and re-election at an annual general meeting of the Company in accordance with the Articles of Association. The Articles of Association provide that any Director who is appointed by the Board to fill a casual vacancy or as an additional member of the Board shall hold office only until the next following annual general meeting and shall be eligible for re-election.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least every three years and one-third (or if their number is not a multiple of three, the number nearest to but not less than one-third) of Directors shall retire from office every year at the Company's annual general meeting.

Pursuant to the CG Code, any further re-appointment of an independent non-executive Director, who has served the Board for more than nine years, will be subject to a separate resolution to be approved by shareholders.

Directors Continuous Training and Development Programme

To ensure that every newly appointed Director has a proper understanding of the operations and business of the Group and that he/she is fully aware of his/her responsibilities as a Director under all applicable laws and regulations, each Director will receive on appointment a comprehensive, formal and tailored induction and an orientation package containing the information with regard to the duties and responsibilities of Directors under the Listing Rules, relevant laws, regulatory requirements and policies of the Company.

Subsequently, continuous professional development training with relevant updated materials will be provided by the Company to all the Directors when necessary to keep them abreast of the latest changes and development in the legal, regulatory and commercial environment in which the Group operates to develop and refresh their knowledge and skills to facilitate the discharge of their responsibilities as a director of a listed company.

Pursuant to the requirements of the code provision set out in the CG Code, all Directors are required to provide to the Company with records of the training they received to ensure that their contributions to the Board remain informed and relevant.

The training record of each Director during the year is as follows:

Name of Directors	Types of training (Note 1)	Nature of training (Note 2)
Executive Directors		
Mr. Hao Hengle (Chairman)	1, 2	A, B, C, D
Mr. Wang Quanhui	1, 2, 3	A, B, C, D
Mr. Yao Wei	1, 2	A, B, C, D
Mr. Lin Ge	1, 2	A, B, C, D
Non-executive Directors		
Mr. He Jianfeng	1, 2	A, B, C, D
Mr. Zhao Jun	1, 2	A, B, C, D
Independent non-executive Directors		
Mr. Tan Jinsong	1, 2	A, B, C, D
Mr. O'Yang Wiley	1, 2	A, B, C, D
Mr. Lu Qi	1, 2	A, B, C, D

Note 1:

1. Attending briefings, seminars, training courses and/or e-trainings organised by the professional bodies
2. Reading journals and other updates relating to the latest development of applicable rules or businesses of the Company
3. Attending an induction briefing tailored to a newly appointed Director

Note 2:

A. Businesses of the Company
B. Applicable laws, rules and regulations, and accounting standards
C. Recent regulatory updates provided by the legal adviser of the Company
D. Special update on the latest development of Environmental, Social and Governance Reporting Guide as specified in Appendix 27 of the Listing Rules provided by the external consultant

Supply of and Access to Information

During the year ended 31 December 2021, all Directors had been provided, on a monthly basis, with the updated management and financial information of the Group, giving them an opportunity to have a balanced and understandable assessment of the Group's latest performance, position and recent developments and facilitating them to discharge their duties under the relevant requirements of the Listing Rules.

Board Committees

The Board has established three Board committees with defined scope of duties in written form. These Board committees are the Audit Committee, the Remuneration Committee, and the Nomination Committee.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to obtain independent professional advice in appropriate circumstances at the expense of the Company if they consider necessary.

Audit Committee

The Audit Committee was established by the Board on 12 September 2018 with written terms of reference revised and adopted on 1 January 2019 in compliance with Rule 3.21 of the Listing Rules and the CG Code. As at 31 December 2021, the Audit Committee comprised three members including two independent non-executive Directors, Mr. Tan Jinsong (chairman of the Audit Committee) and Mr. O'Yang Wiley, and one non-executive Director, Mr. Zhao Jun. Mr. Tan Jinsong is the independent non-executive Director who possesses the appropriate professional qualifications and accounting and financial management expertise. None of the members of the Audit Committee is a former partner of the auditor of the Company.

The Audit Committee is responsible for, among other things, reviewing and monitoring the integrity of the consolidated financial statements of the Group, reviewing the effectiveness of the risk management and internal control systems of the Group, reviewing the findings from the works carried out by the internal audit department and monitoring the effectiveness of the Group's internal audit function. The Audit Committee is also responsible for making recommendation to the Board on the appointment of the external auditor and approving the remuneration and terms of engagement of the external auditor. Before commencement of annual audit, the Audit Committee will discuss with the external auditor the nature and scope of audit, the significant risk analysis and the impact of the change in accounting policies on the financial statements of the Group. The Audit Committee is required to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.

During the year ended 31 December 2021, the Audit Committee held three meetings with the Company's external auditor and duly discharged the above duties. The attendance record of individual Directors at the Audit Committee meetings is set out on page 57 below in this report.

The Audit Committee has reviewed the Group's 2021 consolidated financial statements, including the accounting principles and policies adopted by the Group, in conjunction with the Company's external auditor and recommended to the Board for approval of the consolidated financial statements for the year ended 31 December 2021.

The Board agreed with the Audit Committee's proposal for the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the year 2022. The recommendation will be put forward for shareholders' approval at the forthcoming annual general meeting of the Company.

Auditor's Remuneration

For the year ended 31 December 2021, the remuneration paid/payable to PricewaterhouseCoopers, the Company's auditor, is set out as follows:

Service rendered	Amount (RMB)
Audit services:	
• Annual audit services	6,600,000
Non-audit services:	
• Accounting advisory services	400,000
• Others	2,080,000
Total	9,080,000

Remuneration Committee

The Remuneration Committee was established by the Board on 12 September 2018 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. As at 31 December 2021, the Remuneration Committee comprised five members including three independent non-executive Directors, Mr. O'Yang Wiley (chairman of the Remuneration Committee), Mr. Tan Jinsong and Mr. Lu Qi, one executive Director, Mr. Hao Hengle, and one non-executive Director, Mr. Zhao Jun.

The Company has adopted the model set out in code provision E.1.2(c)(i) of the CG Code as its Remuneration Committee model under which the Remuneration Committee shall determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management.

The primary duties of the Remuneration Committee include the following:

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

2. to review and determine, with delegated responsibilities and authorisation by the Board, the remuneration packages of individual executive Directors and senior management with reference to the Board's corporate goals and objectives;

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

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

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

6. to review and approve compensative arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

7. to ensure that no Directors or any of his/her associates is involved in deciding his/her own remuneration.

During the year ended 31 December 2021, the Remuneration Committee held three meetings and duly discharged the above duties. It made recommendation to the Board for the adoption of the restricted share award scheme, and the grant of award shares and share options on 22 April 2021. Mr. Hao Hengle and Mr. Zhao Jun had abstained from voting in respect of the relevant resolutions of the Remuneration Committee and the Board. For details, please refer to the paragraphs headed "Share Option Scheme" and "Share Award Scheme" in the "Directors' Report" section of this annual report. The attendance of individual Directors at the Remuneration Committee meetings is set out on page 57 below in this report.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management (other than Directors) by band for the year ended 31 December 2021 is as follows:

Remuneration band	Number of individuals
RMB7,500,000 to RMB8,000,000	1

Details of the Directors' emoluments for the year ended 31 December 2021 are set out in note 41 to the consolidated financial statements.

Nomination Committee

The Nomination Committee was established by the Board on 12 September 2018 with written terms of reference revised and adopted on 1 January 2019 in compliance with the CG Code. As at 31 December 2021, the Nomination Committee comprised three members including one executive Director, Mr. Hao Hengle (chairman of the Nomination Committee) and two independent non-executive Directors, Mr. Tan Jinsong and Mr. Lu Qi.

The Nomination Committee is mainly responsible for reviewing the structure, size, composition of the Board at least annually, making recommendations to the Board on the appointment or re-appointment of Directors and assessing the independence of independent non-executive Directors.

The Nomination Committee held two meetings during the year ended 31 December 2021 and duly discharged the above duties. It made recommendation to the Board for the appointment of Mr. Wang Quanhui as an executive Director in 2021. The attendance of individual Directors at the Nomination Committee meetings is set out on page 57 below in this report.

A single gender board will not be considered to have achieved diversity from 1 January 2022. In 2022, the Nomination Committee will review the structure and composition of the Board, and make recommendations to the Board on the appointment of a Director of a different gender on or before 31 December 2024.

Directors' Attendance Record at Meetings

The number of Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings and annual general meeting of the Company held for the year ended 31 December 2021 and the attendance record and tenure of office of each individual Director are set out in the following table:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Annual General Meeting
Number of Meeting(s) held	4	3	3	2	1
Executive Directors					
Mr. Hao Hengle (Chairman)	4/4	–	2/2	2/2	1/1
Mr. Wang Quanhui (appointed on 4 June 2021)	2/2	–	–	–	1/1
Mr. Yao Wei	4/4	–	–	–	1/1
Mr. Lin Ge	4/4	–	–	–	1/1
Mr. Xu Chuanfu (retired on 4 June 2021)	2/2	–	–	–	1/1
Non-executive Directors					
Mr. He Jianfeng	4/4	–	–	–	1/1
Mr. Zhao Jun	4/4	3/3	2/2	–	1/1
Independent non-executive Directors					
Mr. Tan Jinsong	4/4	3/3	3/3	2/2	1/1
Mr. O'Yang Wiley	4/4	3/3	3/3	–	1/1
Mr. Lu Qi	4/4	–	3/3	2/2	1/1

During the year ended 31 December 2021, the Chairman held one meeting with the independent non-executive Directors without other Directors present.

Company Secretary

The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that the Board policies and procedures are duly followed. The Company Secretary reports to the Board through the Chairman on corporate governance matters while all Directors have access to the advice and services of the Company Secretary.

For the year ended 31 December 2021, Mr. Zeng Chaoming ("**Mr. Zeng**") and Ms. Chan Bo Shan ("**Ms. Chan**") acted as joint company secretaries of the Company. Both Mr. Zeng and Ms. Chan were full time employees of the Company and had day-to-day knowledge of the Company's affairs. They had also completed no less than 15 hours of relevant professional training covering regulatory updates and knowledge about company secretarial duties.

Following the resignation of Mr. Zeng on 11 February 2022, Mr. Lin Ge ("**Mr. Lin**"), an executive director and chief financial officer of the Company, has been appointed as a joint company secretary of the Company. Ms. Chan will continue to act as a joint company secretary of the Company and provide assistance to Mr. Lin in discharging his duties and responsibilities as a joint company secretary of the Company. Given Mr. Lin currently does not necessarily possess the qualifications required under Rule 3.28 of the Listing Rules, the Company has applied for, and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") has granted, a waiver from strict compliance with the requirements as set out in Rules 3.28 and 8.17 of the Listing Rules for a three-year period from the date of appointment of Mr. Lin as a joint company secretary of the Company. For details, please refer to the Company's announcement dated 11 February 2022.

Dividend Policy

The Company has adopted a revised policy on the payment of dividends (the "**Dividend Policy**") on 24 March 2021.

According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account the following factors:

(a) the Company's operating results, actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and each of the members of the Group;

(c) the level of the Group's debt to equity ratio, return on equity and the relevant financial covenants;

(d) any restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties;

(e) the Group's expected working capital requirements, capital expenditure requirements, future expansion plans and any statutory fund reserve requirements;

(f) the Group's liquidity position;

(g) general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(h) any other factor that the Board deems appropriate and relevant.

Taking the above factors into consideration, the Board may propose an ordinary dividend (including a final dividend and an interim dividend) and/or a special dividend from time to time. Any declaration and payment of dividends under the Dividend Policy will be subject to the Board's determination that the same would be in the best interests of the Group and the shareholders of the Company as a whole. In addition, the declaration and payment of dividends may be subject to legal restrictions or any applicable laws, rules and regulations and the Articles of Association of the Company.

For the Board's proposed payment of a final dividend for the year ended 31 December 2021, please refer to the paragraph headed "Final Dividend" in the "Directors' Report" section of this annual report.

Shareholders' Rights

The Company has only one class of shares, all holders of the ordinary shares in the issued share capital of the Company shall have the same rights.

1. Procedures for shareholders to send enquiries to the Company

Shareholders and other stakeholders may, at any time, send their enquiries or concerns to the Company in writing through the following contact details:

The Company's registered office in Hong Kong:	Suites 3906–3910, 39/F, Tower 6 The Gateway, Harbour City No. 9 Canton Road Tsim Sha Tsui, Kowloon Hong Kong
Email of Investor Relations:	investor@midea.com

2. Rights and procedures for shareholders to convene an extraordinary general meeting

Shareholder(s) holding at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board, in accordance with the requirements and procedures set out in Article 64 of the Articles of Association. The written requisition must state the general nature of the business to be dealt with at the meeting and must be signed by the shareholder(s) concerned and deposited at the Company's registered office in Hong Kong.

If within 21 days of such deposit the Board fails to proceed to convene such meeting, the shareholder(s) concerned may do so in the same manner, and all reasonable expenses incurred by the shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the shareholder(s) concerned by the Company.

3. Procedures for shareholders to propose a person for election as a Director

Pursuant to Article 113 of the Articles of Association, if a shareholder wishes to propose a person other than a person recommended by the Board for election as a director at the general meeting, such shareholder, who must be entitled to attend and vote at such general meeting, should lodge a notice in writing of his or her intention to propose such person for election together with the notice signed by the proposed person of his or her willingness to be elected to the Company's registered office in Hong Kong for the attention of the Company Secretary. The nominating shareholder should also provide to the Company biographical details of the person he or she proposes to be elected as a director required under Rule 13.51(2) of the Listing Rules.

The notices should be given within the period commencing on the day after the despatch of the notice of the general meeting appointed for such election of directors and ending no later than 7 days prior to the date of such general meeting and such period shall be at least 7 days.

Upon receipt of the above notices after the despatch of the notice of the general meeting, the Company shall publish an announcement or issue a supplementary circular disclosing the particulars of the proposed director pursuant to Rule 13.51(2) of the Listing Rules prior to the general meeting in accordance with Rule 13.70 of the Listing Rules.

Communication with Shareholders

The Board believes that general meeting is an open forum for communication between the Board and the shareholders. Shareholders are encouraged to attend general meetings of the Company and give valuable advice to the Company through this direct communication platform. The Company will convene an annual general meeting every year and convene any other general meetings as required. Sufficient notice for annual general meeting and other general meetings will be given to shareholders in compliance with the requirements of the Articles of Association, the Listing Rules and applicable laws and regulations. The Chairman of the Board will attend annual general meeting and invite the chairman of Audit Committee, Remuneration Committee, Nomination Committee and other Board Committees, in their absence, other members of these Board Committees, to attend annual general meeting. They will be available to answer questions raised by shareholders at annual general meeting. The chairman or other members of the independent board committee (if any) will be available to answer questions at any general meetings for the approval of connected transaction(s) or any other transaction(s) by independent shareholders. External auditor will be invited to attend the annual general meeting of the Company to answer questions about the conduct of the audit, the preparation and content of the auditor's report, accounting policies and auditor's independence.

To facilitate enforcement of shareholders' rights, substantially different issues are dealt with under separate resolutions at general meetings of the Company.

Annual and interim reports and any significant events of the Company fall to be disclosed in accordance with the disclosure requirements under the Listing Rules and other applicable regulatory requirements will be published in a timely manner through the Company's website so as to safeguard the shareholders' rights of information.

The Company's website provides timely and updated information on investor relations, corporate governance and other latest news of the Company to enable shareholders and investors to have timely access to information about the Group.

The designated staff are responsible for handling the communications with our investors, they will regularly organise road shows and one-on-one meetings with institutional investors and financial analysts to promote better understanding of the Company and keep continuous dialogues with professional investors.

The Company has established the shareholders communication policy which is available on the Company's website.

Constitutional Documents

There were no changes in the Company's Memorandum and Articles of Association during the year ended 31 December 2021.

Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

The Directors acknowledged their responsibility for the preparation of the consolidated financial statements of the Company which give a true and fair view of the state of affairs of the Group on a going concern basis in accordance with Hong Kong Financial Reporting Standards and the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

The statements of the Directors and the auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group are set out in the Independent Auditor's Report on pages 81 to 87 of this annual report.

Risk Management and Internal Control

The Group's businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly. The Board acknowledges its responsibility for maintaining effective risk management and internal control systems of the Group and reviewing the effectiveness of these systems. The Company adopts risk management and internal control systems to enhance the accountability and communication of identified risks with management, measure the impact of the identified risks and facilitate implementation of mitigation measures proactively. These systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage, but not eliminate, risks of failure in achieving the Group's objective.

Risk Management and Internal Control Systems

The Group's risk management and internal control systems include a defined structure with specified limits of authority and responsibility. Each of the business departments acts as the primary unit of risk prevention and control, responsible for the implementation of daily risk management and internal controls, identification and collection of internal and external risk information and assisting the internal audit in performing regular risk assessments. The senior management is responsible for setting appropriate principles and values, performing risk assessments, owning the design, implementation and maintenance of internal controls, as well as giving confirmation to the Board on the effectiveness of the risk management and internal controls. The Board and the Audit Committee oversee the actions of the management and monitor the overall effectiveness of the control systems.

Particular features of our risk management system include the following:

- Our risk management process begins with identifying the major risks associated with our corporate strategies, goals and objectives. We have established a three-level matrix-structured risk management system. The operational department at each level of the Group, the regional level companies and the city-level companies are required to report the identified potential risks both to the higher levels and to responsible persons at the same level. Under the guidance and instruction from the higher levels, each operational department makes and executes the mitigation plan paired with each risk identified. For example, with respect to the risk of changes in macro policies and economic environment, the Group adheres to the development of "four major business lines" in a coordinated manner, forms a combination of competitive strengths, and carries out policy and market research in investments, products, sales and capital to enhance its risk resilience. In view of the risks related to the "Three Red Lines" and other financial policies, while stabilizing leverage, the Group optimizes the financing structure, formulates a debt reduction plan and establishes a cash flow control mechanism to maintain sufficient cash on hand and credit line.

- For particular operational and market risks, control measures are adopted at an operational level. For investment risks, we adopt a deep penetration strategy in cities with our investment structure optimized during the year, focus on high-value areas, and improve the pre-investment review and decision-making mechanism. In view of sales-related risks, we determine production by sales to deepen the concept of lean operations, strategically formulate construction plans and supply timing based on market dynamics, and develop digital marketing and operation system to further bolster sales.

- We will enforce strict control and accountability policies and manuals at an individual employee level as well. Our policies and manuals will be updated consistently based on our operational needs. We will seek to maintain a corporate culture with a high level of responsibility, integrity and reliability to manage our operational and market risks.

- We will also carry out regular (at least once a year) internal assessments and training to ensure our employees are equipped with sufficient knowledge on such policies and guidelines.

Internal control is one of the key components of risk management. Our internal control system is based on the risks faced by the Group. The management of the Group's headquarters, the subsidiaries and each of the departments have implemented a range of policies and procedures in respect of financial, operational, compliance and ESG-related processes, and they should monitor the implementation and effectiveness of such policies and procedures.

During the year ended 31 December 2021, based on the changes of the Group's strategies, external market environment and internal business environment as well as the above risk management and internal control system, the Group had engaged an external internal control consultant to assist the management of the Company in risk management and internal control, including an annual review of the Group's risk management and internal control systems to identify and resolve potential internal control defects. The Group performed evaluation on top ten risks, updated the risk evaluation standards and risk databases, prioritised and ranked the identified risks in accordance with the risk occurrence and significance, and determined the significant risks which need to be addressed in top priority by integrating the risk tolerance with response measures and improvement plans developed, as well as reported to the Audit Committee the evaluation results and the implementation of control measures considering, among others, the changes in external market environment and internal operating environment and the business development progress. The Group had considered and adopted or will adopt recommended measures by the external consultant to ensure ongoing compliance and enhance its internal control measures where appropriate. The Group's internal audit had also conducted regular follow-up review to ensure that improvement plans were implemented in a timely manner and had reported the results of the follow-up review to the Audit Committee.

Internal Audit

The Company maintains its own internal audit function which is responsible for:

- providing the Board with an independent and objective review of the effectiveness of the Group's risk management and internal control systems;

- conducting audit processes and supporting the Board in improving the Group's risk management and internal control systems; and

- conducting independent investigations in respect of certain allegations of fraud and violations of the Group's code of conduct and other company policies.

The internal auditor has unrestricted access to all corporate operations, records, data files, computer programmes, property, personnel and is authorised to communicate directly with the Chairmen of the Board and the Audit Committee and other Board members as necessary.

During the year ended 31 December 2021, the internal auditor developed an audit plan that prioritises areas with significant risks or deemed to be strategic to the business of the Company. The audit plan is reviewed by the Audit Committee and may be modified to reflect changes to business plans if necessary. The internal auditor has also issued reports to cover significant control issues, monitored the status of implementation plans resulting from audit findings and reported progress to the Audit Committee.

Anti-corruption System

The Group has a corruption monitoring system in place to monitor the risk of corruption in its business through the implementation of a series of policies and procedures, and has established an anti-corruption system from five aspects: anti-corruption policies, supervision and management, whistle-blowing channels, an atmosphere of incorruption and assessment mechanism.

Risk Management Approach

Our approach to risk management is to identify current risk exposures and manage them so that they can be understood, controlled or mitigated. All business functions are required to identify material risks that may impact their strategy and business objectives. They also aim to identify, assess, evaluate and mitigate operational risks. Many aspects of risks are considered, including but not limited to business continuity, financial impact, reputational risk, safety and health, external regulations and ESG-related risks.

Senior management is responsible for coordinating the risks identified and ensuring that the key risks, as well as strengths and weaknesses of the overall risk management and internal control systems are reported to the Board and the Audit Committee, along with action plans to manage these risks and weaknesses.

During the year ended 31 December 2021, the Group was committed to continually improving the risk management framework and capabilities and shall continue on this path, with enhanced integration of risk management and internal control into our business processes. Details of some of the key risks can be found under "Principal Risks and Uncertainties" on page 25 of this annual report.

Inside Information

The Company is aware of its obligations under the Securities and Futures Ordinance and the Listing Rules. During the year ended 31 December 2021, the Company has implemented procedures and internal controls for the handling and dissemination of inside information, including:

- having its own procedures in place to preserve the confidentiality of price-sensitive and/or inside information relating to the Group;
- communicating such procedures to all Directors, senior management and relevant employees who are likely to have access to price-sensitive and/or inside information, and reminding them from time to time that they are required to comply with such procedures; and
- conducting its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012.

Review of the Risk Management and Internal Control Systems

The risk management and internal control systems of the Group are reviewed by the Board annually. During the year ended 31 December 2021, the Board has reviewed the effectiveness of the risk management and internal control systems of the Group. The review covers material control, including operational risk management and the adequacy of resources, qualification and experience of staff of the Group's accounting, internal audit and financial reporting functions and their training and budget. The review was made by discussions with the management, the Audit Committee, Company's external and internal auditors, and the external internal control consultant. The Board has also received a letter from the management confirming the effectiveness and adequacy of the Group's risk management and internal control systems. Accordingly, the Board is satisfied that the Company has fully complied with the code provisions on risk management and internal control as set forth in the CG Code.

DIRECTORS' REPORT

The Directors have the pleasure in presenting their annual report together with the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2021.

Principal Activities, Performance and Business Review

The Company is an investment holding company. The Group is a large national property developer based in the PRC and operates four business segments: (i) property development and sales; (ii) property management services; (iii) investment and operation of commercial properties; and (iv) real estate technologies.

An analysis of the Group's performance for the year by principal business segments is set out in note 5 to the consolidated financial statements.

Further discussion and analysis of the activities, the key performance indicators of the Group, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the "Financial Overview", "Chairman's Statement" and "Management Discussion and Analysis" sections set out on pages 2 to 3 and pages 10 to 25 of this annual report. The environmental and social matters that have a significant impact on the Group will be disclosed in the Environmental, Social and Governance Report to be issued separately under Environmental, Social and Governance Reporting Guide as specified in Appendix 27 of the Listing Rules.

Results

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 88.

Final Dividend

The Board has recommended the payment of a final dividend of HK$1.60 per share (2020: HK$1.60 per share) for the year ended 31 December 2021 (the "**Final Dividend**"). Subject to the approval of the shareholders of the Company at the annual general meeting of the Company to be held on 26 May 2022 (the "**AGM**") and the compliance with the Companies Act of the Cayman Islands, the Final Dividend will be payable to the shareholders whose names appear on the register of members of the Company on 2 June 2022 (the "**Eligible Shareholders**"), with the Eligible Shareholders being given an option to elect to receive the Final Dividend all in new shares or partly in new shares and partly in cash or all in cash (the "**Scrip Dividend Scheme**").

The Scrip Dividend Scheme is subject to (1) the passing of the resolution relating to the payment of the Final Dividend at the AGM; and (2) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new shares to be issued pursuant thereto.

