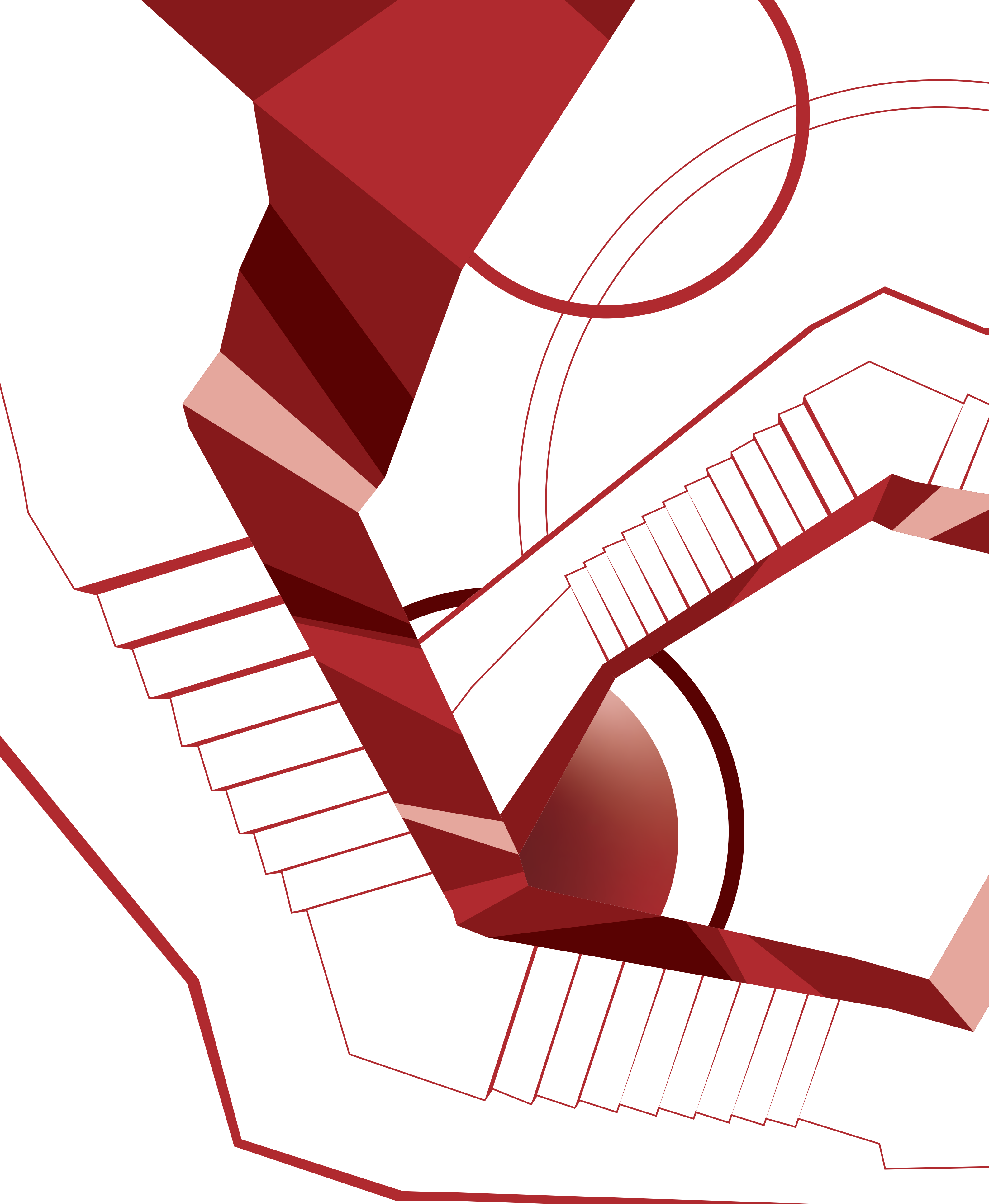
上坤

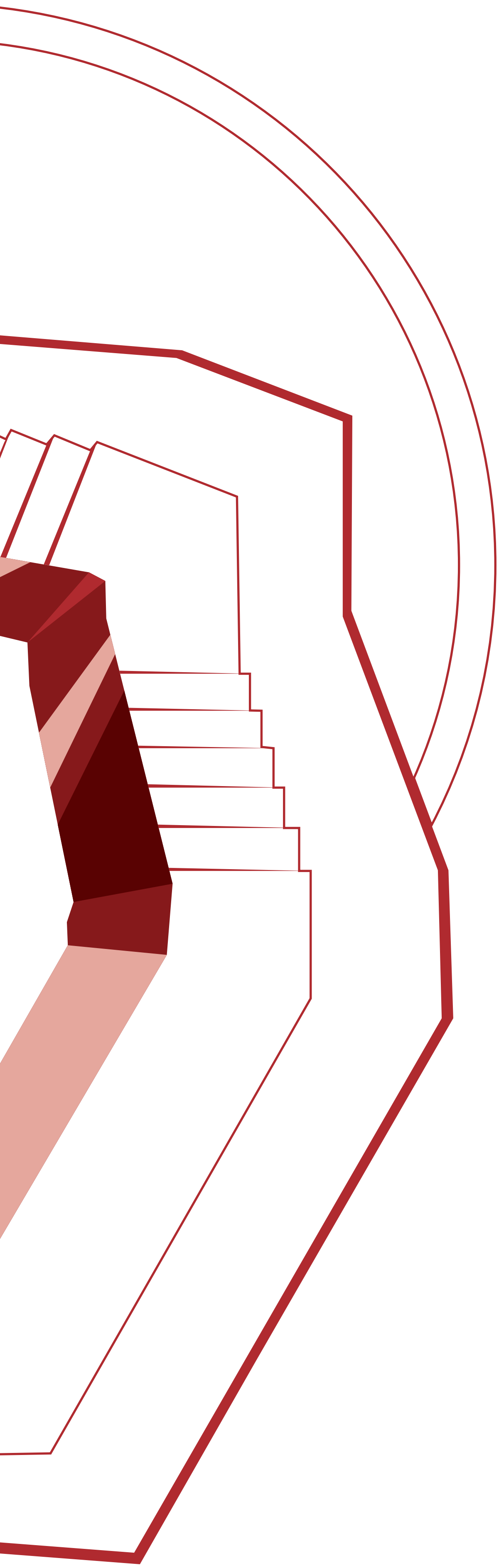
上坤地產集團有限公司
SUNKWAN PROPERTIES GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號：6900

ANNUAL REPORT 年度報告 2021





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Company Profile

Sunkwan Properties Group Limited, (stock code: 6900.HK) (the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**" or "**We**"), is a rising real estate developer with residential property development and sales as its core business. The Company focuses on the Yangtze River Delta Economic Region, and expands to other strategically selected areas, namely the Pearl River Delta Economic Zone and Mid-China Core Economic Region, striving to become a "**premium urban life service provider**". Adhering to our mission of "**coming for livable**", the Company, founded in 2010 in Shanghai, provides various residential properties with new technology and art design, caters to the different needs and preferences of different customer groups, and brings customers intelligent, convenient and satisfactory life experience, establishing a good brand image among the customers and in the industry. After years of exploration, development and accumulation, it was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 November 2020 (the "**Listing Date**").

As at 31 December 2021, the Group has further operated in over 30 core first-tier, second-tier and strong third-tier cities located in Yangtze River Delta Economic Region, Pearl River Delta Economic Zone and Mid-China Core Economic Region. With continuous good performance and strong comprehensive strength, the Company has been recognised as "Top 100 Real Estate Developers in China" for four consecutive years (ranked 78th in 2021 in terms of comprehensive strength), "2021 Top 10 Real Estate Developers in China by Business Performance", "2021 Top 5 Real Estate Enterprises in China by Growth Potential" and "2021 TOP10 Newly Listed Companies in Performance of China's Real Estate Industry".