A circular containing details of the Scrip Dividend Scheme together with the relevant form of election will be sent to the Eligible Shareholders on or about 13 July 2022. It is expected that the cheques for cash dividends or, if scrip shares are elected, the certificates for the scrip shares will be sent to the Eligible Shareholders on or about 17 August 2022.

Closure of Register of Members

For the purpose of ascertaining the shareholders' rights of attending and voting at the AGM, the register of members of the Company will be closed from 23 May 2022 to 26 May 2022, both days inclusive, during which period no transfer of shares shall be effected. In order to be entitled to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 20 May 2022.

For the purpose of determining the identity of shareholders who are entitled to the proposed final dividend, the register of members of the Company will be closed from 1 June 2022 to 2 June 2022, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 31 May 2022.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

Pre-emptive Rights and Tax Relief

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

The Company is not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

Reserves

Details of movements in reserves of the Company and the Group during the year are set out in notes 40 and 26 respectively to the consolidated financial statements.

As at 31 December 2021, the Company had distributable reserves amounting to RMB4,631,093,000 (2020: RMB6,420,493,000).

Property, Plant and Equipment

Details of movement in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

Intangible Assets

Details of movement in intangible assets of the Group during the year are set out in note 18 to the consolidated financial statements.

Investment Properties

During the year, the fair value gains of the Group's investment properties amounted to RMB12,532,000 and have been recognised directly in the consolidated financial statements.

Details of movement in investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

Issuance of Bonds

Details of the outstanding bonds of the Group are set out in note 29 to the consolidated financial statements.

Borrowings

Details of the Group's borrowings are set out in note 30 to the consolidated financial statements.

Interest Capitalised

Interest and other borrowing costs capitalised of the Group during the year are set out in note 9 to the consolidated financial statements.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 198. This summary does not form part of the audited consolidated financial statements.

Use of Proceeds from IPO

Please refer to the "Management Discussion and Analysis" section set out on page 24 for the details of the use of proceeds from IPO.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year.

Directors

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. Hao Hengle (Chairman)
Mr. Wang Quanhui (appointed by the shareholders at the annual general meeting of the Company held on 4 June 2021)
Mr. Lin Ge
Mr. Zhang Ziliang (appointed on 25 March 2022)
Mr. Xu Chuanfu (retired at the annual general meeting of the Company held on 4 June 2021)
Mr. Yao Wei (resigned on 25 March 2022)

Non-executive Directors

Mr. He Jianfeng
Mr. Zhao Jun

Independent non-executive Directors

Mr. Tan Jinsong
Mr. O'Yang Wiley
Mr. Lu Qi

According to Article 108(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

According to Article 112 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At the AGM, Mr. Wang Quanhui, Mr. Lin Ge and Mr. O'Yang Wiley will retire and eligible for re-election in accordance with Article 108(a) of the Articles of Association. Mr. Zhang Ziliang will retire in accordance with Article 112 of the Articles of Association and he will offer himself for re-election at the AGM.

Biographical Details of Directors and Senior Management

Biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" of this annual report.

Directors' Service Contracts

None of the Directors proposed for re-election at the AGM has a service contract or letter of appointment (as the case may be) with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Nomination Policy

The nomination policy of the Company sets out the key selection criteria and principles of the Nomination Committee in making recommendations to the Board on the appointment of Directors, and succession planning for Directors, to ensure the Board has a balance of skills, experience and diversity of perspectives (including without limitation, gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service) appropriate to the requirements of the Company's business.

Remuneration Policy

The remuneration policy of the Company is set on the principles that the remuneration packages of employees should be determined based on the job duties, responsibilities, work performance, qualifications and competence of each individual employee, performance of the Group and the prevailing market and economic conditions in order to attract and retain high-calibre employees needed to run the Group successfully.

The remuneration packages of executive Directors and senior management of the Company are reviewed annually and determined by the Remuneration Committee based on the duties, responsibilities of each individual executive Director and senior management staff, performance of the Group and the remuneration packages paid by comparable companies in the same industry based on the prevailing market conditions. No Director or any of his/her associates will be involved in deciding his/her own remuneration. Remuneration of independent non-executive Directors will be reviewed annually and recommended by the Remuneration Committee to the Board for final approval.

Pension Schemes
Details of the pension schemes operated by the Group are set out in note 2.27 to the consolidated financial statements.

Directors' Interests in Transactions, Arrangements or Contracts of Significance
Save as otherwise disclosed under the section "Continuing Connected Transactions", there were no other transactions, arrangements or contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiary was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at any time during the year.

Indemnity of Directors and Officers
Pursuant to the Company's Articles of Association, every Director and officer of the Company shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in or about the execution or holding of his/her office or otherwise in relation thereto. Such provisions were in force during the course of the financial year ended 31 December 2021 and remained in force as at the date of this annual report.

Directors' and Officers' Liability Insurance
Directors' and officers' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

Directors' Rights to Acquire Shares
Save for the Share Option Scheme (as defined below) and the Share Award Scheme (as defined below), and save as disclosed in the "Directors' Interests" as set out on pages 73 to 74 of this report, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or their respective spouses or minor children to acquire such rights in any other body corporate.

Equity-Linked Agreements
During the year, the Company had not entered into any equity-linked agreement, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2021.

Share Option Scheme
A share option scheme was approved and adopted by the shareholders of the Company at the Company's annual general meeting held on 29 May 2020 (the "**2020 AGM**"), which is valid and effective for a period of 10 years commencing on the date of the 2020 AGM and ending 28 May 2030 (the "**Share Option Scheme**"). The following is a summary of the principal terms of the Share Option Scheme:

The purposes of the Share Option Scheme are to enable the Group to recognise and acknowledge the contributions that any director or proposed director of any member of the Group, and any management, key technician, officer, manager and employee of any member of the Group (the "**Eligible Participant(s)**") have made or may make to the Group (whether directly or indirectly), remunerate the best possible quality of the Eligible Participants, and attract, retain and motivate the Eligible Participants to continue to contribute to the growth and development of the Group; and provide Eligible Participants with direct economic benefits in order to maintain a long term relationship between the Group and the Eligible Participants.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 10% of the total number of shares in issue as at the date of the 2020 AGM (being 123,056,700 shares), unless the Company seeks approval by its shareholders in a general meeting for refreshing the 10% limit under the Share Option Scheme. The limit on the total number of shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. No options may be granted if such a grant would result in such 30% limit or maximum permissible limit being exceeded.

The maximum entitlement of each Eligible Participant under the Share Option Scheme and any other share option schemes of the Company shall not, in any 12-month period up to and including the date of such grant, exceed 1% of the total number of shares in issue as at the date of the 2020 AGM, being 12,305,670 shares. Any further grant of share options in excess of such limit must be separately approved by its shareholders in a general meeting.

Share options granted under the Share Option Scheme to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by the independent non-executive Directors, (excluding independent non-executive Director who is the proposed grantee of such share options). In addition, any share options granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates, in aggregate more than 0.1% of the total number of shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HKD5 million, within any 12-month period up to and including the date of such grant, must be subject to approval by its shareholders in a general meeting.

The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share prevailing on the date of grant. Consideration for each grant of share options is HKD1.00 or RMB1.00 (or such other nominal sum in any currency as the Board may determine) and is required to be paid within 28 days from the date of grant of share options, with full payment for the exercise price to be made on exercise of the relevant options.

Subject to the terms and conditions of the Share Option Scheme, the Board may in its absolute discretion specify such conditions as it thinks fit when making such an offer to an Eligible Participant (including, without limitation, as to any performance targets which must be satisfied by the Eligible Participant and/or us, and any minimum period for which an option must be held, before an option may be exercised, if any). The exercise period shall not be more than 10 years from the date upon which any particular share options are granted in any event.

Movements of the share options granted under the Share Option Scheme during the year ended 31 December 2021 were as follows:

Category and name of grantees	Date of grant (Note 1)	Exercisable period (Note 2)	Exercise price per share HKD	As at 1 January 2021	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	As at 31 December 2021
								(Note 3)	
Directors									
Mr. Hao Hengle	22/04/2021	22/04/2023 – 21/04/2027	18.376	–	5,500,000	–	–	(1,650,000)	3,850,000
Mr. Wang Quanhui (appointed on 4 June 2021)	22/04/2021	22/04/2023 – 21/04/2027	18.376	–	1,100,000	–	–	(330,000)	770,000
Mr. Yao Wei	22/04/2021	22/04/2023 – 21/04/2027	18.376	–	880,000	–	–	(264,000)	616,000
Mr. Lin Ge	22/04/2021	22/04/2023 – 21/04/2027	18.376	–	880,000	–	–	(264,000)	616,000
Mr. Zhao Jun	22/04/2021	22/04/2023 – 21/04/2027	18.376	–	1,100,000	–	–	(330,000)	770,000
Mr. Xu Chuanfu (retired on 4 June 2021)	22/04/2021	22/04/2023 – 21/04/2027	18.376	–	880,000	–	–	(264,000)	616,000
Sub-total				–	10,340,000	–	–	(3,102,000)	7,238,000
								(Note 4)	
Employees of the Group in aggregate	22/04/2021	22/04/2023 – 21/04/2027	18.376	–	56,320,000	–	–	(35,453,000)	20,867,000
Sub-total				–	56,320,000	–	–	(35,453,000)	20,867,000
Total				–	66,660,000	–	–	(38,555,000)	28,105,000

Notes:

1. The closing price immediately before the date of grant (i.e. 21 April 2021) was HKD17.96 per share.

2. Subject to satisfaction of the vesting conditions, the first tranche of 40% share options shall be exercisable from 22 April 2023 to 21 April 2027, the second tranche of 40% share options shall be exercisable from 22 April 2024 to 21 April 2027 and the third tranche of 20% share options shall be exercisable from 22 April 2025 to 21 April 2027.

3. On 25 March 2021, the Company approved and published the annual results for the year ended 31 December 2021. The Board determined that 30% of the share options granted to each Eligible Participant shall lapse based on the achievement of the Group's financial targets.

4. On 25 March 2021, the Company approved and published the annual results for the year ended 31 December 2021. The Board determined that 30% of the share options granted to each Eligible Participant shall lapse based on the achievement of the Group's financial targets. In addition, certain share options shall lapse by reason of cessation of employment.

During the year ended 31 December 2021, the Company had granted a total of 66,660,000 share options to 193 Eligible Participants with a fair value of approximately RMB170.47 million on the date of grant, which was determined using the Binomial Model by an independent appraiser based on significant unobservable inputs.

As at 31 December 2021, a total number of 123,056,700 shares (including the share options remained outstanding and yet to be exercised) (representing approximately 9.97% of the issued share capital of the Company as at 31 December 2021) were available for issue under the Share Option Scheme.

For details, please refer to the Company's announcement dated 22 April 2021 and note 28 to the consolidated financial statements in this report.

Share Award Scheme

A restricted share award scheme managed by an independent trustee (the "**Trustee**") was approved and adopted by the Board on 22 April 2021 (the "**Adoption Date**"), which is valid and effective for a period of 10 years commencing on the Adoption Date and ending 21 April 2031 (the "**Share Award Scheme**"). The following is a summary of the principal terms of the Share Award Scheme:

The purposes of the Share Award Scheme are to enable the Group to recognise and acknowledge the contributions that any director or proposed director of any member of the Group, and any management, key technician, officer, manager and employee of any member of the Group (the "**Selected Participant(s)**") have made or may make to the Group (whether directly or indirectly), remunerate the best possible quality of the Selected Participants, and attract, retain and motivate the Selected Participants to continue to contribute to the growth and development of the Group; and provide Selected Participants with direct economic benefits in order to maintain a long term relationship between the Group and the Selected Participants.

The maximum number of shares which may be awarded under the Share Award Scheme shall not, in aggregate, exceed 10% of the total number of shares in issue as at the Adoption Date (being 123,056,700 shares).

The maximum number of unvested shares which may be awarded to any one Selected Participant at any time shall not exceed 1% of the total number of shares in issue from time to time.

Subject to the terms and conditions of the Share Award Scheme, the Board may, from time to time, at its absolute discretion, select any Selected Participants to participate in the Share Award Scheme. In determining the Selected Participants, the Board shall take into consideration matters including, but without limitation, the present and expected contribution of the relevant Selected Participants to the Group.

Movements of the award shares granted under the Share Award Scheme during the year ended 31 December 2021 were as follows:

Category and name of grantees	Date of grant (Note 1)	Vesting period (Note 2)	As at 1 January 2021	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	As at 31 December 2021 (Note 5)
							(Note 3)	
Directors								
Mr. Hao Hengle	22/04/2021	01/04/2022	–	550,000	–	–	(165,000)	385,000
Mr. Wang Quanhui (appointed on 4 June 2021)	22/04/2021	01/04/2022	–	220,000	–	–	(66,000)	154,000
Mr. Yao Wei	22/04/2021	01/04/2022	–	220,000	–	–	(66,000)	154,000
Mr. Lin Ge	22/04/2021	01/04/2022	–	220,000	–	–	(66,000)	154,000
Mr. Xu Chuanfu (retired on 4 June 2021)	22/04/2021	01/04/2022	–	220,000	–	–	(66,000)	154,000
Sub-total			–	1,430,000	–	–	(429,000)	1,001,000
							(Note 4)	
Employees of the Group in aggregate	22/04/2021	01/04/2022	–	3,795,000	–	–	1,908,500	1,886,500
Sub-total			–	3,795,000	–	–	1,908,500	1,886,500
Total			**–**	**5,225,000**	**–**	**–**	**2,337,500**	**2,887,500**

Notes:

1. The closing price immediately before the date of grant (i.e. 21 April 2021) was HKD17.96 per share.

2. Subject to satisfaction of the vesting conditions, the award shares shall be vested on 1 April 2022 (or such other date as determined by the Board).

3. On 25 March 2021, the Company approved and published the annual results for the year ended 31 December 2021. The Board determined that 30% of the award shares granted to each Selected Participant shall lapse based on to the achievement of the Group's financial targets.

4. On 25 March 2021, the Company approved and published the annual results for the year ended 31 December 2021. The Board determined that 30% of the award shares granted to each Selected Participant shall lapse based on the achievement of the Group's financial targets. In addition, certain award shares shall lapse by reason of cessation of employment.

5. From an accounting perspective, the award shares are considered to have been vested in the Selected Participants as of 31 December 2021, being the date on which the vesting conditions were satisfied. Please refer to note 28 (Share-based payments) to the consolidated financial statements.

During the year ended 31 December 2021, the Company had granted a total of 5,225,000 award shares to 31 Selected Participants at nil consideration. Among which, the Trustee purchased 1,430,000 existing shares on the market out of cash contributed by the Company to be held on trust for the Directors until such award shares are vested with such Directors. In relation to the award shares granted to the employees of the Group, a total of 3,795,000 new shares were allotted and issued by the Board on 26 May 2021 to the Trustee (which holds the same on behalf of the employees of the Group in anticipation of their vesting in the future) pursuant to the general mandate granted by the shareholders of the Company at the 2020 AGM.

The fair value of award shares on the date of grant (i.e. 22 April 2021) was HKD18.04 per share, which was determined by taking the market price of the Company's shares on that date.

For details, please refer to the Company's announcements dated 22 April 2021 and 26 May 2021 and note 28 to the consolidated financial statements in this report.

DISCLOSURE OF INTERESTS

Directors' Interests

Save as disclosed below, as at 31 December 2021, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company contained in the Listing Rules:

Long Positions in the Shares and Underlying Shares of the Company

Name	**Capacity**	**Number of shares held**	**Number of underlying shares held**	**Total**	**Approximate percentage of shareholding** (Note 4)
Mr. Hao Hengle	Beneficial owner	5,000,000 (Note 1)	4,235,000 (Note 2)	9,235,000	0.75%
Mr. Wang Quanhui	Beneficial owner	1,000,000 (Note 1)	924,000 (Note 2)	1,924,000	0.16%
Mr. Yao Wei	Beneficial owner	800,000 (Note 1)	770,000 (Note 2)	1,570,000	0.13%
Mr. Lin Ge	Beneficial owner	800,000 (Note 1)	770,000 (Note 2)	1,570,000	0.13%
Mr. He Jianfeng	Interest of spouse	970,000,000 (Note 3)	–	970,000,000	78.58%
Mr. Zhao Jun	Beneficial owner	1,000,000 (Note 1)	770,000 (Note 2)	1,770,000	0.14%

Notes:

1. These shares were transferred by Ms. Lu Deyan, the controlling shareholder of the Company, without additional conditions on 16 June 2021, against payment of a consideration of HK$14.354 per share through participation in a trust scheme managed by an independent trustee. For details, please refer to the Company's announcement dated 17 June 2021.

2. These relevant interests comprised of: (i) share options which were granted by the Company on 22 April 2021 under the Share Option Scheme, entitling the grantee(s) to subscribe for shares of the Company at an exercise price of HK$18.376 per share in three tranches within a period of six years from the date of grant; and/or (ii) award shares which were granted by the Company on 22 April 2021 under the Share Award Scheme, entitling the grantee(s) to receive shares of the Company at nil consideration on 1 April 2022 (or such other date as determined by the Board). On 25 March 2021, the Company approved and published the annual results for the year ended 31 December 2021. The Board determined that 30% of each of the share options and the award shares granted on 22 April 2021 shall lapse based on the achievement of the Group's financial targets. From an accounting perspective, the award shares under the Share Award Scheme are considered to have been vested in the Selected Participants as of 31 December 2021, being the date on which the vesting conditions were satisfied. Please refer to note 28 (Share-based payments) to the consolidated financial statements. For details, please refer to the paragraphs headed "Share Option Scheme" and/or "Share Award Scheme" above.

3. Mr. He Jianfeng, a non-executive Director, is the spouse of Ms. Lu Deyan, a controlling shareholder of the Company. Therefore, Mr. He Jianfeng is deemed to be interested in Ms. Lu's interest in the Company by virtue of the SFO.

4. The percentage has been compiled on the basis of 1,234,362,000 shares of the Company in issue as at 31 December 2021.

Apart from the Share Option Scheme, the Share Award Scheme and save as disclosed above, during the year ended 31 December 2021, neither the Company nor any of its subsidiaries entered into any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' Interests

Save as disclosed below, as at 31 December 2021, the Directors and chief executive of the Company were not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Position in the Shares of the Company

Name	Capacity	Number of shares held	Approximate percentage of shareholding (Note 4)
Midea Development Holding (BVI) Limited	Beneficial owner	910,000,000	73.72%
Ms. Lu Deyan (Note 1)	Interests of controlled corporations	970,000,000	78.58%
Mr. He Xiangjian (Note 2)	Interest held jointly with another person	970,000,000	78.58%
Mr. He Jianfeng (Note 3)	Interest of spouse	970,000,000	78.58%

Notes:

1. Ms. Lu Deyan ("**Ms. Lu**") holds the entire equity interest in each of Midea Development Holding (BVI) Limited ("**Midea Development (BVI)**"), Midea Ever Company Limited ("**Midea Ever**") and Midea Field Company Limited ("**Midea Field**"), and these companies in turn hold 910,000,000, 30,000,000 and 30,000,000 shares of the Company, respectively. Therefore, Ms. Lu is deemed to be interested in the shares of the Company held by Midea Development (BVI), Midea Ever and Midea Field by virtue of the SFO.

2. Mr. He Xiangjian ("**Mr. He**") and Ms. Lu are parties acting-in-concert. Therefore, Mr. He is deemed to be interested in Ms. Lu's interest in the Company by virtue of the SFO and is a controlling shareholder of the Company. However, as confirmed by Mr. He and Ms. Lu in the deed of acting-in-concert dated 14 May 2018 entered into between Mr. He and Ms. Lu, Mr. He does not hold any economic interest (including the right to dividend) in the Group.

3. Mr. He Jianfeng, a non-executive Director, is the spouse of Ms. Lu. Therefore, Mr. He Jianfeng is deemed to be interested in Ms. Lu's interest in the Company by virtue of the SFO and is a controlling shareholder of the Company.

4. The percentage has been compiled on the basis of 1,234,362,000 shares of the Company in issue as at 31 December 2021

Non-Competition Deed

On 12 September 2018, our controlling shareholders, namely Midea Development (BVI), Ms. Lu and Mr. He, (collectively, the "**Controlling Shareholders**" and each, a "**Controlling Shareholder**") entered into a non-competition deed in favour of the Company (the "**Non-Competition Deed**"). Pursuant to the Non-Competition Deed, each of the Controlling Shareholders has, among other things, irrevocably and unconditionally undertaken not to compete with the business or investment activities of the Group in Mainland China and Hong Kong.

In compliance with the requirement of the Non-Competition Deed, each of the Controlling Shareholders has submitted to the Company an annual declaration confirming that the Controlling Shareholder and its/her/his close associates (other than members of the Group) (as defined in the Listing Rules) have complied with all the provisions of the Non-Competition Deed during the year (the "**Declaration**"). The independent non-executive Directors have reviewed the Declaration and are satisfied with the compliance by the Controlling Shareholders and its/her/his close associates with the provisions of the Non-competition Deed and the enforcement of the Non-competition Deed.

Specific Performance Obligations on the Controlling Shareholders

The following disclosure is made in compliance with the disclosure requirements under rule 13.21 of the Listing Rules.

On 21 June 2019, Midea Construction (Hong Kong) Limited, an indirectly wholly-owned subsidiary of the Company (as borrower), the Company (as listing guarantor) and certain of its subsidiaries incorporated outside the PRC (as original guarantors) entered into a facility agreement with a syndicate of financial institutions in respect of a three-year term loan facility of HKD2.9 billion (the "**2019 Loan**").

On 3 August 2020, Midea Construction (Hong Kong) Limited (as borrower), the Company (as listing guarantor) and certain of its subsidiaries incorporated outside the PRC (as original guarantors) entered into a facility agreement with certain financial institutions (as lenders) for a three-year dual tranche transferrable term loan facility denominated in HKD and USD in an initial amount of HKD1,050 million and USD60 million respectively (the "**2020 Loan**"). In addition to the said initial amount, the 2020 Loan was subsequently increased to HKD1,050 million and USD80 million respectively.

On 28 June 2021, Midea Construction (Hong Kong) Limited (as borrower), the Company (as listing guarantor) and certain of its subsidiaries incorporated outside the PRC (as original guarantors) entered into a facility agreement with certain financial institutions (as lenders) for a three-year dual tranche transferrable term loan facility denominated in HKD and USD in an initial amount of HKD3,300 million and USD35 million respectively (the "**2021 Loan**").

Pursuant to the provisions of each of the facility agreements, if (i) Mr. He and/or Ms. Lu (taking into account their combined shareholdings) jointly do not or cease to, remain as the single largest shareholder of the Company or maintain (directly or indirectly) not less than 51% of all beneficial shareholding interests in the issued share capital and management control of the Company; and/or (ii) Mr. He, Ms. Lu and Midea Development (BVI) collectively cease to, maintain the power to the exercise of 30% or more of the voting rights at general meetings of the Company, or cease to be the controlling shareholders of the Company as such term is used under the Listing Rules, it will be a "Change of Control" upon which the financial institutions may, among other things, require repayment of all or part of the 2019 Loan, the 2020 Loan and/or the 2021 Loan, together with accrued interest, and all other amounts accrued or outstanding.

Directors' Interest in Competing Businesses

During the year, the interests of Directors in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group ("**Competing Business**") as required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

The Group consists of four business segments:

(i) property development and sales;

(ii) property management services;

(iii) investment and operation of commercial properties, including property leases, hotel operations and cultural-tourism project; and

(iv) real estate technologies.

Name of Director	Name of Company	Nature of Interest	Competing Business
Mr. He Jianfeng	Midea Holding Co., Ltd.	President	Hotel
Mr. Zhao Jun	Midea Holding Co., Ltd.	Executive president	Hotel
	Foshan Shunde Junlan Holding Development Company Limited	Director, chairman and general manager	Hotel

Midea Holding Co., Ltd. ("**Midea Holding**") is directly wholly-owned by the controlling shareholders of the Company, Mr. He and Ms. Lu, which owns and operates high-end hotels through certain indirectly wholly-owned subsidiaries, of which one is Foshan Shunde Junlan Holding Development Company Limited.

Hotel investment and operations is not the main stream business of Midea Holding and the Group. Our focus is to develop high-quality residential properties with respect to property development and sales. In order to diversify our earnings, we also engage in the investment and operations of economy and cultural-tourism theme hotels. The target customers of these economy and theme hotels are designed for business travellers and tourists in the resort, respectively, which can be distinguished from that of the luxury hotels owned and operated by Midea Holding. Moreover, the Board is independent from the board of directors of Midea Holding, and Mr. He Jianfeng and Mr. Zhao Jun cannot personally control the Board. Further, they are fully aware of, and have been discharging, their fiduciary duty to the Company and have acted and will continue to act in the best interest of the Company and its shareholders as a whole.

In light of the above, we are of the view that the hotel investment and operations business of Midea Holding has limited competition, either directly or indirectly, with the Group's business and is disclosed for information only.

Save as disclosed above, none of the Directors was interested in any business apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group for the year ended 31 December 2021.

Management Contracts

No contracts other than employment contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Controlling Shareholders' Interests in Contracts

Save as otherwise disclosed under the section "Continuing Connected Transactions", there was no other contract of significance entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries during the year.

Major Customers and Suppliers

The main customers of our residential and commercial properties are individual buyers and corporate entities. For the year ended 31 December 2021, revenue generated from the Group's five largest customers accounted for approximately 0.90% of the Group's revenue for the year and revenue generated from the largest customer amounted to approximately 0.44% of the Group's revenue for the year.

For the year ended 31 December 2021, purchases from the Group's five largest suppliers accounted for approximately 23.65% of the Group's total purchases excluding land purchase for the year and purchases from the largest supplier amounted to approximately 6.52% of the Group's total purchases excluding land purchase for the year. All of our five largest suppliers were construction companies or equipment suppliers engaged by us.

None of the Directors or any of their close associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in any of the five largest customers and suppliers of the Group.

Sustainable Development

The Group believes that the sustainable development of a corporation not only depends on the sound management on the environment and natural resources, but also relies on the construction of a harmonious employment environment, the secured and healthy operation with its customers and suppliers and the active response to community needs.

To demonstrate its commitment to the environment and accountability to the interests of its stakeholders, which include employees, customers and suppliers, the Company will issue separately an Environmental, Social and Governance Report under Environmental, Social and Governance Reporting Guide as specified in Appendix 27 of the Listing Rules.

Continuing Connected Transactions

During the year, the Group had the following continuing connected transactions not exempted under Chapter 14A of the Listing Rules:

2021 Smart Home Technology Products Framework Purchase Agreement

On 12 September 2018, the Company entered into a framework purchase agreement (the "**2018 Smart Home Technology Products Framework Purchase Agreement**") for a term of commencing from 11 October 2018 to 31 December 2020 (both days inclusive) with Midea Group Co., Ltd. ("**Midea Group Company**") to govern the terms and conditions of the transactions between the Group and Midea Group Company and its subsidiaries ("**Midea Group**") in connection with the provision of the household appliances, including kitchen appliances, water heating machines, water purification equipment, washing machines and air conditioning machines, and smart home products, including smart household appliances (such as kitchen appliances and restroom appliances), security monitoring products and smart entertainment products, as well as other related ancillary products (collectively, the "**Smart Home Technology Products**") to the Group.

Given that the 2018 Smart Home Technology Products Framework Purchase Agreement had expired on 31 December 2020, the Company on 28 December 2020 entered into a new framework purchase agreement (the "**2021 Smart Home Technology Products Framework Purchase Agreement**") with Midea Group Company for the revision, setting of new annual caps and extension of the term of the 2018 Smart Home Technology Products Framework Purchase Agreement for a term of three years commencing from 1 January 2021 to 31 December 2023 (both days inclusive). Save for the annual caps, the other key terms of the 2021 Smart Home Technology Products Framework Purchase Agreement are substantially the same as those of the 2018 Smart Home Technology Products Framework Purchase Agreement. For details, please refer to the Company's announcement dated 28 December 2020.

Midea Group Company is a company established under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange. It is held as to approximately 31.51% collectively by Midea Holding and Mr. He who is a party acting-in-concert, which in turn is held by our controlling shareholders of the Company, Mr. He and Ms. Lu, as to 94.55% and 5.45%, respectively. Therefore, Midea Group Company is a connected person of the Company.

Pursuant to the 2021 Smart Home Technology Products Framework Purchase Agreement, Midea Group Company agreed to provide the Smart Home Technology Products to the Group according to the separate agreements in respect of each of the transactions to be entered into by the relevant members of the Group with the relevant members of Midea Group from time to time.

The transactions contemplated under the 2021 Smart Home Technology Products Framework Purchase Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The following table sets out the transaction amount of the aforesaid continuing connected transactions of the Group during the year and the relevant approved annual cap for 2021:

Transactions	Annual cap for 2021 RMB'000	Transaction amount for the year ended 31 December 2021 RMB'000
Purchase of the Smart Home Technology Products from Midea Group	**471,000**	**202,830**

The independent non-executive Directors have reviewed the continuing connected transactions of the Group during the year and confirmed that the continuing connected transactions have been entered into:

1. in the ordinary and usual course of business of the Group;

2. either on normal commercial terms or better; and

3. in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board engaged PricewaterhouseCoopers, the auditor of the Company, to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions of the Group disclosed above in accordance with Rule 14A.56 of the Listing Rules. The auditor has confirmed to the Board that nothing has come to their attention that causes them to believe the continuing connected transactions of the Group for the year ended 31 December 2021 as disclosed above:

1. have not been approved by the Company's board of directors;

2. were not, in all material respects, in accordance with the pricing policy of the Group for transactions involving the provision of goods or services by the Group;

3. were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

4. have exceeded the annual cap as set by the Company.

A copy of the auditor's letter on continuing connected transactions of the Group for the year ended 31 December 2021 has been provided by the Company to the Stock Exchange. The Company confirmed that it has complied with the disclosure requirements with respect to the above-mentioned continuing connected transactions of the Group in accordance with Chapter 14A of the Listing Rules.

Disclosure under Rule 14A.72 of the Listing Rules

The continuing connected transactions contemplated under the 2021 Smart Home Technology Products Framework Purchase Agreement constitute related party transactions under the Hong Kong Financial Reporting Standards. The related party transactions entered into between the Group and entities controlled by the ultimate controlling parties and/or certain directors during the year as set out in notes 36(a)(i) and 36(a)(ii) to the consolidated financial statements also constitute connected transactions or continuing connected transactions but are exempt from the reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules due to the de minimis exemptions. The Company has complied with applicable disclosure requirements under Chapter 14A of the Listing Rules in respect of the aforesaid related party transactions and save for these transactions, there are no other related party transactions set out in note 36 to the consolidated financial statements which constitute connected transactions or continuing connected transactions.

Compliance with Laws and Regulations

The Group has complied with applicable laws, rules and regulations that have a significant impact on the Group. The Directors were not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the operation of the Group during the year.

Compliance with the Model Code and the Corporate Governance Code

Please refer to the Corporate Governance Report set out on pages 49 to 63 for the compliance with the Model Code and the Corporate Governance Code.

Public Float

As announced by the Company on 5 November 2018, the Stock Exchange had previously granted a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules and the Company's minimum public float was 16.01% of the total issued share capital of the Company following the completion of the issue and allotment by the Company of the over-allotment shares pursuant to the over-allotment option.

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

Auditor

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company is to be proposed at the forthcoming AGM.

Subsequent Events

Please refer to the "Management Discussion and Analysis" section set out on pages 22 to 23 for the details of the subsequent events after the reporting period.

By order of the Board
Midea Real Estate Holding Limited
Hao Hengle
Chairman, Executive Director and President

Hong Kong, 25 March 2022

羅兵咸永道

To the Shareholders of Midea Real Estate Holding Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Midea Real Estate Holding Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 88 to 197, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Recognition of revenue from sales of properties over time
- Assessment of net realisable value of properties under development and completed properties held for sale

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from sales of properties over time	
Refer to note 4 'Critical accounting estimates and judgements' and note 5 'Revenue and segment information' to the consolidated financial statements. Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2021, revenue of the Group from sales of properties was RMB72,518,121,000, of which RMB7,869,445,000 was recognised on the over-time basis. For all property sales , the Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of sales contracts and the interpretation of the applicable laws governing the sales contracts. The Group obtained legal counsel's opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements in interpreting the applicable laws, based on legal counsel's opinion, to identify sales contracts with right to payment and those without.	To address this key audit matter, we performed audit procedures as follows: In assessing the appropriateness of management's judgements as to whether the Group has the enforceable right to payment in those sales contracts where revenue is recognised over time, we have: (i) Understood and evaluated management's procedures in identifying sales contracts with or without right to payment. (ii) Reviewed the key terms of a sample of sales contracts to assess the presence of right to payment based on the contract terms. (iii) Assessed the competence, experience and objectivity of the legal counsel engaged by the management. (iv) Obtained and reviewed the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment.

Key Audit Matters (Continued)

Key audit matter (Continued)	How our audit addressed the key audit matter (Continued)

Recognition of revenue from sales of properties over time (Continued)

In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of the year as a percentage of total estimated costs for each property unit in the sales contract. Significant judgements and estimations are required in determining the completeness of the estimated total construction costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end, which are subject to high degree of estimation uncertainty. The inherent risk in relation to the recognition of revenue from sales of properties over time is considered relatively higher due to uncertainty of significant assumptions used.

Given the involvement of significant judgements and estimations, recognition of revenue from sales of properties over time is considered a key audit matter.

In respect of the completeness of the estimated total contract costs and the accuracy of progress towards complete satisfaction of the performance obligation, we have:

(i) Compared the actual costs of completed projects to management's prior estimations to assess the accuracy of management's historical cost estimation and reliability and appropriateness of the cost estimation methodology.

(ii) Understood, evaluated and validated the internal controls over the generation of cost data of the project and property unit and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors.

(iii) Challenged the reasonableness of the basis for cost allocation and checked the accuracy of the cost allocation among property units.

(iv) Challenged the reasonableness of the cost budgets for the project and property unit under development by comparison to the actual cost of completed projects and property units, taking into account the type of properties and saleable floor areas.

(v) Compared the estimated total development costs of the project and property unit under development to the budget approved by management.

(vi) Tested the development costs incurred by tracing to the supporting documents including the reports from external or internal supervising engineers, if any.

(vii) Checked the mathematical accuracy of the cost allocation and the measurement of progress of the property unit.

We found that the significant judgements and estimations used in determining whether the Group has the enforceable right to payment, and the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end were supportable by available evidence.

Key Audit Matters (Continued)

Key audit matter (Continued)	How our audit addressed the key audit matter (Continued)
Assessment of net realisable value of properties under development and completed properties held for sale	
Refer to note 4 'Critical accounting estimates and judgements', note 19 'Properties under development' and note 20 'Completed properties held for sale' to the consolidated financial statements. The properties under development ("PUD") and completed properties held for sale ("PHS") of the Group amounted to RMB148,210,421,000 and RMB12,663,962,000 respectively as at 31 December 2021, which in total accounted for approximately 56% of the Group's total assets. The carrying amounts of PUD and PHS are stated at the lower of cost and net realisable value ("NRV"). Write-downs of RMB2,689,040,000 was made against the carrying amounts of the PUD and PHS as at 31 December 2021. Determination of NRV of PUD and PHS involved critical accounting estimates on the selling prices, selling expenses necessary to make the sale and, for PUD, the estimated costs to completion as well, which are subject to high degree of estimation uncertainty. The inherent risk in relation to the assessment of NRV of PUD and PHS is considered relatively higher due to uncertainty of significant assumptions used. Given the significant balance of PUD and PHS and the involvement of critical accounting estimates, the assessment of NRV of these properties is considered a key audit matter.	We obtained management's NRV assessment on PUD and PHS and performed audit procedures as follows: (i) Understood, evaluated and validated the internal controls over the assessment of NRV of PUD and PHS and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. (ii) Compared the actual selling prices in current year of the relevant PUD and PHS, on a sample basis, against the result of management's NRV assessment made in the prior year to reconsider, with hindsight, the reliability of management's historical NRV assessment.

Key Audit Matters (Continued)

Key audit matter (Continued)	How our audit addressed the key audit matter (Continued)
Assessment of net realisable value of properties under development and completed properties held for sale (Continued)	
	(iii) Tested management's key accounting estimates, on a sample basis, for: • Selling prices — we compared the estimated selling price to the recent market transactions by making reference to the Group's selling price of pre-sale units in the same project or the prevailing market price of comparable properties with similar type, size and location. • Selling expenses — we compared the estimated selling expenses to selling price percentage with the actual average selling expenses to revenue ratio of the Group in recent years. • Estimated costs to completion for PUD — we reconciled the estimated costs to completion to the budget approved by management and examined the related construction contracts or compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group. (iv) Checked the mathematical accuracy of the calculation of the NRV and write-downs of PUD and PHS as at 31 December 2021. We found the key accounting estimates used in the assessment of NRV of PUD and PHS were supportable by available evidence.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Michael W.H. Chan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	**2021** **RMB'000**	2020 RMB'000
Revenue	5	**73,703,098**	52,483,611
Cost of sales	6	**(60,207,635)**	(40,825,617)
Gross profit		**13,495,463**	11,657,994
Other income and gains — net	7	**894,119**	654,743
Selling and marketing expenses	6	**(2,662,865)**	(2,194,349)
Administrative expenses	6	**(3,382,192)**	(3,518,260)
Net impairment losses on financial assets	3.1.3	**(322,646)**	(68,407)
Operating profit		**8,021,879**	6,531,721
Finance income	9	**720,994**	687,591
Finance costs	9	**–**	–
Finance income — net	9	**720,994**	687,591
Share of results of joint ventures and associates	14	**(23,353)**	351,042
Profit before income tax		**8,719,520**	7,570,354
Income tax expenses	10	**(3,416,710)**	(2,744,856)
Profit for the year		**5,302,810**	4,825,498
Profit attributable to:			
Owners of the Company		**3,743,557**	4,326,482
Non-controlling interests		**1,559,253**	499,016
Total comprehensive income for the year		**5,302,810**	4,825,498
Total comprehensive income attributable to:			
Owners of the Company		**3,743,557**	4,326,482
Non-controlling interests		**1,559,253**	499,016
		5,302,810	4,825,498
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic	11	**3.04**	3.52
Diluted	11	**3.04**	3.52

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**1,236,426**	1,240,196
Investment properties	16	**3,355,218**	2,644,975
Right-of-use assets	17	**390,643**	387,217
Intangible assets	18	**184,801**	152,558
Properties under development	19	**379,460**	2,172,043
Investments in joint ventures	14(a)	**16,841,500**	12,511,758
Investments in associates	14(b)	**11,442,700**	6,824,011
Finance lease receivables		**43,343**	42,721
Deferred income tax assets	13	**4,016,383**	3,245,424
Financial assets at fair value through profit or loss	22	**159,172**	–
		38,049,646	29,220,903
Current assets			
Inventories		**146,366**	54,754
Contract assets and contract acquisition costs	5	**2,218,958**	1,634,864
Properties under development	19	**147,830,961**	147,733,999
Completed properties held for sale	20	**12,663,962**	12,781,184
Trade and other receivables	21	**42,715,075**	54,467,913
Prepaid taxes		**10,694,849**	9,977,138
Financial assets at fair value through profit or loss	22	**3,500**	1,096,084
Restricted cash	23	**7,907,985**	8,140,220
Term deposits with initial terms over three months	24	**–**	52,310
Cash and cash equivalents	24	**26,288,551**	18,595,105
		250,470,207	254,533,571
Total assets		**288,519,853**	283,754,474
EQUITY			
Equity attributable to the owners of the Company			
Share capital and premium	25	**6,026,594**	7,654,595
Other reserves	26	**2,867,664**	2,803,116
Retained earnings	26	**14,617,462**	11,609,992
		23,511,720	22,067,703
Non-controlling interests		**24,297,901**	18,151,685
Total equity		**47,809,621**	40,219,388

		As at 31 December	
	Note	**2021** **RMB'000**	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Corporate bonds	29	**5,635,782**	9,286,080
Bank and other borrowings	30	**35,352,703**	37,099,339
Lease liabilities	17	**140,088**	176,113
Deferred income tax liabilities	13	**810,234**	1,088,402
		41,938,807	47,649,934
Current liabilities			
Contract liabilities	5	**107,453,005**	104,037,720
Corporate bonds	29	**4,873,724**	6,758,152
Bank and other borrowings	30	**10,461,339**	5,496,685
Lease liabilities	17	**89,272**	62,956
Trade and other payables	31	**68,959,924**	73,116,412
Current income tax liabilities		**6,934,161**	6,413,227
		198,771,425	195,885,152
Total liabilities		**240,710,232**	243,535,086
Total equity and liabilities		**288,519,853**	283,754,474

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 88 to 197 were approved by the Board of Directors on 25 March 2022 and were signed on its behalf.

Hao Hengle
Director

Lin Ge
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company					
		Share capital and premium RMB'000 (note 25)	Other reserves RMB'000 (note 26)	Retained earnings RMB'000 (note 26)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2020		9,465,989	1,875,120	8,308,530	19,649,639	11,488,654	31,138,293
Comprehensive income							
Profit for the year		–	–	4,326,482	4,326,482	499,016	4,825,498
Total comprehensive income for the year		–	–	4,326,482	4,326,482	499,016	4,825,498
Transactions with owners in their capacity as owners:							
Transfer to statutory reserves		–	1,025,020	(1,025,020)	–	–	–
Disposal of subsidiaries		–	–	–	–	(1,926,630)	(1,926,630)
Dividends paid to shareholders		(1,811,394)	–	–	(1,811,394)	–	(1,811,394)
Dividends payable to non-controlling interests		–	–	–	–	(88,313)	(88,313)
Acquisition of subsidiaries which do not contain a business		–	–	–	–	77,817	77,817
Capital injections from non-controlling interests		–	–	–	–	8,497,444	8,497,444
Acquisition of equity interest in subsidiaries from non-controlling interests		–	(42,810)	–	(42,810)	(454,017)	(496,827)
Disposal of ownership interests in subsidiaries without change of control		–	(54,214)	–	(54,214)	57,714	3,500
Total transactions with owners		(1,811,394)	927,996	(1,025,020)	(1,908,418)	6,164,015	4,255,597
Balance at 31 December 2020		7,654,595	2,803,116	11,609,992	22,067,703	18,151,685	40,219,388
Balance at 1 January 2021		**7,654,595**	**2,803,116**	**11,609,992**	**22,067,703**	**18,151,685**	**40,219,388**
Comprehensive income							
Profit for the year		**–**	**–**	**3,743,557**	**3,743,557**	**1,559,253**	**5,302,810**
Total comprehensive income for the year		**–**	**–**	**3,743,557**	**3,743,557**	**1,559,253**	**5,302,810**
Transactions with owners in their capacity as owners:							
Transfer to statutory reserves		**–**	**736,087**	**(736,087)**	**–**	**–**	**–**
Issue of new shares	25(a)	**3,134**	**–**	**–**	**3,134**	**–**	**3,134**
Employee share scheme							
— Value of employee services received	26	**–**	**164,132**	**–**	**164,132**	**–**	**164,132**
Shares held for restricted share award scheme	26	**–**	**(25,232)**	**–**	**(25,232)**	**–**	**(25,232)**
Acquisition of subsidiaries which do not contain a business	39	**–**	**–**	**–**	**–**	**892,436**	**892,436**
Disposal of subsidiaries	38	**–**	**(1,500)**	**–**	**(1,500)**	**(1,698,967)**	**(1,700,467)**
Disposal of equity interests in subsidiaries without change of control	35(b)	**–**	**(8,019)**	**–**	**(8,019)**	**1,009,531**	**1,001,512**
Dividends payable to shareholders	25(b)	**(1,631,135)**	**–**	**–**	**(1,631,135)**	**–**	**(1,631,135)**
Dividends paid and payable to non-controlling interests		**–**	**–**	**–**	**–**	**(436,568)**	**(436,568)**
Capital injections from non-controlling interests		**–**	**–**	**–**	**–**	**7,598,824**	**7,598,824**
Acquisition of equity interests in subsidiaries from non-controlling interests	35(a)	**–**	**(800,920)**	**–**	**(800,920)**	**(2,278,293)**	**(3,079,213)**
Redemption of perpetual capital securities	27	**–**	**–**	**–**	**–**	**(500,000)**	**(500,000)**
Total transactions with owners		**(1,628,001)**	**64,548**	**(736,087)**	**(2,299,540)**	**4,586,963**	**2,287,423**
Balance at 31 December 2021		**6,026,594**	**2,867,664**	**14,617,462**	**23,511,720**	**24,297,901**	**47,809,621**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	32	**10,967,599**	5,557,188
Income tax paid		**(4,788,373)**	(4,340,478)
Interest paid		**(2,972,046)**	(3,249,878)
Net cash generated from/(used in) operating activities		**3,207,180**	(2,033,168)
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	39	**306,573**	265,041
Proceeds from disposal of subsidiaries, net of cash disposed of	38	**131,401**	(853,386)
Purchases of property, plant and equipment	15	**(110,209)**	(22,734)
Purchases of intangible assets	18	**(48,792)**	(24,861)
Investments in joint ventures		**(3,948,281)**	(5,042,367)
Investments in associates		**(5,247,198)**	(2,697,629)
Proceeds from disposal of joint ventures and associates		**867,665**	448,239
Dividends received from joint ventures and associate	14	**244,766**	438,965
Advances to joint ventures and associates		**(2,955,715)**	(9,372,298)
Repayment of advances to joint ventures and associates		**12,622,738**	7,777,211
Proceeds from disposal of property, plant and equipment, investment properties and land use right for own-used properties	32	**105,106**	320,638
Decrease in term deposits with initial terms over three months	24	**52,310**	88,849
Payments for financial assets at fair value through profit or loss		**(16,189,636)**	(17,421,251)
Proceeds from disposal of financial assets at fair value through profit or loss		**17,004,245**	18,405,028
Interest received	9	**604,623**	441,426
Net cash generated from/(used in) investing activities		**3,439,596**	(7,249,129)

		Year ended 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
Cash flows from financing activities			
Capital injections from non-controlling interests		**7,598,824**	4,503,144
Payment for redemption of perpetual capital securities	27	**(500,000)**	–
Payments for acquisition of additional interests in subsidiaries	35(a)	**(2,630,228)**	(21,922)
Proceeds from disposal of ownership interests in subsidiaries without loss of control	35(b)	**987,902**	3,500
Proceeds from bank and other borrowings	32(c)	**28,119,587**	37,482,991
Repayments of bank and other borrowings	32(c)	**(26,010,823)**	(35,476,000)
Proceeds from issue of corporate bonds	32(c)	**1,711,456**	7,980,557
Advance payment for redemption of corporate bonds		**–**	(1,000,000)
Repayment of corporate bonds	32(c)	**(6,260,000)**	(2,440,000)
Purchase of shares for the purpose of restricted share award scheme	28(a)	**(22,098)**	–
Principal elements of lease payments	32(c)	**(84,086)**	(71,659)
Cash advances with related parties controlled by the Ultimate Controlling Parties, net	32(c)	**(22,311)**	(339,969)
Dividends paid to shareholders	25(b)	**(1,631,135)**	(1,811,394)
Dividends paid to non-controlling interests		**(197,228)**	(5,313)
Net cash generated from financing activities		**1,059,860**	8,803,935
Net increase/(decrease) in cash and cash equivalents		**7,706,636**	(478,362)
Cash and cash equivalents at beginning of the year		**18,595,105**	19,097,265
Exchange losses on cash and cash equivalents		**(13,190)**	(23,798)
Cash and cash equivalents at end of the year	24	**26,288,551**	18,595,105

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The Company was incorporated in the Cayman Islands on 29 November 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in property development and sales, property management services and investment and operation of commercial properties in the People's Republic of China (the "PRC").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 October 2018 (the "Listing").

The ultimate holding company of the Company is Midea Development Holding (BVI) Limited ("Midea Development (BVI)"), and the ultimate controlling parties of the Company are Mr. He Xiangjian（何享健, "Mr. He") and Ms. Lu Deyan（盧德燕, "Ms. Lu") (the "Ultimate Controlling Parties").

These consolidated financial statements for the year ended 31 December 2021 are presented in Renminbi ("RMB"), unless otherwise stated, and was approved by the board of directors of the Company (the "Board") for issue on 25 March 2022.

The outbreak of the coronavirus disease 2019 ("COVID-19") had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the Group including the revenue from property development and sales, investment and operation commercial properties and fair value of investment properties, allowance for expected credit losses on trade and other receivables and so on. Due to the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 outbreak and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the consolidated financial statements are authorised for issue, COVID-19 does not have any material adverse impact on the financial position and operating results of the Group.

2. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with HKFRS and the disclosure requirements of HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (financial assets at "FVPL") and investment properties, which are carried at fair value.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iii) Going concern basis

Due to the volatility of the property market in the PRC and the unfavourable impact on the pre-sales performance during the year and subsequent to the year end date, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern for at least 12 months from 31 December 2021, taking into consideration a number of plans and measures:

(i) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties held for sale, and to speed up the collection of sales proceeds and other receivables;

(ii) The Group will continue to seek for new debt financing and bank borrowings at costs acceptable to the Group to finance the settlement of its existing financial obligations and future operating and capital expenditures;

(iii) The Group will continue to take active measures to control selling and marketing costs and administrative expenses.