Jinhua • Lanxi Mindcloud Garden

Corporate Information

NAME OF COMPANY
Sunkwan Properties Group Limited

EXECUTIVE DIRECTORS
Ms. Zhu Jing *(Chairwoman of the Board and chief executive officer)*
Ms. Sheng Jianjing
Mr. Yang Zhandong

NON-EXECUTIVE DIRECTORS
Mr. Lin Jinfeng
Ms. Lin Zhaohong

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Guo Shaomu
Mr. Au Yeung Po Fung
Mr. Zhou Zheren

AUDIT COMMITTEE
Mr. Au Yeung Po Fung *(Chairman)*
Mr. Guo Shaomu
Mr. Zhou Zheren

REMUNERATION COMMITTEE
Mr. Guo Shaomu *(Chairman)*
Mr. Zhou Zheren
Ms. Sheng Jianjing

NOMINATION COMMITTEE
Ms. Zhu Jing *(Chairwoman)*
Mr. Guo Shaomu
Mr. Zhou Zheren

JOINT COMPANY SECRETARIES
Ms. Lu Shiyuan
Mr. Lee Leong Yin *(resigned on 31 May 2021)*
Ms. Lau Jeanie *(ACG, HKACG)* *(appointed on 31 May 2021)*

AUTHORIZED REPRESENTATIVES
Ms. Zhu Jing
Mr. Lee Leong Yin *(resigned on 31 May 2021)*
Ms. Lau Jeanie *(ACG, HKACG)* *(appointed on 31 May 2021)*

COMPANY'S WEBSITE
www.sunkwan.com.cn

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC
Building T1, Sunkwan Center, No.77, Sunkwan Road, Minhang District, Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Sidley Austin

As to PRC law:
Commerce & Finance Law Offices

As to Cayman Islands law:
Conyers Dill & Pearman

AUDITOR
Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

COMPLIANCE ADVISER
Maxa Capital Limited

HONG KONG SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

STOCK CODE
6900

PRINCIPAL BANKS

Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
Bank of China (Hong Kong) Limited
CMB Wing Lung Bank Limited

PRC

Industrial and Commercial Bank of China Limited
Bank of China Limited
China Construction Bank Corporation
Bank of Communications
Bank of Shanghai Co. Ltd.
China Guangfa Bank Co., Ltd.
Bank of Jiangsu Co., Ltd.
China Zheshang Bank Co., Ltd.

Major Honors and Awards

2021

1. A 2021 Best 100 of China Real Estate Developers (Ranked 78th)
2. A 2021 Best 10 of Comprehensive Development of Chinese Real Estate Development Enterprises (Ranked 8th)
3. A 2021 Best 100 of Chinese Real Estate Listed Companies in Comprehensive Strength (Ranked 63th)
4. A 2021 Best 5 of Chinese Real Estate Listed Companies in Development Speed (Ranked 3th)
5. 2021 Best Employers for Chinese Real Estate Enterprises
6. A 2021 Best 10 of Growth of China Real Estate Developers Brand Value (Ranked 3th)
7. A 2021 Best 100 of China Real Estate Developers Human Capital Value (Ranked 58h)
8. A 2021 Best 100 of Chinese Real Estate Customer Satisfaction
9. 2021 Leading Enterprise in Customer Service System of China's Real Estate
10. 2021 TOP 10 Quality and Aesthetic Real Estate Product Series in China (Mindcloud series)
    CRIC Research Institute of E-HOUSE
11. 2021 Top 30 Quality product in China
    CRIC Research Institute of E-HOUSE
12. A 2021 Best 10 of Real Estate Enterprise with Steady Operation
    Leju Finance
13. 2021 Top 10 Luxury Mansion Product Line in China
    Leju Finance
14. 2021 China's Top Ten Real Estate Annual Brand Public Welfare Cases-Carbon Sink Forest
    Leju Finance Research Institute
15. 2021 Most Valuable Real Estate Company
    Zhitong Caijing
16. 2021 ESG Best Environmental Responsibility Practice Enterprise
    Finance China

Note: 1-9 are issued by China Real Estate Association & China Real Estate Appraisal Center of Shanghai E-house Real Estate Research Institute.