The directors of the Company have reviewed the Group's cash flow projections, which covers a period of twelve months from 31 December 2021. The directors of the Company are of the opinion that, taking into account the anticipated cash flows generated from the Group's operations as well as the possible changes in its operating performance, the Group's existing and future plan of land acquisitions, the continued availability of the Group's bank and other borrowings as well as the Group's ability to raise new financing under the prevailing rules and regulations, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the coming twelve months from 31 December 2021. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

(iv) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform — Phase 2 — amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(v) New and amended standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Property, plant and equipment- proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts — cost of fulfilling a contract	1 January 2022
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual improvements to HKFRS Standards 2018 to 2020	1 January 2022
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contract	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HK Interpretation 5 (2020)	Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

2. Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (2.2.4) below), after initially being recognised at cost.

2.2.3 Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures only.

Interests in joint ventures are accounted for using the equity method (note 2.2.4) , after initially being recognised at cost in the consolidated balance sheet.

2.2.4 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

2. Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.4 Equity method (Continued)

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.10.

2.2.5 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

2. Summary of significant accounting policies (Continued)

2.3 Business combination (Continued)

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

2. Summary of significant accounting policies (Continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within finance costs. All other foreign exchange gains and losses are presented in profit or loss on a net basis within 'other income and gains — net'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognised in profit or loss as part of the fair value gain or loss.

(c) Group companies

The results and consolidated balance sheet of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2. Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Buildings	20–35 years
Furniture and equipment	5 years
Vehicles, machinery and others	3–10 years

The leasehold improvements are depreciated over the shorter of their useful life or the lease term, unless the Group expects to use the assets beyond the lease term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and ready for use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in profit or loss.

2.8 Intangible assets

(a) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 1 to 10 years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

2. Summary of significant accounting policies (Continued)

2.8 Intangible assets (Continued)

(b) Research and development expenditures

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the development of prefabricated construction related technologies) are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the development of prefabricated construction related technologies so that it will be available for use
- management intends to complete the development of prefabricated construction related technologies and use or sell it
- there is an ability to use or sell the prefabricated construction related technologies
- it can be demonstrated how the prefabricated construction related technologies will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the prefabricated construction related technologies are available, and
- the expenditure attributable to the prefabricated construction related technologies during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense is not recognised as an asset in a subsequent period.

(c) Goodwill

Goodwill is measured as described in note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2.9 Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less the estimated selling expenses necessary to make the sale and the estimated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle. The normal operating cycle is usually between 2 and 3 years.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

Land use rights acquired and held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets and included in properties under development or completed properties held for sale, while those out of the normal operating cycle are classified as non-current assets.

2.12 Completed properties held for sale

Completed properties remaining unsold at year end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less the estimated selling expenses necessary to make the sale, or by management estimates based on prevailing marketing conditions.

2. Summary of significant accounting policies (Continued)

2.13 Financial assets

2.13.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.13.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

2.13.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

2. Summary of significant accounting policies (Continued)

2.13 Financial assets (Continued)

2.13.3 Measurement (Continued)

Debt instruments (Continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other gains — net". Interest income from these financial assets is included in "Other income" using the effective interest rate method.

- FVPL: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within 'other income and gains — net' in the period in which it arises. Interest income from these financial assets is included in the 'finance income'.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at financial assets at fair value through profit or loss (financial assets at "FVPL") are recognised in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.15 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost and debt investment at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk. Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

2. Summary of significant accounting policies (Continued)

2.15 Impairment of financial assets (Continued)

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables from third parties, related parties and non-controlling interests are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.16 Inventories

Inventories mainly comprise of spare parts and tools for property management, which are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses necessary to make the sale.

2.17 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 21 for further information about the Group's accounting for trade receivables and note 3.1 for a description of the group's impairment policies.

2.18 Contract assets, contract acquisition costs and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer as contract acquisition cost within contract assets if the Group expects to recover these costs.

2.19 Cash and cash equivalents and restricted cash

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank deposits which are restricted to use are included in "restricted cash" of the consolidated balance sheet. Restricted cash are excluded from cash and cash equivalents.

2. Summary of significant accounting policies (Continued)

2.20 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's owners.

Shares held for the restricted share award scheme are disclosed as treasury shares and deducted from contributed equity.

2.21 Perpetual capital securities

Perpetual capital securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred in the subsequent periods, the grant is recognised as deferred income, and recognised in the profit or loss over the periods in which the related costs are incurred; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognised in the profit or loss.

Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.23 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2. Summary of significant accounting policies (Continued)

2.24 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.25 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differences between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

2.26 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2. Summary of significant accounting policies (Continued)

2.26 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (eg the Research and Development Tax Incentive regime in Oneland or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

2. Summary of significant accounting policies (Continued)

2.27 Employee benefits

(a) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(d) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2. Summary of significant accounting policies (Continued)

2.28 Share-based payments

Share-based compensation benefits are provided to employees via the share option scheme, share award scheme, and the transfer of shares by Ms. Lu to the eligible participants. Information relating to these schemes is set out in note 28.

(a) Share option scheme

The fair value of options granted under the share option scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The share option scheme is administered by the Group Employee Share Trust, which is consolidated in accordance with the principles in note 2.2. When the options are exercised, the trust transfers the appropriate number of shares to employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

(b) Share award scheme

The fair value of restricted share granted to employees for nil consideration under the Share Award Scheme is recognised as an expense over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture.

The restricted share are acquired by the Group Employee Share Trust on market at the grant date and are held for employee share scheme until such time as they are vested (see note 2.20).

(c) Transfer of shares by Ms. Lu to the eligible participants

There shares awarded vest immediately on grant date. The fair value of these incentive interests at the grant date, which is determined by taking the market price of the Company's shares on that date, over the respective cash consideration assumed by the selected participants is recognised as an employee benefits expense with a corresponding increase in equity.

2. Summary of significant accounting policies (Continued)

2.29 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.30 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties in the PRC and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies.

(a) Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the buyer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or

- creates or enhances an asset that the customer controls as the Group performs; or

- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation:

In determine the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

2. Summary of significant accounting policies (Continued)

2.30 Revenue recognition (Continued)

(b) Property management

The Group bills a fixed amount for property management services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

(c) Investment and operation of commercial properties

Revenues from investment and operation of commercial properties mainly include property lease income, revenues from hotel operations and cultural-tourism project.

Property lease income

Property lease income from properties letting under operating leases is recognised on a straight-line basis over the term of the lease.

Hotel operations

Revenues from hotel operations are recognised in the accounting period in which the related services are rendered.

Cultural-tourism project

Revenues from cultural-tourism project mainly represent revenues from rendering of tourism-related services, which are recognised in the accounting period in which the related services are rendered.

2.31 Management and consulting services income

Income from rendering of management and consulting services is recognised in the accounting period in which the related services are rendered.

2.32 Interest income

Interest income is recognised using the effective interest method.

2.33 Dividend income

Dividends are recognised as revenue when the right to receive payment is established.

2.34 Leases

(i) The Group as the lessee

Leases of property, plant and equipment are recognised as a right-of-use asset or investment properties and a corresponding liability at the date at which the leased asset is available for use by the Group. In addition, land use rights to be developed for hotel properties and self-use buildings, which are stated at cost and subsequently amortised in the profit or loss on a straight-line basis over the operating lease periods, are recognised as right-of-use for land.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

2. Summary of significant accounting policies (Continued)

2.34 Leases (Continued)

(i) The Group as the lessee (Continued)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2. Summary of significant accounting policies (Continued)

2.34 Leases (Continued)

(i) The Group as the lessee (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In addition, leases of land are recognised as right-of-use for land. The Group applies the fair value model in HKAS 40 Investment Property to its investment properties, and also apply that fair value model to right-of-use assets that meet the definition of investment property in HKAS 40. Cash payments for the principal portion of the lease liabilities are presented as cash flows from financing activities and cash payments for the interest portion are consistent with presentation of interest payments.

(ii) The Group as the lessor

Lease classification is made at the inception date and is reassessed only if there is a lease modification.

A finance lease is a lease that the Group as the lessor uses to transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognises the minimum lease amounts receivable by the Group as a finance lease receivable and records the unguaranteed residual value as an asset within the same category. The difference between (a) the aggregate of the minimum lease amounts and the unguaranteed residual value and (b) their present value (presented in the consolidated balance sheet as finance lease receivables — net) is recognised as unearned finance income. Minimum lease amounts are the payments over the lease term that the lessee is or can be required to make plus any residual value guaranteed to the lessor by the lessee, or a party unrelated to the lessor.

Unearned finance income is allocated to each period during the lease term using the effective interest method that allocates each rental between finance income and repayment of capital in each accounting period in such a way that finance income is recognised as a constant periodic rate of return (implicit effective interest rate) on the lessor's net investment in the lease. Initial direct costs, such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Amounts received from lessees under operating leases (net of any incentives grant to the lessee) are recognised in the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2. Summary of significant accounting policies (Continued)

2.34 Leases (Continued)

(ii) The Group as the lessor (Continued)

Initial direct costs incurred by the Group as the lessor in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

(iii) Sublease

In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows:

- if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be classified as an operating lease
- otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset (for example, the item of property, plant or equipment that is the subject of the lease).

2.35 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.36 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9, 'Financial Instruments' and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

3. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and borrowings to fund its operations.

3.1 Financial risk factors

3.1.1 Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong Dollar ("HKD") and United States Dollar ("USD"). The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. Cash repatriation from the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The majority of the subsidiaries of the Group operate in the PRC and most of their transactions are denominated in RMB. The Group did not have other significant exposure to foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	As at 31 December	
Assets	**2021**	2020
	RMB'000	RMB'000
HKD	**667,353**	191,079
USD	**85,463**	122,707
	752,816	313,786

	As at 31 December	
Liabilities	**2021**	2020
	RMB'000	RMB'000
HKD	**5,368,473**	2,941,768
USD	**733,206**	249,459
	6,101,679	3,191,227

The aggregate net foreign exchange gains/(losses) recognised in profit or loss were:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Net foreign exchange gains/(losses) included in other gains — net	**6,871**	(43,153)
Exchange gains on foreign currency borrowings included in finance income — net	**116,371**	246,165
Total net foreign exchange gains recognised in profit before income tax for the year	**123,242**	203,012

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.1 Foreign exchange risk (Continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. Should RMB strengthened/weakened by 5% against the relevant currencies, the effect on post-tax profit for the year would be as follows:

	Change of post-tax profit increase/(decrease) Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
RMB against HKD:		
Strengthened by 5%	**235,056**	137,534
Weakened by 5%	**(235,056)**	(137,534)
RMB against USD:		
Strengthened by 5%	**32,387**	6,912
Weakened by 5%	**(32,387)**	(6,912)

3.1.2 Cash flow and fair value interest rate risks

The Group's interest rate risk arises from interest-bearing bank deposits, corporate bonds, bank and other borrowings. Bank and other borrowings issued at variable rates expose the Group to cash flow interest rate risk. Corporate bonds, bank and other borrowing issued at fixed rates expose the Group to fair value interest rate risk.

Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements.

As at 31 December 2021, bank and other borrowings of the Group which were bearing at floating rates amounted to approximately RMB30,606,385,000 (2020: RMB29,169,648,000). As at 31 December 2021, if interest rates on borrowings at floating rates had been 50 basis points higher or lower with all other variables held constant and without taking into account interest capitalisation, interest charges for the year ended 31 December 2021 would increase/decrease by approximately RMB153,032,000 (2020: RMB145,848,000).

3.1.3 Credit risk

The Group is exposed to credit risk mainly in relation to its trade and other receivables, contract assets and cash deposits with banks.

The carrying amounts of trade and other receivables, contract assets, restricted cash, term deposits with initial terms over three months and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Credit risk (Continued)

To manage this risk, bank deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors consider that the Group's credit risk is significantly reduced.

It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables and contract assets to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Credit risk (Continued)

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are more than 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are more than 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties and related parties and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and invoice dates. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The historical loss rates for each aging bucket are derived base on the probability of a receivable progressing through successive stages of delinquency to write-off. The historical loss rates are adjusted to expected loss rates to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparty to settle the receivables.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Credit risk (Continued)

(i) Trade receivables and contract assets (Continued)

Expected loss rate of current contract assets and trade receivables from related parties are assessed to be 0.6%. As at 31 December 2021, the loss allowance provision for these balances was not material.

The loss allowance provision as at 31 December 2021 and 2020 is determined as follows, the expected credit losses below also incorporate forward looking information.

	Within 90 days	**Over 90 days and within 180 days**	**Over 180 days and within 365 days**	**Over 365 days**	**Total**
Trade receivables (excluding receivables from related parties)					
At 31 December 2021					
Expected loss rate	**0.60%**	**6.00%**	**12.00%**	**13%–100%**	
Gross carrying amount (RMB'000)	**806,127**	**176,098**	**299,140**	**161,277**	**1,442,642**
Loss allowance provision (RMB'000)	**4,837**	**10,566**	**35,897**	**61,829**	**113,129**

	Within 90 days	Over 90 days and within 180 days	Over 180 days and within 365 days	Over 365 days	Total
Trade receivables (excluding receivables from related parties)					
At 31 December 2020					
Expected loss rate	0.50%	5.00%	10.00%	11%–100%	
Gross carrying amount (RMB'000)	784,183	71,212	22,476	238,087	1,115,958
Loss allowance provision (RMB'000)	3,921	3,561	2,248	26,704	36,434

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Credit risk (Continued)

(i) Trade receivables and contract assets (Continued)

The loss allowance provision for trade receivables(excluding prepayments and deposits) as at 31 December 2021 and 2020 reconciles to the opening loss allowance for that provision as follows:

	Trade receivables (excluding receivables from related parties) RMB'000
At 1 January 2020	33,919
Provision for loss allowance recognised in profit or loss	2,515
At 31 December 2020	36,434
At 1 January 2021	**36,434**
Provision for loss allowance recognised in profit or loss	**76,695**
At 31 December 2021	**113,129**

For the years ended 31 December 2021 and 2020, the provision for loss allowances were recognised in profit or loss in net impairment losses on financial assets in relation to the impaired trade receivables.

As at 31 December 2021, the gross carrying amount of trade receivables excluding receivables from related parties was RMB1,442,642,000 (2020: RMB1,115,958,000), and thus the maximum exposure to loss was RMB1,329,513,000 (2020: RMB1,079,524,000).

(ii) Other receivables

Other financial assets at amortised cost include other receivables from third parties, related parties and non-controlling interests.

As at 31 December 2021 and 2020, the internal credit rating of other receivables were performing. The Group has assessed that the expected credit losses for these receivables are using the 12 months expected losses method.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Credit risk (Continued)

(ii) Other receivables (Continued)

The loss allowance provision for other receivables (excluding prepayments and deposits) reconciles to the opening loss allowance for that provision as follows:

	Other receivables excluding prepayments and deposits RMB'000
At 1 January 2020	70,473
Provision for loss allowance recognised in profit or loss	65,892
At 31 December 2020	136,365
At 1 January 2021	**136,365**
Provision for loss allowance recognised in profit or loss	**245,951**
At 31 December 2021	**382,316**

All of these financial assets are considered to have low credit risk, and thus the impairment provision recognised during the year was limited to 12 months expected losses. Management considered other receivables from third parties to be low credit risk as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

For the years ended 31 December 2021 and 2020, the provision for loss allowances were recognised in profit or loss in net impairment losses on financial assets in relation to the impaired other receivables.

As at 31 December 2021 and 2020, the maximum exposure to loss of other receivables from third parties, related parties and non-controlling interests were as follows:

	As at 31 December	
	2021 **RMB'000**	2020 RMB'000
Amounts due from related parties	**16,457,054**	25,492,174
Amounts due from non-controlling interests	**12,946,411**	9,834,275
Amounts due from third parties (including deposits and others)	**10,311,242**	13,376,350
	39,714,707	48,702,799

The Group made no write-off of trade and other receivables during the year.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.4 Liquidity risk

Management of the Group aims at maintaining sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include reducing land acquisition, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing and seeking joint venture partners to develop projects. The Group will pursue such options basing on its assessment of relevant future costs and benefits. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
As at 31 December 2021					
Corporate bonds	**5,228,209**	**5,263,439**	**501,953**	**–**	**10,993,601**
Bank and other borrowings	**12,444,526**	**13,838,637**	**21,211,110**	**4,205,474**	**51,699,747**
Trade and other payables (excluding salaries payable and other taxes payable)	**65,801,263**	**–**	**–**	**–**	**65,801,263**
Lease liabilities	**90,052**	**62,239**	**87,617**	**20,440**	**260,348**
	83,564,050	**19,164,315**	**21,800,680**	**4,225,914**	**128,754,959**
Financial guarantee	**92,848,962**	**4,295,765**	**4,780,411**	**620,980**	**102,546,118**

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2020					
Corporate bonds	7,237,929	5,656,077	4,014,148	–	16,908,154
Bank and other borrowings	7,877,550	24,916,319	14,727,172	2,078,847	49,599,888
Trade and other payables (excluding salaries payable and other taxes payable)	70,178,052	–	–	–	70,178,052
Lease liabilities	65,198	53,561	92,608	29,671	241,038
	85,358,729	30,625,957	18,833,928	2,108,518	136,927,132
Financial guarantee	80,768,781	5,792,113	5,397,110	376,080	92,334,084

3. Financial risk management (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total equity. Net borrowings are calculated as total borrowings (including corporate bonds and current and non-current bank and other borrowings as shown in the consolidated balance sheets) less total of cash and cash equivalents, restricted cash and term deposits with initial terms of over three months.

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Total borrowings (notes 29 and 30)	**56,323,548**	58,640,256
Less: cash and cash equivalents (note 24)	**(26,288,551)**	(18,595,105)
term deposits with initial terms over three months (note 24)	**–**	(52,310)
restricted cash (note 24)	**(7,907,985)**	(8,140,220)
Net borrowings	**22,127,012**	31,852,621
Total equity	**47,809,621**	40,219,388
Gearing ratio	**46%**	79%

Decrease in gearing ratio as at 31 December 2021 was mainly due to decreases in net borrowings.

3. Financial risk management (Continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2021 and 2020, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021				
Financial assets at FVPL (note 22)	**–**	**162,672**	**–**	**162,672**
At 31 December 2020				
Financial assets at FVPL (note 22)	–	1,096,084	–	1,096,084

(i) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(ii) Estimates for fair value of investment properties

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"). Significant judgment and assumptions are required in assessing the fair value of the investment properties. Details of the judgment and assumptions are disclosed in note 16.

3. Financial risk management (Continued)

3.4 Financial instruments by category

	At 31 December 2021		
	Assets at FVPL RMB'000	Assets at amortised cost RMB'000	Total RMB'000
Assets as per consolidated balance sheet			
Trade and other receivables (excluding prepayments) (note 21)	**–**	**41,224,717**	**41,224,717**
Restricted cash (note 24)	**–**	**7,907,985**	**7,907,985**
Cash and cash equivalents (note 24)	**–**	**26,288,551**	**26,288,551**
Financial assets at FVPL (note 22)	**162,672**	**–**	**162,672**
Finance lease receivables	**–**	**43,343**	**43,343**
Total	**162,672**	**75,464,596**	**75,627,268**

	At 31 December 2020		
	Assets at FVPL RMB'000	Assets at amortised cost RMB'000	Total RMB'000
Assets as per consolidated balance sheet			
Trade and other receivables (excluding prepayments) (note 21)	–	50,024,441	50,024,441
Restricted cash (note 24)	–	8,140,220	8,140,220
Cash and cash equivalents (note 24)	–	18,595,105	18,595,105
Term deposits with initial terms over three months (note 24)	–	52,310	52,310
Financial assets at FVPL (note 22)	1,096,084	–	1,096,084
Finance lease receivables	–	42,721	42,721
Total	1,096,084	76,854,797	77,950,881

3. Financial risk management (Continued)

3.4 Financial instruments by category (Continued)

	At 31 December 2021		
	Liabilities at amortised cost RMB'000	**Liabilities at FVPL RMB'000**	**Total RMB'000**
Liabilities as per consolidated balance sheet			
Corporate bonds (note 29)	**10,509,506**	**–**	**10,509,506**
Bank and other borrowings (note 30)	**45,814,042**	**–**	**45,814,042**
Trade and other payables (excluding other taxes payable and salaries payable) (note 31)	**65,801,263**	**–**	**65,801,263**
Lease liabilities (note 17)	**229,360**	**–**	**229,360**
Total	**122,354,171**	**–**	**122,354,171**

	At 31 December 2020		
	Liabilities at amortised cost RMB'000	Liabilities at FVPL RMB'000	Total RMB'000
Liabilities as per consolidated balance sheet			
Corporate bonds (note 29)	16,044,232	–	16,044,232
Bank and other borrowings (note 30)	42,596,024	–	42,596,024
Trade and other payables (excluding other taxes payable and salaries payable) (note 31)	70,178,052	–	70,178,052
Lease liabilities (note 17)	239,069	–	239,069
Total	129,057,377	–	129,057,377

4. Critical accounting estimates and judgements

(a) Revenue recognition

Revenue from sales of properties in the PRC is recognised over time when the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group cannot change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. Significant management's judgments were involved in determining whether there is an enforceable right to payment which depends on the terms of sales contracts and the interpretation of the applicable laws that apply to the contract. In assessing whether the Group has an enforceable right to payment for its sales contracts, the Group has obtained legal counsel's opinion regarding the enforceability of the right to payment, including an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgements, based on legal counsel's opinion, to classify sales contracts into those with right to payment and those without the right. Management will reassess their judgements on a regular basis to identify and evaluate the existence of any circumstances that could affect the Group's enforceable right to payment and the implication on the accounting for sales contracts.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the development costs incurred up to the end of reporting period as a percentage of total estimated development costs for each property unit in the sales contract. The Group allocates common costs based on type of properties and saleable floor areas. Significant judgments and estimations are required in determining the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

(b) Estimates for net realisable value of properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling prices based on prevailing market conditions, less the estimated selling expenses and the estimated costs to completion (including land costs). Net realisable value for completed properties held for sale is determined by reference, to management's estimates of the selling prices based on prevailing market conditions, less the estimated selling expenses necessary to make the sale. Determination of NRV of PUD and PHS involved critical accounting estimates on the selling prices, selling expenses necessary to make the sale and, for PUD, the costs to completion as well, which are subject to high degree of estimation uncertainty. Based on management's assessment, write-downs of RMB2,689,040,000 was made against the carrying amounts of properties under development and completed properties held for sale as at 31 December 2021 (31 December 2020: RMB2,093,331,000).

(c) Estimates for fair value of investment properties

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer Jones Lang LaSalle. Significant judgements and assumptions are required in assessing the fair value of the investment properties. Details of the judgements and assumptions are disclosed in note 16.

4. Critical accounting estimates and judgements (Continued)

(d) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgements are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(e) PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. However, the implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with local tax authorities in the PRC for most of its properties projects. Accordingly, judgment is required in determining the amount of the land appreciation taxes. The Group recognised LAT based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

(f) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in note 3.1.

5. Revenue and segment information

The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The executive directors have determined the operating segments based on these reports.

The executive directors assess the performance of the Group organised into three business segments as follows:

- Property development and sales;
- Property management services; and
- Investment and operation of commercial properties

During the year, the aggregate revenues, profits or losses or total assets of the business segments other than property development and sales accounted for less than 5% of the total revenues, profits or assets of the Group, therefore, the directors of the Company consider these business segments not reportable and the executive directors assess the Group's performance as a whole. Thus operating segment information is not presented.

5. Revenue and segment information (Continued)

Revenue of the Group for each of the years ended 31 December 2021 and 2020 is analysed as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Property development and sales	**72,518,121**	51,516,194
Property management services	**908,690**	776,285
Investment and operation of commercial properties		
— Property lease income	**135,480**	82,337
— Hotel operation	**8,260**	8,642
— Cultural-tourism project	**132,547**	100,153
	73,703,098	52,483,611

Represented by:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue from property development and sales:		
— Recognised at a point in time	**64,648,676**	41,702,436
— Recognised over time	**7,869,445**	9,813,758
	72,518,121	51,516,194
Revenue from rendering of services:		
— Recognised over time	**1,049,497**	885,080
Revenue from other sources:		
— Property lease income	**135,480**	82,337
	73,703,098	52,483,611

Over 95% of the Group's revenue is attributable to the PRC market and over 95% of the Group's non-current assets are located in the PRC. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

5. Revenue and segment information (Continued)

(a) Details of contract assets and contract acquisition costs:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Contract assets related to property development and sales (i)	**866,380**	887,881
Contract acquisition costs (ii)	**1,352,578**	746,983
Total contract assets and contract acquisition costs	**2,218,958**	1,634,864

(i) Contract assets related to property development and sales consist of unbilled amount resulting from sale of properties when revenue recognised over time exceeds the amount billed to the property purchasers. Contract assets are comparable to that of last year.

(ii) Management expects the contract acquisition costs, primarily sale commissions and stamp duty paid/payable, as a result of obtaining the property sales contracts are recoverable. The Group capitalised these incremental costs and amortised them when the related revenue is recognised. The amounts of amortisation were RMB718,198,000 for the year ended 31 December 2021 (2020: RMB411,963,000). There was no impairment loss in relation to the costs capitalised.

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Contract liabilities	**107,453,005**	104,037,720

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from property development and sales. The increase in contract liabilities during the year was mainly attributable to the increase in the Group's contracted sales.

As at 31 December 2021, RMB9,472,285,000 (2020: RMB9,308,048,000) of value-added-taxes on advances from customers relating to contracted sales were recognised in other taxes payable.

The following table shows the revenue recognised during the year related to carried-forward contract liabilities.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year:		
Property development and sales	**58,593,603**	38,279,970

5. Revenue and segment information (Continued)

(c) Unsatisfied contracts related to property development and sales

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Expected to be recognised within one year	**67,213,965**	64,705,853
Expected to be recognised after one year	**53,966,935**	53,058,164
	121,180,900	117,764,017

The unsatisfied contracts amounts of RMB67,213,965,000 as at 31 December 2021 expected to be recognised within one year was calculated based on the Group's pre-sales contracts signed up to 31 December 2021.

(d) For property management services contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts. The majority of the property management service contracts do not have a fixed term.

6. Expenses by nature

Expenses included in cost of sales, selling and marketing expenses and administrative expenses were analysed as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of property development and sales — including construction cost, land cost, capitalised interest expenses	**58,015,823**	39,733,573
Employee benefit expenses (note 8)	**2,806,736**	2,269,095
Marketing and advertising expenses	**1,002,272**	1,116,617
Write-downs of properties under development and completed properties held for sale	**1,473,447**	1,038,877
Amortisation of contract acquisition costs (note 5(a))	**718,198**	411,963
Bank charges	**427,133**	300,476
Taxes and surcharges	**465,291**	377,815
Travelling and entertainment expenses	**145,452**	141,502
Office expenses	**52,533**	87,115
Professional service and consulting fees	**331,651**	217,037
Depreciation and amortisation	**180,193**	207,430
Auditor's remuneration	**9,080**	7,822
— Annual audit services	**6,600**	6,600
— Non-audit services	**2,480**	1,222
Others	**624,883**	628,904
Total	**66,252,692**	46,538,226

7. Other income and gains — net

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Other income		
Management and consulting service income	**556,719**	319,500
Government subsidy income	**28,890**	61,813
Compensation income (note (a))	**122,067**	70,919
	707,676	452,232
Other gains — net		
Realised and unrealised gains on financial assets at FVPL	**57,596**	166,506
Gains arising from changes in fair value of and transfer to investment properties (note 16)	**12,532**	27,739
(Losses)/gains on disposal of subsidiaries (note 38)	**(8,985)**	42,051
Gains/(losses) on disposal of joint ventures and associates	**90,411**	(3,475)
Losses on disposal of property, plant and equipment and investment properties	**(3,097)**	(521)
Net foreign exchange gains/(losses)	**6,871**	(43,153)
Others	**31,115**	13,364
	186,443	202,511
Other income and gains — net	**894,119**	654,743

(a) It mainly represented the compensation income from construction parties who failed to fulfil its obligation under construction agreement entered into with the Group.

8. Employee benefit expenses

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Wages, salaries and bonuses and other benefits	**3,199,085**	2,933,565
Pension costs — statutory pension	**154,790**	19,761
Share-based compensation (Note 28)	**164,132**	–
	3,518,007	2,953,326
Less: amounts capitalised in properties under development	**(711,271)**	(684,231)
	2,806,736	2,269,095

(a) Pensions scheme — defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary to the scheme to fund the retirement benefits of the employees.

8. Employee benefit expenses (Continued)

(b) Five highest paid individuals

For the year ended 31 December 2021, the five individuals whose emoluments were the highest in the Group included 1 director (2020: 1), whose emoluments are reflected in the analysis in note 41 below. The emoluments payable to the remaining 4 individuals during the year (2020: 4) are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Wages, salaries and bonuses and other benefits	**27,106**	22,278
Pension costs — statutory pension	**145**	196
Share-based compensation expenses	**21,697**	–
	48,948	22,474

The emoluments fell within the following bands:

	Number of Individuals Year ended 31 December	
	2021	2020
Emolument band		
HKD5,000,001–5,500,000	**–**	1
HKD5,500,001–6,000,000	**–**	1
HKD6,500,001–7,000,000	**–**	1
HKD7,500,001–8,000,000	**–**	1
HKD11,000,001–11,500,000	**1**	–
HKD14,000,001–14,500,000	**1**	–
HKD16,000,001–16,500,000	**1**	–
HKD16,500,001–17,000,000	**1**	–
	4	4

During the years ended 31 December 2021 and 2020, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. Finance income - net

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Finance costs		
— Interest expenses		
— Bank and other borrowings	**(2,355,290)**	(2,342,886)
— Corporate bonds	**(543,372)**	(753,060)
— Lease liabilities (note 17)	**(15,644)**	(15,273)
	(2,914,306)	(3,111,219)
Less:		
— Capitalised interest	**2,914,306**	3,111,219
	–	–
Finance income		
— Interest income	**604,623**	441,426
— Net foreign exchange gains on financing activities	**116,371**	246,165
	720,994	687,591
Finance income — net	**720,994**	687,591

10. Income tax expenses

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax:		
— Corporate income tax	**3,065,075**	2,844,669
— LAT	**1,334,810**	1,315,125
	4,399,885	4,159,794
Deferred income tax (note 13)		
— Corporate income tax	**(983,175)**	(1,414,938)
	3,416,710	2,744,856

10. Income tax expenses (Continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit/loss of the group entities as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	**8,719,520**	7,570,354
Tax calculated at PRC corporate income tax rate of 25%	**2,179,880**	1,892,589
Effects of share of post-tax results of joint ventures and associates	**5,838**	(87,761)
Different tax rates applicable to certain subsidiaries of the Group	**108,357**	(45,438)
Income not subject to tax	**(38,925)**	(38,148)
Expenses not deductible for tax	**96,456**	22,525
LAT deductible for calculation of income tax purpose	**(333,703)**	(328,781)
Tax losses for which no deferred income tax assets were recognised	**63,997**	14,745
LAT	**1,334,810**	1,315,125
Income tax expenses	**3,416,710**	2,744,856

Notes:

(a) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits of the Group's subsidiaries in Hong Kong.

(b) The general corporate income tax rate in PRC is 25%. Certain subsidiaries of the Group in the PRC are either supported by Western Development Strategy or qualified as "High and New Technology Enterprise" and thus subject to a preferential income tax rate of 15%.

(c) PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales property development and sales less deductible expenditures including cost of land use rights and all property development expenditures.

(d) Withholding income tax is provided on the dividends to be distributed by the PRC subsidiaries of the Group. The overseas holding company had successfully obtained endorsement from various PRC tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group. Accordingly, withholding income tax had been provided at 5% of the dividends to be distributed by the PRC subsidiaries of the Group.

As at 31 December 2021, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB15,116,196,000 (2020: RMB11,946,794,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's best estimates of the Group's overseas funding requirements.

11. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding those ordinary shares held for restricted share award scheme (Note 28).

	Year ended 31 December	
	2021	2020
Profit attributable to owners of the Company (RMB'000):	**3,743,557**	4,326,482
Weighted average number of ordinary shares in issue (thousands)	**1,229,698**	1,230,567
Earnings per share — Basic (RMB per share)	**3.04**	3.52

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

The Group has two categories of potential ordinary shares in the year ended December 31, 2021 which were the restricted shares as mentioned in Note 28(a) and the share options as mentioned in Note 28(b).

A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding restricted shares and share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and the vest of the restricted shares.

On 22 April 2021, the Company offered to grant a total of 66,660,000 share options to 193 eligible participants. The effect of share options is not dilutive because the exercise price of the share option was above the fair market value of the ordinary shares as at 31 December 2021.

	2021	2020
Profit attributable to owners of the Company (RMB'000)	**3,743,557**	4,326,482
Weighted average number of ordinary shares in issue (thousands)	**1,229,698**	1,230,567
Adjustments — restricted shares (thousands)	**3,146**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,232,844**	1,230,567
Earnings per share — Diluted (RMB per share)	**3.04**	3.52

12. Dividends

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Dividends	**1,614,743**	1,653,134

The Board has recommended the payment of a final dividend of HK$1.60 per share (2020: HK$1.60 per share) for the year ended 31 December 2021 (the "Final Dividend"). Subject to the approval of the shareholders of the Company at the annual general meeting of the Company to be held on 26 May 2022 (the "AGM") and the compliance with the Companies Act of the Cayman Islands, the Final Dividend will be payable to the shareholders whose names appear on the register of members of the Company on 2 June 2022 (the "Eligible Shareholders"), with the Eligible Shareholders being given an option to elect to receive the Final Dividend all in new shares or partly in new shares and partly in cash or all in cash (the "Scrip Dividend Scheme"). These consolidated financial statements do not reflect this dividend payable.

The Scrip Dividend Scheme is subject to (1) the passing of the resolution relating to the payment of the Final Dividend at the AGM; and (2) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the new shares to be issued pursuant thereto.

13. Deferred income tax

The analysis of deferred tax assets and liabilities is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Deferred tax assets		
— to be realised within 12 months	**1,409,038**	1,309,628
— to be realised after more than 12 months	**3,002,463**	2,432,167
	4,411,501	3,741,795
Deferred tax liabilities		
— to be realised within 12 months	**353,375**	443,737
— to be realised after more than 12 months	**851,977**	1,141,036
	1,205,352	1,584,773
	3,206,149	2,157,022

13. Deferred income tax (Continued)

(i) Deferred income tax assets

The movement of deferred income tax assets is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Beginning of the year	**3,741,795**	2,759,036
Acquisition of subsidiaries (note 39)	**104,340**	–
Disposal of subsidiaries (note 38)	**(38,388)**	(42,910)
Recognised in profit or loss	**603,754**	1,025,669
End of the year	**4,411,501**	3,741,795
Offsetting with deferred tax liabilities	**(395,118)**	(496,371)
Net deferred tax assets	**4,016,383**	3,245,424

Movement of deferred tax assets without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Movements	**Tax losses**	**Deductible temporary differences of expenses and cost of sales**	**Impairment of assets**	**Elimination of unrealised profits**	**Deferred income**	**Accrued land appreciation tax**	**Lease liabilities**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019	1,180,221	16,667	428,146	30,618	25,556	1,075,637	2,191	2,759,036
Disposal of subsidiaries	(42,910)	–	–	–	–	–	–	(42,910)
Recognised in profit or loss	771,386	–	130,103	10,501	(6,551)	117,983	2,247	1,025,669
At 31 December 2020	1,908,697	16,667	558,249	41,119	19,005	1,193,620	4,438	3,741,795
Acquisition of subsidiaries	104,340	–	–	–	–	–	–	104,340
Disposal of subsidiaries (note 38)	(38,388)	–	–	–	–	–	–	(38,388)
Recognised in profit or loss	326,576	–	230,085	124,634	(11,629)	(72,172)	6,260	603,754
At 31 December 2021	**2,301,225**	**16,667**	**788,334**	**165,753**	**7,376**	**1,121,448**	**10,698**	**4,411,501**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. At 31 December 2021, the Group did not recognise deferred income tax assets of RMB130,830,000 (2020: RMB66,833,000) in respect of losses amounting to RMB523,320,000 (2020: RMB267,332,000) that can be carried forward to offset against future taxable income. These tax losses will expire up to and including year 2026 (2020: 2025).

13. Deferred income tax (Continued)

(ii) Deferred income tax liabilities

The movement of deferred income tax liabilities is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Beginning of the year	**1,584,773**	1,974,042
Recognised in profit or loss	**(379,421)**	(389,269)
End of the year	**1,205,352**	1,584,773
Offsetting with deferred tax assets	**(395,118)**	(496,371)
Net deferred tax liabilities	**810,234**	1,088,402

Movement of deferred tax liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Movements	Valuation surplus of properties under development	Fair value gains on investment properties	Recognition of contract revenue and contract costs over time	Withholding income tax on profits to be distributed in future	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019	1,074,429	66,636	782,977	50,000	1,974,042
Recognised in profit or loss	(301,939)	14,645	(101,975)	–	(389,269)
At 31 December 2020	772,490	81,281	681,002	50,000	1,584,773
Recognised in profit or loss	(73,217)	(11,278)	(294,926)	–	(379,421)
At 31 December 2021	**699,273**	**70,003**	**386,076**	**50,000**	**1,205,352**

14(a). Investments in joint ventures

The movement of investments in joint ventures are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At 1 January	**12,511,758**	6,074,679
Transfer from investments in subsidiaries (note 38)	**1,491,002**	1,188,747
Transfer from investments in associates (note 14(b))	**500,000**	947,806
Other additions	**4,066,031**	5,042,367
Transfer to investments in subsidiaries (note 39)	**(810,427)**	(54,814)
Transfer to investment in an associate (note 14(b))	**–**	(240,500)
Dividends received from joint ventures	**(239,875)**	(438,965)
Disposal	**(680,746)**	(451,714)
Share of results	**3,757**	444,152
At 31 December	**16,841,500**	12,511,758

Set out below are the particular of the joint ventures which are material to the Group as at 31 December 2021:

	Place of incorporation and operation	**Principle activities**	**As at 31 December 2021**
Shaoxing Zhixu Enterprise Management Co., Ltd.* 紹興智旭企業管理有限責任公司 ("Shaoxing Zhixu")	Shaoxing, PRC	Property Development	**50%**
Shaoxing Meiyue Real Estate Development Co., Ltd* 紹興市美越房地產發展有限公司 ("Shaoxing Meiyue")	Shaoxing, PRC	Property Development	**51%**

* The English names of the joint venture represent the best effort made by the management of the Group in translating its Chinese name as they does not have an official English name.

14(a). Investments in joint ventures (Continued)

Set out below are the summarised financial information for Shaoxing Zhixu.

Summarised balance sheets

	As at/Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Assets		
Current assets		
Cash and cash equivalents	**458,455**	104,248
Trade and other receivables	**2,501,367**	1,480,104
Properties under development	**3,013,804**	2,695,022
Prepaid taxes	**42,651**	7,563
	6,016,277	4,286,937
Non-current assets		
Property, plant and equipment	**139**	133
Total assets	**6,016,416**	4,287,070
Liabilities		
Current liabilities		
Contract liabilities	**1,255,792**	62,828
Trade and other payables	**132,428**	273,842
	1,388,220	336,670
Non-current liabilities		
Bank and other borrowings	**2,211,900**	1,430,000
Total liabilities	**3,600,120**	1,766,670
Net assets	**2,416,296**	2,520,400
Reconciliation to carrying amounts:		
Opening net assets	**2,520,400**	–
Additions	**–**	2,522,000
Loss for the year	**(104,104)**	(1,600)
Closing net assets	**2,416,296**	2,520,400
Group's share in %	**50%**	50%
Group's share of carrying amounts	**1,208,148**	1,260,200

Set out below are the summarised comprehension income for Shaoxing Zhixu.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Selling and marketing expenses	**(31,415)**	(1,115)
Administrative expenses	**(72,932)**	(906)
Other gains — net	**243**	421
Loss and total comprehensive loss for the year	**(104,104)**	(1,600)

14(a). Investments in joint ventures (Continued)

Set out below are the summarised financial information for Shaoxing Meiyue.

Summarised balance sheets

	As at/Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Assets		
Current assets		
Cash and cash equivalents	**62,537**	–
Trade and other receivables	**2,453**	–
Properties under development	**2,487,628**	–
Prepaid taxes	**212,880**	–
	2,765,498	–
Non-current assets		
Property, plant and equipment	**11**	–
Deferred income tax assets	**815**	–
Total assets	**2,766,324**	–
Liabilities		
Current liabilities		
Trade and other payables	**126,388**	–
Other liabilities	**14,925**	–
	141,313	–
Non-current liabilities		
Bank and other borrowings	**100,000**	–
Total liabilities	**241,313**	–
Net assets	**2,525,011**	–
Reconciliation to carrying amounts:		
Opening net assets	**–**	–
Additions	**2,527,620**	–
Loss for the year	**(2,609)**	–
Closing net assets	**2,525,011**	–
Group's share in %	**51%**	–
Group's share of carrying amounts	**1,287,756**	–

14(a). Investments in joint ventures (Continued)

Set out below are the summarised financial information for Shaoxing Meiyue.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Selling and marketing expenses	**(973)**	–
Administrative expenses	**(270)**	–
Other losses — net	**(2,181)**	–
Income tax expenses	**815**	–
Loss and total comprehensive loss for the year	**(2,609)**	–

The summarised financial information of individually immaterial joint ventures on an aggregate basis is as follows:

	As at/Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Carrying amounts in the consolidated balance sheet	**14,345,596**	11,251,558
Share of profits for the year	**57,140**	444,952
Share of total comprehensive income for the year	**57,140**	444,952

As at 31 December 2021 and 2020, there were no significant commitments relating to the Group's interests in the joint ventures, while certain borrowings of the joint ventures were guaranteed by the Group (note 33).

14(b). Investments in associates

The movement of investments in associates is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Opening balances	**6,824,011**	4,685,994
Transfer from investment in a subsidiary	**–**	44,804
Transfer from investment in a joint venture	**–**	240,500
Other additions	**5,247,198**	2,893,629
Transfer to investments in joint ventures (note 14(a))	**(500,000)**	(947,806)
Dividends received from associates	**(4,891)**	–
Disposal	**(96,508)**	–
Share of results	**(27,110)**	(93,110)
Ending balances	**11,442,700**	6,824,011

Set out below is the particular of the investment which is material to the Group as at 31 December 2021:

	Place of incorporation and operation	**Principle activities**	**As at 31 December 2021**
Wuxi Hejing Real Estate Development Co., Ltd.* 無錫和璟房地產開發有限公司 ("Wuxi Hejing")	Wuxi, PRC	Property Development	**45.56%**

14(b). Investments in associates (Continued)

Set out below are the summarised financial information for Wuxi Hejing.

Summarised balance sheets

	As at/Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Assets		
Current assets		
Cash and cash equivalents	**1,012**	–
Trade and other receivables	**3,478,289**	–
Properties under development	**1,125,046**	–
Prepaid taxes	**884**	–
	4,605,231	–
Non-current assets		
Property, plant and equipment	**168**	–
Deferred income tax assets	**937**	–
Total assets	**4,606,336**	–
Liabilities		
Current liabilities		
Trade and other payables	**551,147**	–
Total liabilities	**551,147**	–
Net assets	**4,055,189**	–
Reconciliation to carrying amounts:		
Opening net assets	**–**	–
Additions	**4,058,000**	–
Loss for the year	**(2,811)**	–
Closing net assets	**4,055,189**	–
Group's share in %	**45.56%**	–
Group's share of carrying amounts	**1,847,544**	–

14(b). Investments in associates (Continued)

Set out below are the summarised financial information for Wuxi Hejing.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Selling and marketing expenses	**(2,400)**	–
Administrative expenses	**(255)**	–
Other gains — net	**781**	–
Income tax expenses	**(937)**	–
Loss and total comprehensive loss for the year	**(2,811)**	–

The summarised financial information of the individually immaterial associates on an aggregate basis is as follows:

	As at/Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Carrying amounts in the consolidated balance sheet	**9,595,156**	6,824,011
Share of losses for the year	**(25,829)**	(93,110)
Share of total comprehensive loss for the year	**(25,829)**	(93,110)

15. Property, plant and equipment

	Buildings RMB'000	Furniture and equipment RMB'000	Vehicles and machinery RMB'000	Construction in progress RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020						
Cost	1,056,716	218,838	31,791	28,110	85,557	1,421,012
Accumulated depreciation	(89,416)	(57,617)	(26,832)	–	(47,778)	(221,643)
Net book amount	967,300	161,221	4,959	28,110	37,779	1,199,369
Year ended 31 December 2020						
Opening net book amount	967,300	161,221	4,959	28,110	37,779	1,199,369
Transfer from properties under development	206,091	–	–	–	–	206,091
Internal transfer	–	–	–	(83,281)	83,281	–
Other additions	2,215	38,374	2,845	72,299	11,932	127,665
Other disposals	(169,158)	(11,988)	(128)	(605)	(4,728)	(186,607)
Depreciation	(40,946)	(42,233)	(3,611)	–	(19,532)	(106,322)
Closing net book amount	965,502	145,374	4,065	16,523	108,732	1,240,196
At 31 December 2020						
Cost	1,095,864	245,224	34,508	16,523	176,042	1,568,161
Accumulated depreciation	(130,362)	(99,850)	(30,443)	–	(67,310)	(327,965)
Net book amount	965,502	145,374	4,065	16,523	108,732	1,240,196
Year ended 31 December 2021						
Opening net book amount	**965,502**	**145,374**	**4,065**	**16,523**	**108,732**	**1,240,196**
Transfer from properties under development	**76,438**	**–**	**–**	**–**	**–**	**76,438**
Internal transfer	**2,164**	**–**	**–**	**(8,044)**	**5,880**	**–**
Other additions	**6,075**	**52,435**	**2,611**	**21,870**	**27,218**	**110,209**
Other disposals	**(8,753)**	**(34,264)**	**(1,005)**	**(8,260)**	**(6,139)**	**(58,421)**
Depreciation	**(69,909)**	**(38,645)**	**(4,410)**	**–**	**(19,032)**	**(131,996)**
Closing net book amount	**971,517**	**124,900**	**1,261**	**22,089**	**116,659**	**1,236,426**
At 31 December 2021						
Cost	**1,171,788**	**263,395**	**36,114**	**22,089**	**203,001**	**1,696,387**
Accumulated depreciation	**(200,271)**	**(138,495)**	**(34,853)**	**–**	**(86,342)**	**(459,961)**
Net book amount	**971,517**	**124,900**	**1,261**	**22,089**	**116,659**	**1,236,426**

15. Property, plant and equipment (Continued)

Depreciation of property, plant and equipment has been charged to profit or loss or capitalised in properties under development as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Selling and marketing expenses	**8,114**	6,033
Administrative expenses	**87,751**	65,372
Cost of sales	**13,873**	22,591
Properties under development	**22,258**	12,326
	131,996	106,322

As at 31 December 2021, buildings with net book value of RMB272,606,000 (2020: RMB31,318,000), were pledged as collateral for the Group's bank and other borrowings (note 30).

As at 31 December 2021, title certificates of certain buildings with net book value of RMB296,481,000 (2020: RMB315,309,000), were to be obtained.

16. Investment properties

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Opening net book amount at 1 January	**2,644,975**	1,737,291
Transfer from completed properties held for sale	**737,628**	844,803
Other additions	**9,865**	64,840
Revaluation gains upon transfer from completed properties held for sale	**3,572**	47,897
Fair value changes	**8,960**	(20,158)
Disposals	**(49,782)**	(29,698)
Closing net book amount	**3,355,218**	2,644,975
Gains arising from changes in fair value of and transfer to investment properties represent:		
— revaluation gains upon transfer from completed properties held for sale	**3,572**	47,897
— fair value changes	**8,960**	(20,158)
	12,532	27,739

The Group's policy is to recognise transfers in and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that causes the transfer. At 31 December 2021 and 2020, the Group had only level 3 investment properties.

As at 31 December 2021, title certificates of buildings with net book value of RMB930,400,000 (2020: RMB196,690,000) were to be obtained.

16. Investment properties (Continued)

Valuation processes of the Group

A valuation of the Group's investment properties as at 31 December 2021 and 2020 was carried out by an independent and professionally qualified valuer, Jones Lang LaSalle, who holds a recognised relevant professional qualification and has recent experience in the locations and nature of the investment properties being valued. For all investment properties, their current use equates the highest and best use.

Discussions of valuation processes and results were held between management and the valuer on a regular basis, in line with the Group's the interim and annual reporting dates.

At each financial year end, management:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

Valuation techniques

Valuations are based on:

Income approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property.

There were no changes to the valuation techniques during the year.

Information about fair value measurements using significant unobservable inputs (level 3)

	Fair value as at 31 December 2021 RMB'000	**Valuation techniques**	**Unobservable inputs**	**Range of unobservable inputs**
Completed investment properties	**3,355,218**	**Income capitalisation**	**The rate of return/ capitalisation rate**	**3%–6%**
			Monthly rental (RMB/square meter/month)	**2.00–316.00**
			Vacancy rate	**2%–70%**

	Fair value as at 31 December 2020 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	2,644,975	Income capitalisation	The rate of return/ capitalisation rate	3%–6%
			Monthly rental (RMB/square meter/month)	2.00–173.00
			Vacancy rate	3%–70%

16. Investment properties (Continued)

Valuation techniques (Continued)

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of return/capitalisation rate, the lower fair value;
- The higher expected vacancy rate, the lower fair value;
- The higher monthly rental, the higher fair value.

Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Rental income	**71,592**	59,269
Direct operating expenses	**(39,246)**	(24,768)
	32,346	34,501

As at 31 December 2021, investment properties with fair value of RMB2,192,300,000 (2020: RMB1,292,775,000) were pledged as collateral for the Group's bank and other borrowings (note 30).

Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payments receivable on leases of investment properties are included in note 34.

17. Leases

(i) Amounts recognised in the consolidated balance sheet

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Right-of-use assets		
Right-of-use for land	**277,542**	280,486
Properties	**85,992**	102,996
Motor vehicles	**8,318**	2,300
Others	**18,791**	1,435
Total right-of-use assets	**390,643**	387,217
Lease liabilities		
Current	**89,272**	62,956
Non-current	**140,088**	176,113
Total lease liabilities	**229,360**	239,069

Additions to the right-of-use assets during the year ended 31 December 2021 were RMB74,377,000 (2020: RMB63,899,000). Disposal of the right-of-use for land during the year ended 31 December 2021 were nil (2020: RMB111,902,000). Right-of-use for land were located in the PRC and were held on leases of between 40 to 70 years.

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation of right-of-use assets		
Right-of-use for land	**4,776**	12,258
Properties	**41,671**	67,200
Motor vehicles	**3,163**	4,376
Others	**4,296**	10,578
	53,906	94,412
Interest expense (included in finance costs) (note 9)	**15,644**	15,273

The total cash outflow for leases for the year ended 31 December 2021 was RMB99,730,000 (2020: RMB86,932,000).

18. Intangible assets

	Customer relationships	Computer software and others	Goodwill	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2020				
Opening net book amount	11,157	73,600	61,962	146,719
Additions	–	24,861	–	24,861
Amortisation	(1,261)	(17,761)	–	(19,022)
Closing net book amount	9,896	80,700	61,962	152,558
At 31 December 2020				
Cost	11,642	125,315	61,962	198,919
Accumulated amortisation	(1,746)	(44,615)	–	(46,361)
Net book amount	9,896	80,700	61,962	152,558
Year ended 31 December 2021				
Opening net book amount	**9,896**	**80,700**	**61,962**	**152,558**
Additions	**–**	**48,792**	**–**	**48,792**
Amortisation	**(1,164)**	**(15,385)**	**–**	**(16,549)**
Closing net book amount	**8,732**	**114,107**	**61,962**	**184,801**
At 31 December 2021				
Cost	**11,642**	**174,107**	**61,962**	**247,711**
Accumulated amortisation	**(2,910)**	**(60,000)**	**–**	**(62,910)**
Net book amount	**8,732**	**114,107**	**61,962**	**184,801**

Amortisation of intangible assets has been mainly charged to administrative expenses.

19. Properties under development

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Properties under development expected to be completed:		
— Within normal operating cycle included under current assets	**147,830,961**	147,733,999
— Beyond normal operating cycle included under non-current assets	**379,460**	2,172,043
	148,210,421	149,906,042
Properties under development comprise:		
— Construction costs	**36,105,539**	34,688,055
— Land use rights	**105,749,483**	109,624,214
— Capitalised interest expenses	**8,057,247**	7,362,303
	149,912,269	151,674,572
Less: write-down	**(1,701,848)**	(1,768,530)
	148,210,421	149,906,042

Properties under development were all located in the PRC.

Cost of sales for the year included RMB1,172,651,000 (2020: RMB1,866,452,000) of costs brought forward from prior year to fulfil those contracts revenue of which was recognised over time.

At 31 December 2021, properties under development included the costs to fulfil those contracts, revenue of which was recognised over time, amounted to RMB1,336,831,000 (2020: RMB1,834,967,000).

The amounts of RMB97,228,580,000 as at 31 December 2021 (2020: RMB81,531,845,000) under normal operating cycle classified as current assets were expected to be completed and delivered beyond one year.

The capitalisation rates of general borrowings were 4.84% for the year ended 31 December 2021 (2020: 6.47%).

As at 31 December 2021, properties under development with net book value of RMB37,161,019,000 (2020: RMB45,773,767,000), were pledged as collateral for the Group's bank and other borrowings (note 30).

Write-downs of properties under development to net realisable value during the year ended 31 December 2021 amounted to RMB995,117,000 (2020: RMB797,506,000), which were recognised in profit or loss.

20. Completed properties held for sale

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Completed properties held for sale	**13,651,154**	13,105,985
Less: write-down	**(987,192)**	(324,801)
	12,663,962	12,781,184

The completed properties held for sale were all located in the PRC.

Write-downs of completed properties held for sale to net realisable value during the year ended 31 December 2021 amounted to RMB478,330,000 (2020:RMB241,371,000), which were recognised in profit or loss.

As at 31 December 2021, completed properties held for sale with net book value of RMB2,918,645,000 (2020: RMB8,056,000), were pledged as collateral for the Group's bank and other borrowings (note 30).

21. Trade and other receivables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Included in current assets:		
Trade receivables — net (note (a))	**1,510,010**	1,321,642
Other receivables — net (note (b))	**39,714,707**	48,702,799
Prepayments for land use rights (note (c))	**558,719**	2,673,252
Advanced payments for redemption of corporate bonds	**–**	1,000,000
Other prepayments	**931,639**	770,220
	42,715,075	54,467,913

As at 31 December 2021 and 2020, the fair value of trade and other receivables approximated their carrying amounts.

21. Trade and other receivables (Continued)

(a) Details of trade receivables are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables — related parties (note 36)	**180,497**	242,118
Trade receivables — third parties	**1,442,642**	1,115,958
Less: allowance for impairment	**(113,129)**	(36,434)
Trade receivables — net	**1,510,010**	1,321,642

Aging analysis of trade receivables based on invoice date is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 90 days	**903,298**	868,510
Over 90 days and within 180 days	**191,210**	116,560
Over 180 days and within 365 days	**360,162**	130,593
Over 365 days	**168,469**	242,413
	1,623,139	1,358,076

The Group's trade receivables were denominated in RMB.

Trade receivables mainly arise from property development and sales. Proceeds from property development and sales are generally received in accordance with the terms stipulated in the sale and purchase agreements. There is generally no credit period granted to the property purchasers.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. For the year ended 31 December 2021, a provision of RMB76,695,000 (2020: RMB2,515,000) were made against the gross amounts of trade receivables.

21. Trade and other receivables (Continued)

(b) Details of other receivables are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Amounts due from related parties (note 36(b))	**16,535,974**	25,492,174
Amounts due from non-controlling interests (note (i))	**13,017,394**	9,834,275
Deposits and others from third parties (note (ii))	**10,543,655**	13,512,715
	40,097,023	48,839,164
Less: allowance for impairment	**(382,316)**	(136,365)
Other receivables — net	**39,714,707**	48,702,799

(i) Amounts due from non-controlling interests mainly represented current accounts with the non-controlling interests of certain subsidiaries of the Group in the ordinary course of business, which are interest-free, unsecured and repayable on demand.

(ii) Other receivables from third parties mainly represented deposits and various payments on behalf of and advances made to construction and design vendors.

(c) Prepayments for land use rights were mainly related to acquisition of land use rights which will be reclassified to properties under development when land certificates were obtained.

22. Financial assets at fair value through profit or loss

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Investments in wealth management products (note(a))	**3,500**	813,690
Investments in asset management schemes (note(a))	**–**	201,100
Equity investments in unlisted companies	**105,000**	–
Others	**54,172**	81,294
	162,672	1,096,084
Non-current	**159,172**	–
Current	**3,500**	1,096,084
	162,672	1,096,084

(a) Investments in wealth management products and asset management schemes mainly represented investments in certain financial instruments issued by commercial banks and other financial institutions which had no guaranteed returns. The fair values of these investments were determined based on the statements provided by the counter parties.

The ranges of expected return rates of these products as at 31 December 2021 were 0.35%–3.19% (2020: 0.45%–6.40%).

23. Restricted cash

The balance mainly represented unrealised guarantee deposits for construction of pre-sale properties denominated in RMB and placed in designated bank account as at 31 December 2021, and will be released in accordance with certain construction progress milestones.

24. Cash and cash equivalents

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash at bank and in hand	**34,196,536**	25,905,325
Short-term bank deposits	**–**	882,310
	34,196,536	26,787,635
Less: restricted cash (note 23)	**(7,907,985)**	(8,140,220)
term deposits with initial terms over three months	**–**	(52,310)
	26,288,551	18,595,105

Cash and deposits were denominated in the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Denominated in RMB	**33,443,720**	26,473,849
Denominated in USD	**85,463**	122,707
Denominated in HKD	**667,353**	191,079
	34,196,536	26,787,635

The conversion of RMB denominated balances into other currencies and the remittance of bank balances and cash out of the PRC is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

25. Share capital and premium

	Note	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised						
Ordinary share of HKD1.00 each upon incorporation		1,000,000,000	1,000,000	–	–	–
Increase in authorised share capital		1,000,000,000	1,000,000	–	–	–
		2,000,000,000	2,000,000	–	–	–
Issued and fully paid						
At 31 December 2019 and 1 January 2020		1,230,567,000	1,230,567	1,041,309	8,424,680	9,465,989
Dividends		–	–	–	(1,811,394)	(1,811,394)
At 31 December 2020 and 1 January 2021		1,230,567,000	1,230,567	1,041,309	6,613,286	7,654,595
Issue of new shares	(a)	3,795,000	3,795	3,134	–	3,134
Dividends	(b)	–	–	–	(1,631,135)	(1,631,135)
At 31 December 2021		1,234,362,000	1,234,362	1,044,443	4,982,151	6,026,594

(a) On 22 April 2021, in recognition of the contributions by, and to attract, motivate and retain certain directors or proposed directors, management, key technician, officer, manager and employee of any member of the Group, the Company adopted the restricted share award scheme, according to which 3,795,000 ordinary shares of the Company were issued and allotted to MRE T Limited on 31 May 2021 for the purpose of the restricted share award scheme (Note 28(a)).

(b) On 24 March 2021, the Board recommended the payment of a final dividend of HK$1.60 per share for the year ended 31 December 2020 out of the share premium account of the Company, which was approved by the shareholders of the Company at the annual general meeting held on 4 June 2021 and paid in July 2021.

26. Other reserves and retained earnings

	Merger reserve RMB'000	Statutory reserves RMB'000	Shares held for restricted share award scheme RMB'000	Others RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2020	173,000	1,866,404	–	(164,284)	1,875,120	8,308,530	10,183,650
Profit for the year	–	–	–	–	–	4,326,482	4,326,482
Transfer to statutory reserves (a)	–	1,025,020	–	–	1,025,020	(1,025,020)	–
Acquisition of equity interest in subsidiaries from non-controlling interests	–	–	–	(42,810)	(42,810)	–	(42,810)
Disposal of ownership interests in subsidiaries without change of control	–	–	–	(54,214)	(54,214)	–	(54,214)
Balance at 31 December 2020	173,000	2,891,424	–	(261,308)	2,803,116	11,609,992	14,413,108
Balance at 1 January 2021	**173,000**	**2,891,424**	**–**	**(261,308)**	**2,803,116**	**11,609,992**	**14,413,108**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**3,743,557**	**3,743,557**
Shares held for restricted share award scheme (note 28(a))	**–**	**–**	**(25,232)**	**–**	**(25,232)**	**–**	**(25,232)**
Transfer of shares hold for restricted share award scheme upon vesting (note 28)	**–**	**–**	**13,925**	**(13,925)**	**–**	**–**	**–**
Employee share scheme — value of employee services received (note 28)	**–**	**–**	**–**	**164,132**	**164,132**	**–**	**164,132**
Transfer to statutory reserves (a)	**–**	**736,087**	**–**	**–**	**736,087**	**(736,087)**	**–**
Disposal of subsidiaries	**–**	**(1,500)**	**–**	**–**	**(1,500)**	**–**	**(1,500)**
Acquisition of equity interest in subsidiaries from non-controlling interests (note 35(a))	**–**	**–**	**–**	**(800,920)**	**(800,920)**	**–**	**(800,920)**
Disposal of ownership interests in subsidiaries without change of control (note 35(b))	**–**	**–**	**–**	**(8,019)**	**(8,019)**	**–**	**(8,019)**
Balance at 31 December 2021	**173,000**	**3,626,011**	**(11,307)**	**(920,040)**	**2,867,664**	**14,617,462**	**17,485,126**

(a) Pursuant to the relevant rule s and regulations governing foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, the subsidiaries are required to transfer certain portion of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.

27. Perpetual capital securities

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
As at 1 January	**500,000**	–
Issue (a)	**1,429,000**	500,000
Redemption (b)	**(500,000)**	–
Ending balance	**1,429,000**	500,000
Distributions (c)	**82,847**	5,313

(a) In March and April 2021, Ningbo Meishan Bonded Port Area Maidirui Construction Materials Limited ("Ningbo Maidirui"), a wholly owned subsidiary of the Group, issued subordinated unlisted perpetual capital securities (the "Perpetual Capital Securities") to certain financial institutions in the PRC, with initial aggregate principal amount of RMB1,049,000,000 and RMB380,000,000 respectively.

The Perpetual Capital Securities are guaranteed by Midea Real Estate Group Limited ("Midea Real Estate Group"). They do not have maturity date and the distribution payments can be deferred at the discretion of Ningbo Maidirui. The Perpetual Capital Securities are classified as equity instruments and recorded in non-controlling interests in the consolidated balance sheet.

(b) In August 2021, Ningbo Maidirui redeemed RMB500,000,000 of the Perpetual Capital Securities.

(c) During the year ended 31 December 2021, distributions of RMB82,847,000 to the holders of the Perpetual Capital Securities were paid by Ningbo Maidirui (2020: RMB5,313,000).

28. Share-based payment

(a) Restricted share award scheme

On 22 April 2021, the Board adopted a restricted share award scheme to among other things, recognise the contributions by, and to attract, motivate and retain, certain directors, or proposed directors, management, key technician, officer, manager and employee of any member of the Group. On the same day, the Company granted 5,225,000 award shares at nil consideration to 31 eligible participants under the scheme, which are subject to certain performance conditions.

Pursuant to the rules relating to the restricted share award scheme, 3,795,000 new shares were issued and allotted to MRE T Limited, a trustee (the "Trustee") entrusted by the Company, on 31 May 2021, and MRE T Limited purchased 1,438,000 existing ordinary shares in the open market in May 2021. The Trustee will hold such shares on behalf of the relevant eligible participants on trust, until such shares are vested with the relevant eligible participants in accordance with the scheme rules. The MRE T Limited are controlled and consolidated by the Group as a structured entity and the above new shares issued and existing shares purchased held by the Trustee for the purpose of restricted share award scheme, amounting to RMB3,134,000 and RMB22,098,000 respectively, are recorded as shares held for restricted share award scheme and included in other reserves at 31 December 2021.

The award shares granted to the eligible participants were vested on 31 December 2021.

28. Share-based payment (Continued)

(a) Restricted share award scheme (Continued)

The fair value of the restricted shares at grant date, HKD18.04 per share, was determined by taking the market price of the Company's shares on that date.

For the year ended 31 December 2021, the Group recognised RMB43,548,000 of share-based payment expenses for the aforesaid restricted shares award scheme.

The following table presents the movement in shares that held by the trustee for the purpose of issuing shares or purchasing existing ordinary shares under restricted share award scheme. Shares issued to eligible participants are recognised on a first-in-first-out basis.

Details	Numbers of shares (thousand)	Equivalent to HK$'000	Equivalent to RMB'000
Opening balance 1 January 2021	**–**	**–**	**–**
Purchase of shares for share award scheme	**1,438**	**26,455**	**22,098**
Issue of new shares	**3,795**	**3,795**	**3,134**
Vested	**(2,888)**	**(16,694)**	**(13,925)**
Balance 31 December 2021	**2,345**	**13,556**	**11,307**

(b) Share options

On 22 April 2021, the Company offered to grant a total of 66,660,000 share options to 193 eligible participants, who are certain directors, senior management and employees of the Group. The share options shall entitle the eligible participants to subscribe for a total of 66,660,000 ordinary shares of the Company. Pursuant to the terms of the share option scheme, the options granted are subject to certain performance conditions.

The options granted to the eligible participants will be vested based on the following rates for the relevant financial year, provided that the vesting conditions above are satisfied: (i) 40% of the total number of the share options will be vested on 22 April 2023; (ii) 40% of the total number of the share options will be vested 22 April 2024; and (iii) 20% of the total number of the share options will be vested 22 April 2025. If the vesting conditions above have not been fulfilled, the corresponding percentage of the share options granted will lapse.

All the options under the share option scheme should be exercisable after vesting but before the expiry of 6 years after the grant date at the exercise price of HKD18.376 per share.

For the year ended 31 December 2021, the Group recognised RMB19,402,000 of share-based payment expenses for the aforesaid share options. The Group has to estimate the expected percentage of eligible participants that will stay within the Group (the "Expected Retention Rate") of the share option in order to determine the amount of share-based payment expenses charged to the consolidated statements of comprehensive income.

28. Share-based payment (Continued)

(b) Share options (Continued)

Movements in the number of share options outstanding are as follows:

	2021	
	Number of share options	**Average exercise price in HKD**
As at 1 January		
Granted	**66,660,000**	**18.376**
Forfeited	**(38,555,000)**	**18.376**
As at 31 December	**28,105,000**	**18.376**

Share options outstanding at the end of the period have the following expiry date and exercise price:

Grant date	Expiry date	Exercise price	Share options outstanding 31 December 2021
22 April 2021	21 April 2027	HKD18.376	**28,105,000**

The Group has no legal or constructive obligation to repurchase or settle the share options in cash.

The fair value of share options granted is between HKD2.8276 to HKD3.3143 (equivalent to RMB2.3639 to RMB2.7708) per option, which was determined using the Binomial Model by an independent appraiser based on significant unobservable inputs. These inputs include:

Description	Fair value of share options granted	Unobservable inputs	Range of unobservable inputs	Relationship of Unobservable inputs to fair value
Share option	HKD203,911,000 (equivalent to RMB170,472,000)	Volatility	37.73%	The higher the volatility, the higher the fair value
		Risk-free interest rate	0.7378%	The higher the risk-free interest rate, the higher the fair value
		Dividend yield	8.48%	The lower the dividend yield, the higher the fair value

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

As at 31 December 2021, the Expected Retention Rate of the eligible participants granted shares options was assessed to be 60%.

28. Share-based payment (Continued)

(c) The transfer of shares by Ms. Lu to the eligible participants

On 16 June 2021, in order to align the long-term interests of the management and shareholders of the Company, the Ultimate Controlling Parties procured a controlled corporation directly wholly-owned by Ms. Lu to transfer a total of 30,000,000 shares without additional conditions, to certain directors, senior management and employees of the Group at a consideration of HKD14.354 per share through participation in a trust scheme managed by an independent trustee.

These shares awarded vested immediately at grant date. The fair value of these incentive interests at the grant date, which was determined by taking the market price of the Company's shares on that date (HKD18.44 per share), over the respective cash consideration assumed by the selected participants, were treated as share-based payment expenses and charged to the consolidated statement of comprehensive income.

For the year ended 31 December 2021, the Group recognised RMB101,182,000 of share-based payment expenses for the aforesaid transfer of shares by Ms. Lu.

29. Corporate bonds

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
As at 1 January	**16,044,232**	10,486,779
Additions	**1,711,456**	7,980,557
Interests charges	**543,372**	753,060
Interests paid	**(529,554)**	(736,164)
Repayment	**(7,260,000)**	(2,440,000)
Ending balance	**10,509,506**	16,044,232
Analysed as:		
— Current portion	**4,873,724**	6,758,152
— Non-current portion	**5,635,782**	9,286,080
	10,509,506	16,044,232

The Group's corporate bonds were repayable as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year	**4,873,724**	6,758,152
Between 1 and 2 years	**5,135,924**	5,369,620
Between 2 and 5 years	**499,858**	3,916,460
	10,509,506	16,044,232

29. Corporate bonds (Continued)

The Group's corporate bonds comprised the following:

Issue Date	Par Value	Interest Rate	Term of bonds	Net proceeds after issuance cost	Effective interest rate per annum
	RMB'000			RMB'000	
05/08/2019	1,300,000	5.70%	5 years#	1,299,102	5.73%
24/02/2020	1,440,000	4.00%	3 years*	1,434,492	4.20%
25/03/2020	984,000	4.20%	5 years#	981,460	4.29%
14/07/2020	600,000	4.18%	5 years#	599,766	4.19%
14/07/2020	400,000	4.10%	4 years*	399,844	4.12%
21/08/2020	1,500,000	4.33%	5 years#	1,495,550	4.44%
21/08/2020	1,576,000	3.98%	4 years*	1,571,324	4.14%
15/09/2020	840,000	4.40%	5 years#	838,354	4.47%
15/09/2020	160,000	3.99%	4 years*	159,686	4.09%
02/02/2021	1,020,000	4.40%	4 years*	1,018,620	4.47%
02/02/2021	500,000	4.60%	5 years#	499,800	4.61%
29/03/2021	200,000	5.20%	2 years	199,400	5.36%

Midea Real Estate Group has the option to adjust the coupon rate of the corporate bond at the end of the third year, and investors have the option to sell their bonds back.

* Midea Real Estate Group has the option to adjust the coupon rate of the corporate bond at the end of the second year, and investors have the option to sell their bonds back.

30. Bank and other borrowings

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Bank borrowings	**34,045,969**	32,694,495
Other loans	**11,768,073**	9,901,529
	45,814,042	42,596,024
Included in non-current liabilities:		
— Secured/guaranteed	**24,783,126**	23,771,544
— Unsecured	**20,792,153**	18,235,946
Less: current portion of non-current liabilities	**(10,222,576)**	(4,908,151)
	35,352,703	37,099,339
Included in current liabilities:		
— Secured/guaranteed	**–**	233,852
— Unsecured	**238,763**	354,682
— Current portion of non-current liabilities	**10,222,576**	4,908,151
	10,461,339	5,496,685
Total	**45,814,042**	42,596,024

As at 31 December 2021 and 2020, all of the Group's borrowings were denominated in following currencies:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	**39,712,363**	39,404,797
HKD	**5,368,473**	2,941,768
USD	**733,206**	249,459
	45,814,042	42,596,024

The Group's bank and other borrowings as at 31 December 2021 of RMB18,825,366,000 (2020: RMB18,601,405,000) were secured by certain buildings, properties under development and completed properties held for sale of the Group with total carrying values of RMB42,544,570,000 (2020: RMB47,105,916,000).

The Group's bank and other borrowings of RMB5,490,000,000 (2020: RMB4,940,991,000) as at 31 December 2021 were guaranteed by its related parties (note 36(a)) and RMB467,760,000 (2020: RMB463,000,000) were guaranteed by third parties.

30. Bank and other borrowings (Continued)

The exposure of bank and other borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
3 months or less	**8,338,587**	6,302,447
6–12 months	**743,880**	859,880
1–2 years	**21,523,918**	22,007,321
	30,606,385	29,169,648

(a) The repayment terms of the bank and other borrowings are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year	**10,461,339**	5,496,685
1 to 2 years	**12,432,046**	22,309,680
2 to 5 years	**19,949,624**	13,339,052
Over 5 years	**2,971,033**	1,450,607
	45,814,042	42,596,024

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Borrowings wholly repayable within 5 years	**42,843,009**	41,145,417
Borrowings wholly repayable after 5 years	**2,971,033**	1,450,607
	45,814,042	42,596,024

(b) The annual weighted average effective interest rates were as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Bank and other borrowings	**4.86%**	5.26%

The carrying amounts of the borrowings approximated their fair values as at 31 December 2021 and 2020 as the impact of discounting of borrowings with fixed interest rates was not significant or the borrowings carried floating interest rate.

31. Trade and other payables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables (note (a))	**35,090,123**	34,913,221
— related parties (note 36(b))	**77,794**	32,766
— third parties	**35,012,329**	34,880,455
Amounts due to related parties (note 36(b))	**19,839,886**	19,027,429
Amounts due to non-controlling interests (note (b))	**3,770,421**	9,692,822
Outstanding acquisition considerations payable	**1,372,647**	2,133,530
Deposit payables	**999,773**	1,339,001
Accrued expenses	**689,110**	763,464
Salaries payable	**1,055,014**	1,082,101
Interest payable	**485,955**	557,513
Other taxes payable	**2,103,647**	1,856,259
Other payables (note (c))	**3,553,348**	1,751,072
	68,959,924	73,116,412

(a) The aging analysis of the trade payables based on invoice dates is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 90 days	**15,745,629**	18,523,384
Over 90 days and within 365 days	**16,769,920**	14,527,604
Over 365 days	**2,574,574**	1,862,233
	35,090,123	34,913,221

The Group's trade and other payables as at 31 December 2021 and 2020 were denominated in RMB.

(b) Amounts due to non-controlling interests mainly represented current accounts with the non-controlling interests of certain subsidiaries of the Group in the ordinary course of business, which are interest-free, unsecured and repayable on demand.

(c) Other payables mainly represented miscellaneous payments received from property purchasers for various purposes such as obtaining approvals/certificates from government authorities.

32. Cash flow information

(a) Cash generated from operations

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit for the year	**5,302,810**	4,825,498
Adjustments for:		
Income tax expenses (note 10)	**3,416,710**	2,744,856
Interest income (note 9)	**(604,623)**	(441,426)
Net foreign exchange gains on financing activities (note 9)	**(116,371)**	(246,165)
Depreciation and amortisation (note 6)	**180,193**	207,430
Share-based compensation expenses (note 8)	**164,132**	–
Losses on disposal of property, plant and equipment and investment properties (note 7)	**3,097**	521
Net impairment losses on trade and other receivables (note 3.1.3)	**322,646**	68,407
Write-downs of properties under development and completed properties held for sale (note 6)	**1,473,447**	1,038,877
Share of results of joint ventures and associates (note 14)	**23,353**	(351,042)
Gains arising from changes in fair value of and transfer to investment properties (note 7)	**(12,532)**	(27,739)
Losses/(gains) on disposal of subsidiaries (note 7)	**8,985**	(42,051)
(Gains)/losses on disposal of joint ventures and associates (note 7)	**(90,411)**	3,475
Realised and unrealised gains on financial assets at FVPL (note 7)	**(57,596)**	(166,506)
	10,013,840	7,614,135
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Properties under development and completed properties held for sale	**4,048,202**	(15,255,781)
Inventories	**(91,612)**	(5,484)
Restricted cash	**209,453**	(894,281)
Trade and other receivables	**1,633,371**	(13,580,017)
Prepaid taxes (excluding prepaid income taxes)	**373,624**	2,461,296
Contract assets and contract acquisition costs	**(605,458)**	(138,034)
Contract liabilities	**(872,900)**	25,386,104
Trade and other payables	**(3,740,921)**	(30,750)
	953,759	(2,056,947)
Cash generated from operations	**10,967,599**	5,557,188

32. Cash flow information (Continued)

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment, investment properties and land use right for own-used properties:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Net book amount (notes 15, 16 and 17)	**108,203**	321,159
Losses on disposal (note 7)	**(3,097)**	(521)
Proceeds	**105,106**	320,638

(c) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings	Corporate bonds	Net balance due to related parties controlled by the Ultimate Controlling Parties	Lease liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2020	44,164,938	10,486,779	297,414	249,492
Cash flows				
— Increase	37,482,991	7,980,557	–	–
— Decrease	(35,476,000)	(2,440,000)	(339,969)	(71,659)
— Interest paid	–	(736,164)	–	(15,273)
Disposal of subsidiaries	(3,809,740)	–	–	–
Acquisition of subsidiaries which do not contain a business	480,000	–	–	–
Addition of lease liabilities	–	–	–	61,236
Interest expenses	–	753,060	–	15,273
Exchange differences	(246,165)	–	–	–
Balance as at 31 December 2020	42,596,024	16,044,232	(42,555)	239,069
Balance as at 31 December 2020/1 January 2021	**42,596,024**	**16,044,232**	**(42,555)**	**239,069**
Cash flows				
— Increase	**28,119,587**	**1,711,456**	**–**	**–**
— Decrease	**(26,010,823)**	**(6,260,000)**	**(22,311)**	**(84,086)**
— Interest paid	**–**	**(529,554)**	**–**	**(15,644)**
Advanced payments for redemption of corporate bonds	**–**	**(1,000,000)**	**–**	**–**
Disposal of subsidiaries (note 38)	**(769,088)**	**–**	**–**	**–**
Acquisition of subsidiaries which do not contain a business (note 39)	**2,006,229**	**–**	**–**	**–**
Addition of lease liabilities	**–**	**–**	**–**	**74,377**
Interest expenses	**–**	**543,372**	**–**	**15,644**
Exchange differences	**(127,887)**	**–**	**–**	**–**
Balance as at 31 December 2021	**45,814,042**	**10,509,506**	**(64,866)**	**229,360**

33. Guarantee

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Guarantee in respect of mortgage facilities for certain purchasers (note (a))	**90,111,875**	80,416,621
Guarantees to joint ventures and associates in respect of borrowings (note (b))	**12,434,243**	11,917,463
	102,546,118	92,334,084

(a) These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal titles and take possession of the related properties. The above guarantees are to be discharged upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of properties.

(b) These mainly represented the maximum exposure of the guarantees provided for the borrowings of certain joint ventures and associates.

(c) The directors of the Company have assessed that the fair values of guarantees provided to purchasers and joint ventures and associates as at initial recognition and each year end were insignificant.

34. Commitments

(a) Commitments for capital and property development expenditure

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Contracted but not provided for:		
Property, plant and equipment	**9,114**	33,882
Property development expenditure	**46,566,315**	30,380,139
	46,575,429	30,414,021

(b) Operating lease rental receivable

The lease terms are between 1 and 20 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease rental receivable under non-cancellable operating leases in respect of the buildings are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
— Not later than one year	**139,582**	90,160
— Later than one year and not later than five years	**289,835**	220,155
— Over five years	**194,462**	230,234
	623,879	540,549

The investment properties are leased to tenants under operating leases with rentals payable monthly. For details of the leasing arrangements, refer to note 16.

35. Transactions with non-controlling interests

(a) Acquisition of additional interests in subsidiaries

During the year ended 31 December 2021, the Group acquired additional equity interests of certain subsidiaries from the respective non-controlling interests for a total consideration of RMB3,079,213,000. The differences between the carrying amounts of non-controlling interest acquired and consideration paid and payable are set out below:

	Year ended 31 December 2021 RMB'000
Total carrying amounts of non-controlling interests acquired	2,278,293
Less: Consideration paid to non-controlling interests	(2,630,228)
Consideration payable to non-controlling interests	(32,740)
Consideration offset by amounts due from non-controlling interests	(416,245)
Total difference recognised within equity	(800,920)

(b) Disposal of ownership interests in subsidiaries without change of control

During the year ended 31 December 2021, the Group disposed of certain equity interests in subsidiaries for a total consideration of RMB1,001,512,000. The differences between the carrying amounts of equity interest disposed and consideration received and receivable are set out below:

	Year ended 31 December 2021 RMB'000
Consideration received from non-controlling interests	987,902
Consideration offset by amounts due to non-controlling interests	13,610
Less: carrying amount of the equity interest disposal of	(1,009,531)
Total difference recognised within equity	(8,019)

36. Related party transactions

The ultimate holding company of the Company is Midea Development (BVI), and the Ultimate Controlling Parties of the Company are Mr. He and Ms. Lu.

(a) Transactions with related parties

Apart from those related party transactions disclosed elsewhere in this report, the Group had the following significant transactions with related parties during the year:

		Year ended 31 December	
		2021	2020
		RMB'000	RMB'000
(i)	Entities controlled by the Ultimate Controlling Parties		
	Rendering of property management services	**17,255**	9,437
	Purchase of home appliances and smart home technology products	**202,830**	209,400
	Purchase of information technology support services	**–**	232
	Interest expenses on loans from related parties	**115,875**	72,660
	Receiving guarantee in respect of borrowings	**5,490,000**	8,000,991
	Licensing fees	**–**	8,504
	Guarantee fees	**30,828**	39,482
	Selling of materials, equipment and other service	**1,772**	4,897
	Management and consulting service income	**10,995**	24,633
(ii)	Entities controlled by certain directors		
	Management and consulting service income	**844**	1,656
(iii)	Joint ventures		
	Management and consulting service income	**94,622**	313,876
	Providing guarantee in respect of borrowings	**8,336,203**	9,141,162
	Selling of materials, equipment and other service	**148,789**	135,837
	Rendering of property management services	**35,511**	46,271
(iv)	Associates		
	Providing guarantee in respect of borrowings	**4,553,340**	2,922,821
	Management and consulting service income	**34,884**	62,928
	Rendering of property management services	**35,998**	19,474
	Selling of materials, equipment and other service	**10,204**	4,514

The prices for the above transactions were determined in accordance with the terms agreed by the relevant contracting parties.

36. Related party transactions (Continued)

(b) Balances with related parties

		As at 31 December	
		2021	2020
		RMB'000	RMB'000
(i)	Joint ventures		
	Amounts due from related parties	**6,268,078**	16,370,256
	Amounts due to related parties	**13,103,125**	14,837,261
(ii)	Associates		
	Amounts due from related parties	**10,371,283**	9,312,482
	Amounts due to related parties	**6,783,835**	4,201,654
(iii)	Entities controlled by the Ultimate Controlling Parties		
	Amounts due from related parties	**76,298**	50,803
	Amounts due to related parties	**30,688**	21,248
(iv)	Entities controlled by certain directors and/or their close family members		
	Amounts due from related parties	**812**	751
	Amounts due to related parties	**32**	32
(v)	Analysis on amounts due from related parties		
	Trade	**180,497**	242,118
	Non-trade	**16,535,974**	25,492,174
(vi)	Analysis on amounts due to related parties		
	Trade	**77,794**	32,766
	Non-trade	**19,839,886**	19,027,429

Amounts due from/to related parties mainly represented the cash advances which are unsecured, interest-free, and repayable on demand.

36. Related party transactions (Continued)

(c) Loans from a related party (included in bank and other borrowing)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Beginning of the year	**–**	–
Loans advanced	**2,758,349**	2,923,249
Loans repayments	**(2,468,349)**	(2,923,249)
End of the year	**290,000**	–

The interest rate of loans from related parties is 5.00% per annum (2020: 5.50%), and the terms of the loans were between 1 month to 12 months (2020: between 2 months to 6 months).

(d) Key management compensation

Key management comprise the Company's directors and senior management. The compensation paid or payable to key management for employee services is shown below.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Key management compensation		
— Salaries and other employee benefits	**17,862**	27,941
— Contribution to retirement costs	**211**	215
— Share-based payment	**51,250**	–
— Fees	**488**	498
	69,811	28,654

37. Subsidiaries

The following is a list of principal subsidiaries at 31 December 2021, all of these are limited liability companies:

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in Hong Kong and operates in Hong Kong					
美的建業（香港）有限公司 Midea Construction (Hong Kong) Co., Ltd	11/03/2009	Others	HKD2,144,100	100%	–
Incorporated in Mainland China and operates in Mainland China					
徐州美的置業有限公司 Xuzhou Midea Properties Co., Ltd	02/11/2010	Property Development	USD20,000	100%	–
徐州美的時代房地產有限公司 Xuzhou Midea Times Real Estate Co., Ltd	10/01/2014	Property Development	USD44,500	100%	–
佛山市皇朝房地產發展有限公司 Foshan Huangchao Real Estate Development Co., Ltd	10/10/2013	Property Development	RMB50,000	90%	10%
徐州躍輝置業有限公司 Xuzhou Yuehui Real Estate Company Limited	07/09/2016	Property Development	RMB332,600	100%	–
寧波梅山保税港區薈弘投資有限公司 Ningbo Meishan Bonded Port Huihong Investment Co., Ltd	31/08/2017	Others	RMB62,834	100%	–
廣東鉑美物業服務股份有限公司 Guangdong Bomei Property Services Co., Ltd. ("Bomei Property Services")	31/01/2000	Others	RMB252,458	98%	2%
美的置業集團有限公司 Midea Real Estate Group Limited	13/01/1995	Others	RMB16,320,198	100%	–
佛山市美的房地產發展有限公司 Foshan Midea Real Estate Development Co., Ltd	10/08/1998	Property Development	RMB921,713	100%	–
佛山市順德區捷高房產有限公司 Foshan Shunde Jiegao Real Estate Co., Ltd	28/08/2007	Property Development	RMB200,000	100%	–
佛山市名勝投資有限公司 Foshan Mingsheng Investment Co., Ltd	15/10/2007	Property Development	RMB173,439	100%	–

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
美的西南房地產發展有限公司 Midea Xinan Property Development Company Limited	26/03/2010	Property Development	RMB376,792	100%	–
株洲市美的房地產發展有限公司 Zhuzhou Midea Real Estate Development Co., Ltd	10/06/2010	Property Development	RMB402,820	100%	–
佛山市高明區美的房地產發展有限公司 Foshan Gaoming Midea Real Estate Development Co., Ltd	14/01/2011	Property Development	RMB523,208	100%	–
邯鄲市美的房地產開發有限公司 Handan Midea Real Estate Development Co., Ltd	06/09/2011	Property Development	RMB353,540	100%	–
徐州市美的新城房地產發展有限公司 Xuzhou Midea Xincheng Real Estate Development Co., Ltd	24/11/2011	Property Development	RMB1,897,275	100%	–
寧波市梅山美的房地產發展有限公司 Ningbo Meishan Midea Real Estate Development Co., Ltd	14/12/2011	Property Development	RMB438,430	100%	–
佛山市順德區盈茂房地產有限公司 Foshan Shunde Yingmao Real Estate Co., Ltd	29/01/2013	Property Development	RMB200,000	100%	–
瀋陽市美的房地產開發有限公司 Shenyang Midea Real Estate Development Co., Ltd	03/07/2013	Property Development	RMB384,098	100%	–
鎮江美的房地產發展有限公司 Zhenjiang Midea Real Estate Development Co., Ltd	27/09/2013	Property Development	RMB100,000	100%	–
寧波梅山保稅港區邁迪瑞建築材料有限公司 Ningbo Meishan Bonded Port Area Maidirui Construction Materials Co., Ltd	18/07/2013	Others	RMB20,000	100%	–

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
貴陽美的新時代房地產發展有限公司 Guiyang Midea New Era Real Estate Development Co., Ltd	19/02/2016	Property Development	RMB500,000	100%	–
無錫市悅輝房地產發展有限公司 Wuxi Yuehui Real Estate Development Co., Ltd	22/09/2016	Property Development	RMB1,163,983	100%	–
邯鄲市冀輝房地產開發有限公司 Handan Jihui Real Estate Development Co., Ltd	24/06/2016	Property Development	RMB100,000	100%	–
邯鄲市華美世紀房地產開發有限公司 Handan Huamei Century Real Estate Development Co., Ltd	13/09/2016	Property Development	RMB30,000	51%	49%
岳陽市鼎輝房地產發展有限公司 Yueyang Dinghui Real Estate Development Co., Ltd	26/12/2016	Property Development	RMB350,000	80%	20%
佛山市南海區揚正房地產有限公司 Foshan Nanhai Yangzheng Real Estate Co., Ltd	11/11/2016	Property Development	RMB10,000	100%	–
佛山市順德區萬薈人才服務有限公司 Foshan Shunde Wanhui Human Resource Services Co., Ltd	18/11/2016	Property Development	RMB170,000	60%	40%
寧波梅山保稅港區盈美投資管理有限公司 Ningbo Meishan Bonded Port Area Yingmei Investment Management Co., Ltd	23/09/2016	Others	RMB3,000,409	100%	–
昆明城業房地產有限公司(#) Kunming Chengye Real Estate Co., Ltd	20/02/2017	Property Development	RMB50,000	53%	47%
雲南藍門子房地產有限公司(#) Yunnan Lanmenzi Real Estate Co., Ltd	20/02/2017	Property Development	RMB886,920	67%	33%
湘潭市鼎輝房地產發展有限公司 Xiangtan Dinghui Real Estate Development Co., Ltd	16/05/2017	Property Development	RMB219,437	65%	35%

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
南京美的房地產發展有限公司 Nanjing Midea Property Development Co., Ltd	22/04/2017	Property Development	RMB1,753,334	100%	–
石家莊市美的房地產開發有限公司 Shijiazhuang Midea Property Development Co., Ltd	20/04/2017	Property Development	RMB601,670	100%	–
南昌市美的房地產開發有限公司 Nanchang Midea Property Development Co., Ltd	28/04/2017	Property Development	RMB325,323	100%	–
佛山市南海區誠美房地產開發有限公司 Foshan Nanhai Chengmei Real Estate Development Co., Ltd	25/09/2017	Property Development	RMB383,100	100%	–
貴陽國龍置業有限公司 Guizhou Guolong Properties Co., Ltd	16/10/2017	Property Development	RMB300,000	90%	10%
佛山市順德區寶弘房地產開發有限公司 Foshan Shunde Baohong Real Estate Development Co., Ltd	13/10/2017	Property Development	RMB2,640,000	75%	25%
無錫悅榕投資有限公司 Wuxi Yuerong Investment Co., Ltd.	17/11/2016	Property Development	RMB931,186	100%	–
瀋陽睿博房地產開發有限公司 Shenyang Ruibo Real Estate Development Co., Ltd	25/09/2017	Property Development	RMB10,000	100%	–
湖南中寧置業有限公司 Hunan Zhongning Real Estate Co., Ltd	31/10/2017	Property Development	RMB30,000	60%	40%
成都市美曜房地產開發有限公司 Chengdu Meiyao Real Estate Development Co., Ltd	17/11/2017	Property Development	RMB200,000	70%	30%
邢臺市美智房地產開發有限公司(*) Xingtai Meizhi Real Estate Development Co., Ltd	29/11/2017	Property Development	RMB200,000	45%	55%

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
鎮江美裕房地產發展有限公司(*) Zhenjiang Meiyu Real Estate Development Co., Ltd	19/12/2017	Property Development	RMB210,000	33%	67%
河源市銅人銅業發展有限公司 Heyuan Tongren Copper Industry Development Co., Ltd	25/12/2017	Property Development	RMB70,032	60%	40%
邢臺市美盛房地產開發有限公司 Xingtai Meisheng Real Estate Development Co., Ltd	21/12/2017	Property Development	RMB200,000	60%	40%
佛山市三水雲東海花園房地產開發有限公司 Foshan Sanshui Yundonghai Garden Real Estate Development Co., Ltd	04/01/2018	Property Development	RMB250,000	76%	24%
寧波聯城住工科技有限公司 Ningbo Liancheng Housing Industrialisation Technology Co., Ltd	05/02/2018	Others	RMB300,000	75%	25%
金華市瑞麟房地產開發有限公司(*) Jinhua Ruilin Real Estate Development Co., Ltd	12/04/2018	Property Development	RMB100,000	50%	50%
梧州市美駿置業有限公司 Wuzhou Meijun Real Estate Co., Ltd	23/04/2018	Property Development	RMB654,939	51%	49%
眉山美文房地產開發有限公司(*) Meishan Meiwen Real Estate Development Co., Ltd	25/04/2018	Property Development	RMB280,000	50%	50%
遵義市美駿房地產開發有限公司 Zunyi Meijun Real Estate Development Co., Ltd	16/05/2018	Property Development	RMB500,000	51%	49%
邯鄲市天志地成房地產開發有限公司(*) Handan Tianzhi Dicheng Property Development Company Limited	08/05/2018	Property Development	RMB400,000	49%	51%
上饒市美越房地產開發有限公司(*) Shangrao Meiyue Real Estate Development Co., Ltd	12/06/2018	Property Development	RMB260,000	34%	66%

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
徐州聯城智能家居有限公司 Xuzhou Liancheng Smart Home Co., Ltd	08/06/2018	Others	RMB64,306	100%	–
徐州聯城住宅工業科技發展有限公司 Xuzhou Liancheng Housing Industrialisation Technology Development Co., Ltd	08/06/2018	Others	RMB308,443	100%	–
上饒市高運房地產開發有限公司(*) Shangrao Gaoyun Real Estate Development Co., Ltd	10/07/2018	Property Development	RMB300,000	33%	67%
無錫市美駿房地產發展有限公司 Wuxi Meijun Real Estate Development Co., Ltd	02/07/2018	Property Development	RMB833,000	60%	40%
無錫市美商駿房地產發展有限公司(*) Wuxi Meishangjun Real Estate Development Co., Ltd	10/07/2018	Property Development	RMB1,200,000	34%	66%
揚州萬美置業有限公司(*) Yangzhou Wanmei Property Co., Ltd	17/07/2018	Property Development	USD100,000	50%	50%
常州市美業房地產發展有限公司 Changzhou Meiye Real Estate Development Co., Ltd	13/07/2018	Property Development	RMB20,000	100%	–
重慶美城金房地產開發有限公司(*) Chongqing Meichengjin Real Estate Development Co., Ltd	27/07/2018	Property Development	RMB200,000	35%	65%
福建省美置智能家居科技發展有限公司 Fujian Meizhi Smart Home Technology Development Co., Ltd	31/07/2018	Property Development	RMB500,000	86%	14%
常州市美陽房地產發展有限公司 Changzhou Meiyang Real Estate Development Co., Ltd	02/08/2018	Property Development	RMB500,000	51%	49%

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
岳陽縣鼎岳房地產開發有限公司 Yueyang Dingyue Real Estate Development Co., Ltd	02/08/2018	Property Development	RMB230,000	50.1%	49.9%
佛山市南海區揚美房地產開發有限公司 Foshan Nanhai Yangmei Real Estate Development Co., Ltd	03/09/2018	Property Development	RMB11,120	90%	10%
靖江市美譽房地產發展有限公司 Jingjiang Meiyu Real Estate Development Co., Ltd	17/09/2018	Property Development	RMB20,000	100%	–
瀏陽市鼎輝房地產開發有限公司 Liuyang Dinghui Real Estate Development Co., Ltd	20/09/2018	Property Development	RMB536,957	51%	49%
合肥美的房地產發展有限公司 Hefei Midea Real Estate Development Co., Ltd	30/09/2018	Property Development	RMB200,000	100%	–
蘇州正璽房地產開發有限公司(*) Suzhou Zhengxi Real Estate Development Co., Ltd	30/09/2018	Property Development	RMB400,000	34%	66%
徐州美譽房地產發展有限公司 Xuzhou Meiyu Real Estate Development Co., Ltd	09/11/2018	Property Development	RMB20,000	100%	–
贛州鑫群置業有限公司 Ganzhou Xinqun Property Co., Ltd	29/11/2018	Property Development	RMB952,294	60%	40%
徐州朗升房地產開發有限公司 Xuzhou Langsheng Real Estate Development Co., Ltd	24/12/2018	Property Development	RMB1,356,844	51%	49%
常德市鼎業房地產開發有限公司 Changde Dingye Real Estate Development Co., Ltd	04/12/2018	Property Development	RMB280,000	50.1%	49.9%

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
揚州市美嘉房地產發展有限公司 Yangzhou Meijia Real Estate Development Co., Ltd	18/01/2019	Property Development	RMB300,000	60%	40%
蘇州美居房地產開發有限公司 Suzhou Meiju Real Estate Development Co., Ltd	18/01/2019	Property Development	RMB500,000	100%	–
郴州市鼎輝房地產開發有限公司 Chenzhou Dinghui Real Estate Development Co., Ltd	25/01/2019	Property Development	RMB50,000	51%	49%
衡陽市鼎華房地產開發有限公司 Hengyang Dinghua Real Estate Development Co., Ltd	28/01/2019	Property Development	RMB300,000	70%	30%
泉州市美智房地產開發有限公司 Quanzhou Meizhi Real Estate Development Co., Ltd	28/03/2019	Property Development	RMB487,000	95%	5%
茂名市電白區美航房地產開發有限公司 Maoming Dianbai Meihang Real Estate Development Co., Ltd	15/04/2019	Property Development	RMB583,000	100%	–
贛州慧谷房地產開發有限公司 Ganzhou Huigu Real Estate Development Co., Ltd	16/04/2019	Property Development	RMB350,000	51%	49%
常州市美科房地產發展有限公司 Changzhou Meike Real Estate Development Co., Ltd	15/04/2019	Property Development	RMB819,000	100%	–
台州市美泰房地產開發有限公司 Taizhou Meitai Real Estate Development Co., Ltd	16/04/2019	Property Development	RMB500,000	60%	40%
台州嘉豪置業有限公司(*) Taizhou Jiahao Real Estate Co., Ltd	19/04/2019	Property Development	RMB600,000	50%	50%

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
惠州市旭美房地產開發有限公司(*) Huizhou Xumei Real Estate Development Co., Ltd	22/04/2019	Property Development	RMB150,000	50%	50%
長沙和匯房地產開發有限公司(*) Changsha Hehui Real Estate Development Co., Ltd	15/05/2019	Property Development	RMB500,000	50%	50%
衡陽市鼎衡房地產開發有限公司 Hengyang Dingheng Real Estate Development Co., Ltd	08/05/2019	Property Development	RMB500,000	50.1%	49.9%
武漢市鼎輝雅樂房地產開發有限公司 Wuhan Dinghui Yale Real Estate Development Co., Ltd	08/05/2019	Property Development	RMB2,100,000	100%	–
昆明美龍置業有限公司 Kunming Meilong Real Estate Co., Ltd	24/05/2019	Property Development	RMB160,000	100%	–
昆明藍宇置業有限公司 Kunming Lanyu Real Estate Co., Ltd	13/06/2019	Property Development	RMB160,000	100%	–
寧波市美睿房地產發展有限公司(*) Ningbo Meirui Real Estate Development Co., Ltd	21/06/2019	Property Development	RMB1,100,000	50%	50%
杭州美煜房地產發展有限公司 Hangzhou Meiyu Real Estate Development Co., Ltd	27/06/2019	Property Development	RMB1,350,000	90%	10%
長沙市桂和房地產開發有限公司 Changsha Guihe Real Estate Development Co., Ltd	16/07/2019	Property Development	RMB500,000	73%	27%
柳州同鑫房地產開發有限公司(*) Liuzhou Tongxin Real Estate Development Co., Ltd.	21/08/2019	Property Development	RMB190,000	34%	66%

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
金華市美潤房地產發展有限公司 Jinhua Meirun Real Estate Development Co., Ltd	16/09/2019	Property Development	RMB400,000	70%	30%
天津市美昌房地產開發有限公司 Tianjin Meichang Real Estate Development Co., Ltd	31/10/2019	Property Development	RMB500,000	80%	20%
無錫浦錦企業管理有限公司(*) Wuxi Pujin Enterprise Management Co., Ltd	30/10/2019	Property Development	RMB770,000	34%	66%
上海浦申置業有限公司(*) Shanghai Pushen Real Estate Co., Ltd	30/10/2019	Property Development	RMB400,000	34%	66%
上海欣明置業有限公司(*) Shanghai Xinming Real Estate Co., Ltd	30/10/2019	Property Development	RMB370,000	34%	66%
寧波梅山保稅港區悦寧企業管理諮詢有限公司 Ningbo Meishan Bonded Port Yuening Enterprise Management Consultancy Co., Ltd	25/11/2019	Others	RMB3,000,000	51%	49%
惠州力佳地產有限公司(*) Huizhou Lijia Property Co., Ltd	23/12/2019	Property Development	RMB200,000	34%	66%
揚州市美贊房地產發展有限公司 Yangzhou Meizan Real Estate Development Co., Ltd.	21/05/2020	Property Development	RMB2,691,603	70%	30%
佛山市美置服務有限公司 Foshan Meizhi Service Co., Ltd	25/05/2020	Property Development	RMB100,000	100%	–
泉州市美景房地產開發有限公司 Quanzhou Meijing Real Estate Development Co., Ltd.	29/05/2020	Property Development	RMB500,000	70%	30%
佛山市順德區美岸房地產開發有限公司 Foshan Shunde Mei'an Real Estate Development Co., Ltd.	23/06/2020	Property Development	RMB870,000	100%	–

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
株洲頤鑫房地產開發有限公司 Zhuzhou Yixin Real Estate Development Co., Ltd.	12/06/2020	Property Development	RMB615,594	100%	–
雲南璟睿同順置業有限公司(#) Yunnan Jingrui Tongshun Real Estate Co., Ltd	24/07/2020	Property Development	RMB250,000	100%	–
佛山市禪城區凝泰房地產開發有限公司(*) Foshan Chancheng Ningtai Real Estate Development Co., Ltd	10/09/2020	Property Development	RMB737,620	46%	54%
邯鄲宣弘房地產開發有限公司 Handan Xuanhong Real Estate Development Co., Ltd	17/09/2020	Property Development	RMB400,000	51%	49%
揚州市美築嘉投資有限公司 Yangzhou Meizhujia Investment Co., Ltd.	21/09/2020	Property Development	RMB596,745	100%	–
南京招盈房地產開發有限公司(*) Nanjing Zhaoying Real Estate Development Co., Ltd	20/10/2020	Property Development	RMB533,311	37%	63%
南昌彰美房地產開發有限公司(*) Nanchang Zhangmei Real Estate Development Co., Ltd	19/10/2020	Property Development	RMB300,000	34%	66%
廣州市南沙區美築房地產開發有限公司 Guangzhou Nansha Meizhu Real Estate Development Co., Ltd	02/12/2020	Property Development	RMB789,250	67%	33%
蘇州美賽房地產有限公司 Suzhou Meisai Real Estate Co., Ltd	18/06/2021	Property Development	RMB230,000	60%	40%
東莞市招美房地產開發有限公司(*) Dongguan Zhaomei Real Estate Development Co., Ltd	26/07/2019	Property Development	RMB661,110	50%	50%

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
廣州同輝投資發展有限公司 Guangzhou Tonghui Investment Development Co., Ltd	26/09/2019	Property Development	RMB4,490,000	50.5%	49.5%
廣州綠恆房地產開發有限公司 Guangzhou lvheng Real Estate Development Co., Ltd	26/09/2019	Property Development	RMB390,000	50.5%	49.5%
佛山市順德區聚才房地產開發有限公司(*) Foshan Shunde Jucai Real Estate Development Co., Ltd	17/10/2019	Property Development	RMB500,000	42%	58%
揚州市美納管理諮詢有限公司 Yangzhou Meina Management Consulting Co., Ltd	24/12/2021	Property Development	RMB75,000	100%	–
常州市翔輝房地產發展有限公司 Changzhou Xianghui Real Estate Development Co., Ltd	11/08/2017	Property Development	RMB41,000	55%	45%
舟山市瑞海房地產發展有限公司 Zhoushan Ruihai Real Estate Development Company Limited	19/06/2018	Property Development	RMB500,000	55%	45%
瀋陽正匯房地產開發有限公司 Shenyang Zhenghui Real Estate Development Co., Ltd	08/05/2019	Property Development	RMB1,125,936	55%	45%

* As the Group has exposure or rights to variable returns from its involvement with those companies, and has the ability to affect those returns through contractual arrangements and the existing rights to direct the relevant activities including but not limited to budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

\# Pursuant to the contractual arrangements entered into between the Group and the non-controlling shareholders, the non-controlling shareholders of these companies do not bear any risk and loss from their investments and are only entitled to guaranteed returns. Therefore, from an accounting perspective, the Group effectively acquired 100% interests in these companies.

The English names of the Mainland China companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

38. Disposal of subsidiaries

During the year, the Group disposed of interests in a number of subsidiaries to certain third parties. Details of the disposal are as follows:

	2021 RMB'000
Disposal consideration	
— Investments in joint ventures (note 14(a))	**1,491,002**
— Financial assets at fair value through profit or loss	**634**
— Consideration by amounts due from non-controlling interests	**33,489**
— Cash received	**427,572**
	1,952,697
Deferred income tax assets	**(38,388)**
Contract assets and contract acquisition costs	**(21,364)**
Properties under development and completed properties held for sale	**(5,472,784)**
Trade and other receivables	**(1,443,830)**
Prepaid taxes	**(501,213)**
Financial assets at fair value through profit or loss	**(21,933)**
Restricted cash	**(22,782)**
Cash and cash equivalents	**(296,171)**
Contract liabilities	**998,673**
Bank and other borrowings	**769,088**
Trade and other payables	**2,432,797**
Others	**(42,742)**
Total net assets disposed of	**(3,660,649)**
Non-controlling interests disposed of	**1,698,967**
	(1,961,682)
Losses on disposal	**(8,985)**
Cash proceeds from disposal, net of cash disposed of	
— From third parties	**427,572**
— Cash and cash equivalents of the subsidiaries disposed of	**(296,171)**
Net cash inflow on disposal	**131,401**

39. Acquisition of subsidiaries

During the year ended 31 December 2021, the Group acquired certain property development companies and obtained control of these companies. The directors of the Company applied the optional test to identify concentration of fair value as prescribed by HKFRS 3 "Business Combination" and considered that the acquired set of activities and assets of these subsidiaries individually are not businesses. Accordingly, the above acquisition of subsidiaries was accounted for as acquisitions of assets and the consideration for each acquisition was allocated to the individual assets acquired and liabilities assumed of each acquired companies on the respective acquisition dates.

Details of the acquisitions are as follows:

	2021 RMB'000
Purchase consideration	
— Investments in joint ventures (note 14(a))	810,427
— Cash paid	100,920
Total consideration	911,347
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,168,376
Trade and other receivables	1,857,043
Prepaid taxes	683,126
Properties under development and completed properties held for sale	7,059,092
Deferred income tax assets	104,340
Bank and other borrowings	(2,006,229)
Trade and other payables	(1,775,617)
Contract liabilities	(5,286,858)
Others	510
Total identifiable net assets	1,803,783
Less: non-controlling interests	(892,436)
Net assets acquired	911,347
Payments of acquisition of subsidiaries, net of cash acquired	
— Cash paid	(100,920)
— Cash and cash equivalents of the subsidiaries acquired	1,168,376
	1,067,456
Settlement of outstanding considerations payable (note 31)	(760,883)
Net cash inflow on acquisitions	306,573

40. Balance sheet and reserve movement of the Company

		As at 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**4,183,660**	4,183,660
Amount due from a subsidiary		**1,087,341**	3,087,340
		5,271,001	7,271,000
Current assets			
Amounts due from subsidiaries		**4,623,421**	4,409,915
Cash and cash equivalents		**1,433**	1,555
		4,624,854	4,411,470
Total assets		**9,895,855**	11,682,470
EQUITY			
Share capital and premium		**6,026,594**	7,654,595
Other reserves	(a)	**4,183,465**	4,183,465
Accumulated losses	(a)	**(351,058)**	(192,793)
Total equity		**9,859,001**	11,645,267
LIABILITIES			
Current liabilities			
Trade and other payables		**5,153**	5,502
Amounts due to subsidiaries		**31,701**	31,701
Total liabilities		**36,854**	37,203
Total equity and liabilities		**9,895,855**	11,682,470

The balance sheet of the Company was approved by the Board of Directors on 25 March 2022 and were signed on its behalf.

Hao Hengle
Director

Lin Ge
Director

40. Balance sheet and reserve movement of the Company (continued)

(a) Other reserves and accumulated losses

	Other reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000
At 1 January 2020	4,183,465	184,575
Loss for the year	–	(377,368)
At 31 December 2020	4,183,465	(192,793)
At 1 January 2021	**4,183,465**	**(192,793)**
Loss for the year	**–**	**(158,265)**
At 31 December 2021	**4,183,465**	**(351,058)**

41. Benefits and interests of directors

(a) Directors' emoluments

The directors' emoluments paid/payable during the year are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Salaries and other benefits	**17,862**	25,625
Contribution to retirement scheme	**211**	200
Fees	**488**	498
Share-based compensation expenses	**51,250**	–
	69,811	26,323

41. Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

(i) For the year ended 31 December 2021

Name of directors	Fees RMB'000	Salaries and other benefits RMB'000	Contribution to retirement scheme RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Executive directors					
Mr. Hao Hengle	–	6,986	51	25,396	32,433
Mr. Wang Quanhui	–	3,321	36	6,240	9,597
Mr. Yao Wei	–	2,122	36	5,457	7,615
Mr. Lin Ge	–	2,379	51	5,457	7,887
Mr. Xu Chuanfu	–	3,054	37	4,782	7,873
Non-executive directors					
Mr. He Jianfeng	–	–	–	–	–
Mr. Zhao Jun	–	–	–	3,918	3,918
Independent non-executive directors					
Mr. Tan Jinsong	163	–	–	–	163
Mr. O'Yang Wiley	163	–	–	–	163
Mr. Lu Qi	162	–	–	–	162
	488	17,862	211	51,250	69,811

(ii) For the year ended 31 December 2020

Name of directors	Fees RMB'000	Salaries and other benefits RMB'000	Contribution to retirement scheme RMB'000	Total RMB'000
Executive directors				
Mr. Hao Hengle	–	9,679	49	9,728
Mr. Yao Wei	–	3,414	34	3,448
Mr. Lin Ge	–	3,410	49	3,459
Mr. Xu Chuanfu	–	4,144	34	4,178
Ms. Lin Dongna	–	4,978	34	5,012
Non-executive directors				
Mr. He Jianfeng	–	–	–	–
Mr. Zhao Jun	–	–	–	–
Independent non-executive directors				
Mr. Tan Jinsong	166	–	–	166
Mr. O'Yang Wiley	166	–	–	166
Mr. Lu Qi	166	–	–	166
	498	25,625	200	26,323

41. Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

No Director has waived or agreed to waive any emoluments during the years ended 31 December 2021 and 2020.

Mr. Xu Chuanfu was resigned as an executive Director on 4 June 2021.

Mr. Wang Quanhui was appointed as an executive Director on 4 June 2021.

(b) Directors' retirement benefits

During the year, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries.

(c) Directors' termination benefits

During the year, no payments to the directors of the Company as compensation for the early termination of the appointment.

(d) Consideration provided to third parties for making available directors' services

During the year, the Company did not pay to any third party for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

During the year, there were no loans, quasi-loans or other dealings in favor of directors of the Company, controlled bodies corporate and connected entities with such directors.

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in note 36, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

42. Subsequent events

On 13 January 2022, Midea Real Estate Group has applied and obtained the approval from the National Association of Financial Market Institutional Investors whereby Midea Real Estate Group is permitted to issue medium-term Notes with a principal amount of RMB5,000,000,000. On 1 March 2022, Midea Real Estate Group issued the first tranche of medium-term Notes in an aggregate principal amount of RMB1,500,000,000 with a coupon rate of the 4.50% for a term of 4 years. At the end of the second year, Midea Real Estate Group has the right to adjust the coupon interest rate, and the investors may exercise their option to sell back the first tranche of the medium-term Notes they hold.

On 4 March 2022, Midea Real Estate Group redeemed the outstanding corporate bonds with a principal amount of RMB1,440,000,000 in full at a redemption price equal to 100% of the principal amount of the corporate bonds and the accrued and unpaid interest as of the redemption date.

On 11 March 2022, Nanjing Midea Property Development Company Limited (南京美的房地產發展有限公司) (the "Acquisition Purchaser"), an indirectly wholly-owned subsidiary of the Company, entered into an acquisition equity transfer agreement (the "Acquisition Agreement") with Nanjing Baijun Property Development Company Limited (南京百俊房地產開發有限公司) (the "Acquisition Vendor A"), Jiangsu Jinke Tianchen Property Development Company Limited (江蘇金科天宸房地產有限公司) (the "Acquisition Vendor B"), Nanjing Kechen Property Development Company Limited (南京科宸房地產開發有限公司) (the "Acquisition Target Company A") and Nanjing Shanhe Chenyuan Management Company Limited (南京山河宸園企業管理有限公司) (the "Acquisition Target Company B") in relation to (1) the acquisition of 53.0% of the equity interests in Acquisition Target Company A (the "Acquisition Target Company A Equity Interests") and 50.0% of the equity interests in Acquisition Target Company B (the "Acquisition Target Company B Equity Interests") by the Acquisition Purchaser; (2) the novation of a loan in the principal amount of RMB497,362,000 advanced by Acquisition Target Company A to Acquisition Vendor A and acceptance of such novation by the Acquisition Purchaser; and (3) the assignment of a shareholder's loan in the principal amount of RMB75,600,000 advanced by Acquisition Vendor B to Acquisition Target Company B (the "Acquisition Assignment Loan") and acceptance of such assignment by the Acquisition Purchaser. The total consideration of the acquisition of Acquisition Target Company A Equity Interests and the Acquisition Target Company B Equity Interests and the Acquisition Assignment Loan is RMB907,210,000. Acquisition Target Company A is engaged in property development in Nanjing City, Jiangsu Province of the PRC. Upon completion of the acquisition, Acquisition Target Company A and Acquisition Target Company B will become wholly-owned subsidiaries of the Acquisition Purchaser.

On 11 March 2022, Foshan Gaoming District Midea Property Development Company Limited (佛山市高明區美的房地產發展有限公司) (the "Liuzhou Disposal Vendor"), an indirectly wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "Liuzhou Disposal Agreement") with Liuzhou Jinzhuoliu Property Development Company Limited (柳州金卓柳房地產開發有限公司) (the "Liuzhou Disposal Purchaser") and Liuzhou Tongxin Property Development Company Limited (柳州同鑫房地產開發有限公司) (the "Liuzhou Disposal Target Company") in relation to (1) the disposal of 34% of the equity interests in Liuzhou Disposal Target Company (the "Liuzhou Disposal Target Equity Interests") by the Liuzhou Disposal Vendor; and (2) the assignment of a shareholder's loan in the principal amount of approximately RMB76,708,000 advanced by the Liuzhou Disposal Vendor to the Liuzhou Disposal Target Company (the "Liuzhou Disposal Assignment Loan") and acceptance of such assignment by the Liuzhou Disposal Purchaser. The total consideration of the acquisition of the Liuzhou Disposal Target Equity Interests and the Liuzhou Disposal Assignment Loan is RMB100,000,000. The Liuzhou Disposal Target Company is engaged in property development in Liuzhou City, Guangxi Zhuang Autonomous Region of the PRC. Upon completion of the disposal, the Group will cease to have any interest in the Liuzhou Disposal Target Company and the Liuzhou Disposal Target Company will no longer be accounted as a subsidiary of the Company.

42. Subsequent events (Continued)

On 11 March 2022, Changsha Midea Property Development Company Limited (長沙市美的房地產開發有限公司), (the "Yueyang Disposal Vendor"), an indirectly wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "Yueyang Disposal Agreement") with Jinke Property Group Hubei Company Limited (金科地產集團湖北有限公司) (the "Yueyang Disposal Purchaser") and Yueyang County Dingyue Property Development Company Limited (岳陽縣鼎岳房地產開發有限公司), (the "Yueyang Disposal Target Company") in relation to (1) the disposal of 50.1% of the equity interests in Yueyang Disposal Target Company (the "Yueyang Disposal Target Equity Interests") by the Yueyang Disposal Vendor; and (2) the novation of a loan in the principal amount of approximately RMB24,148,000 advanced by the Yueyang Disposal Target Company to the Yueyang Disposal Vendor and acceptance of such novation by the Yueyang Disposal Purchaser. The consideration of the disposal of the Yueyang Disposal Target Equity Interests is approximately RMB84,148,000. The Yueyang Disposal Target Company is engaged in property development in Yueyang City, Hunan Province of the PRC. Upon completion of the disposal, the Group will cease to have any interest in the Yueyang Disposal Target Company and the Yueyang Disposal Target Company will no longer be accounted as a subsidiary of the Company.

Acquisition Vendor A, Acquisition Vendor B, Liuzhou Disposal Purchaser and Yueyang Disposal Purchaser are the members of Jinke Property Group Company Limited (金科地產集團股份有限公司), a company established in the PRC and listed on the Shenzhen Stock Exchange with stock code: 000656.SZ.

FIVE-YEAR FINANCIAL SUMMARY

Consolidated Assets, Equity and Liabilities

	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
ASSETS					
Non-current assets	**38,049,646**	29,220,903	19,403,828	10,488,553	6,581,822
Current assets	**250,470,207**	254,533,571	230,310,016	166,830,557	106,397,077
Total assets	**288,519,853**	283,754,474	249,713,844	177,319,110	112,978,899
EQUITY AND LIABILITIES					
Total equity	**47,809,621**	40,219,388	31,138,293	23,584,436	12,164,780
Non-current liabilities	**41,938,807**	47,649,934	47,263,629	34,468,930	30,128,494
Current liabilities	**198,771,425**	195,885,152	171,311,922	119,265,744	70,685,625
Total liabilities	**240,710,232**	243,535,086	218,575,551	153,734,674	100,814,119
Total equity and liabilities	**288,519,853**	283,754,474	249,713,844	177,319,110	112,978,899

Statement of Comprehensive Income

	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	**73,703,098**	52,483,611	41,138,570	30,119,811	17,716,924
Cost of sales	**(60,207,635)**	(40,825,617)	(28,131,087)	(20,265,888)	(12,819,864)
Gross profit	**13,495,463**	11,657,994	13,007,483	9,853,923	4,897,060
Other income and gains — net	**881,587**	627,004	938,793	691,508	334,702
Gains arising from changes in fair value of and transfer to investment properties	**12,532**	27,739	198,450	3,306	18,801
Selling and marketing expenses	**(2,662,865)**	(2,194,349)	(2,540,686)	(1,533,913)	(807,877)
Administrative expenses	**(3,382,192)**	(3,518,260)	(3,695,200)	(2,285,191)	(776,262)
Net impairment losses on financial assets	**(322,646)**	(68,407)	(5,578)	(34,297)	(29,090)
Operating profit	**8,021,879**	6,531,721	7,903,262	6,695,336	3,637,334
Finance (costs)/income — net	**720,994**	687,591	152,084	55,225	(31,329)
Share of results of joint ventures and associates	**(23,353)**	351,042	325,362	(93,374)	2,118
Profit before income tax	**8,719,520**	7,570,354	8,380,708	6,657,187	3,608,123
Income tax expenses	**(3,416,710)**	(2,744,856)	(4,054,099)	(3,370,318)	(1,714,554)
Profit for the year	**5,302,810**	4,825,498	4,326,609	3,286,869	1,893,569
Profit attributable to:					
Owners of the Company	**3,743,557**	4,326,482	4,305,164	3,209,997	1,912,442
Non-controlling interests	**1,559,253**	499,016	21,445	76,872	(18,873)
	5,302,810	4,825,498	4,326,609	3,286,869	1,893,569
Earnings per share (expressed in RMB per share)					
Basic and diluted earnings per share	**3.04**	3.52	3.61	3.08	2.54
Gross margin	**18.3%**	22.2%	31.6%	32.7%	27.6%
Net profit margin	**7.2%**	9.2%	10.5%	10.9%	10.7%

CORPORATE INFORMATION

Executive Directors
Mr. Hao Hengle (Chairman and President)
Mr. Wang Quanhui (appointed on 4 June 2021)
Mr. Lin Ge
Mr. Zhang Ziliang (appointed on 25 March 2022)
Mr. Xu Chuanfu (retired on 4 June 2021)
Mr. Yao Wei (resigned on 25 March 2022)

Non-Executive Directors
Mr. He Jianfeng
Mr. Zhao Jun

Independent Non-Executive Directors
Mr. Tan Jinsong
Mr. O'Yang Wiley
Mr. Lu Qi

Audit Committee
Mr. Tan Jinsong (Chairman)
Mr. Zhao Jun
Mr. O'Yang Wiley

Remuneration Committee
Mr. O'Yang Wiley (Chairman)
Mr. Hao Hengle
Mr. Zhao Jun
Mr. Tan Jinsong
Mr. Lu Qi

Nomination Committee
Mr. Hao Hengle (Chairman)
Mr. Tan Jinsong
Mr. Lu Qi

Authorised Representatives
Mr. Hao Hengle
Mr. Lin Ge (appointed following the resignation of Mr. Zeng Chaoming on 11 February 2022)

Joint Company Secretaries
Mr. Lin Ge (appointed following the resignation of Mr. Zeng Chaoming on 11 February 2022)
Ms. Chan Bo Shan

Principal Place of Business and Head Office in the Mainland China
34/F, Tower 4, Midea Real Estate Plaza
No. 1 Chengde Road, Beijiao Town
Shunde District, Foshan City
Guangdong Province, the PRC

Place of Business in Hong Kong, China
Suites 3906–3910, 39/F, Tower 6, The Gateway
Harbour City, No. 9 Canton Road
Tsim Sha Tsui, Kowloon, Hong Kong

Registered Office
Walkers Corporate Limited
190 Elgin Avenue, George Town
Grand Cayman KY1-9008, Cayman Islands

Cayman Islands Principal Share Registrar and Transfer Office
Walkers Corporate Limited
190 Elgin Avenue, George Town
Grand Cayman KY1-9008, Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

Auditor
PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building
Central
Hong Kong

Legal Adviser
Hogan Lovells
11th Floor, One Pacific Place
88 Queensway
Hong Kong

Principal Banks in the Mainland China
(in Alphabetical Order)

Agricultural Bank of China Limited
Bank of China Limited
Bank of Communications Co., Ltd.
China Construction Bank Corporation
China Everbright Bank Company Limited
China Guangfa Bank Co., Ltd.
China Merchants Bank Co., Ltd.
China Minsheng Banking Corp., Ltd.
Guangdong Shunde Rural Commercial Bank Company Limited
Industrial and Commercial Bank of China Limited
Industrial Bank Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd.

Principal Banks in Hong Kong, China
(in Alphabetical Order)

Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
China Construction Bank (Asia) Corporation Limited
China Everbright Bank Company Limited, Hong Kong Branch
China Minsheng Banking Corporation Limited, Hong Kong Branch
Chong Hing Bank Limited
CMB Wing Lung Bank Limited
Hang Seng Bank Limited
Hua Xia Bank Company Limited, Hong Kong Branch
LUSO International Banking Limited
Pingan Bank Company Limited
Tai Fung Bank Limited
The Bank of East Asia, Limited

Stock Code
3990

Email of Investor Relations
investor@midea.com

Company's Website
http://www.mideadc.com

Key Dates

• Annual Results Announcement	25 March 2022
• Closure of Register of Members (for determination of shareholders who are entitled to attend and vote at annual general meeting)	23 May 2022 to 26 May 2022 (both days inclusive)
• Annual General Meeting	26 May 2022
• Ex-dividend Date	30 May 2022
• Record Date (for determination of shareholders who qualify for the final dividend)	2 June 2022
• Payment of Final Dividend (HK$1.60 per share)	On or about 17 August 2022

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