Chairwoman's Statement

Zhu Jing
Chairwoman of the Board

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I am pleased to present the results for the year ended 31 December 2021 (the "**Year**"), business review and outlook for 2022 of to all shareholders of the Company (the "**Shareholders**"). At the same time, on behalf of the Group, I would like to take this opportunity to extend my heartfelt gratitude to all those who have contributed to the development of our business over the years.

Chairwoman's Statement

REVIEW

In 2021, we witnessed the repeated outbreak of the epidemic and the ups and downs of the real estate industry. With the continuous pressure of regulatory policies and the severe and complicated financing environment, the real estate industry is undergoing profound adjustment.

In 2021, the gross domestic product (GDP) reached RMB110 trillion, representing a year-on-year increase of 8.1%. The scale of new home sales and development and investment in the real estate industry both hit record highs, up by 1.9% and 4.4% respectively, although the sales performance showed a trend of eventual decline following its initial growth for the year. Various development activities declined significantly, with new construction and land acquisition down by 31% and 33% year-on-year. Especially in the second half of the year, under the background of the impacts of the epidemic and the tightening of policy regulation, the real estate industry encountered many challenges such as weakening market confidence and insufficient liquidity. The impacts of the epidemic and industry changes have pushed real estate companies to reset and upgrade their strategic thinking.

Despite the challenges, the Group continued to maintain a stable operation, and continued to dig into the three core economic circles. For the year ended 31 December 2021, our land bank increased by 3,078,137 sq.m., of which 48.5% was in the Yangtze River Delta, which further expanded our advantage in regional layout.

Total assets as at 31 December 2021 were approximately RMB40,375.5 million, representing a year-on-year increase of approximately 32.3%. The Group had contract liabilities of approximately RMB13,741.8 million as at 31 December 2021, representing an increase of approximately 71.7% compared to approximately RMB8,001.6 million as at 31 December 2020.

The Group also continued to promote a stable and safe financial control system, and optimise the financial structure. As at 31 December 2021, the proportion of the Group's interest-bearing borrowings attributable to bank borrowings increased to 43.1%, representing an increase of approximately 13.5 percentage points. This year, the Group issued its first batch of USD bonds and USD green bonds in an aggregate amount of US$395 million.

Adhering to our mission of "coming for livable", the Group continued to implement the philosophy of long-term and high-quality development. With excellent product strength and service capabilities, in 2021, the Group has been granted several awards, such as "Top 100 Real Estate Developers in China" (ranked 78th), "2021 Top 8 Real Estate Developers in China by Business Performance", "2021 China's Top 100 Listed Real Estate Companies in Comprehensive Strength" and "2021 Leading Real Estate Enterprises in China's Customer Service System". The Group has also fulfilled its corporate social responsibilities through the participation in "Carbon Sink Forest" public welfare project for four consecutive years, the marine protection and beach cleanup activities, and the public welfare education assistance project for poor children.

OUTLOOK

Looking forward to 2022, as the government persists in its long-term goal of reducing risks in the real estate industry, the overall financing environment is not expected to improve significantly, and the industry will continue to face high debt repayment risks. In such an environment, we must not only maintain a clear understanding, but also make adequate preparations. We must identify the key points of "stability", find the entry point of "advance", and continue to stimulate new impetus for development in the "uncertainties".

In 2022, the Group will focus on the following aspects: Firstly, it will continue to refine its coping experience against adversity and summarize management experience from victories under the guidance of its Third Five-Year Strategy, so as to continuously improve its management and control system and organizational capabilities that match "strategies and operations". Secondly, it will further enhance its efficient and coordinated operation capabilities, maintain sustainable and stable "fundamentals" of operations, realize a "restrained" and precise investment layout, and strengthen its awareness of risk management and control and its response capabilities, so as to form a sustainable competitive advantage. Thirdly, while keeping innovative and keeping reforming against uncertainties, it will continue to improve its product capabilities and develop new and diversified businesses to fully satisfy customers' imagination of home and a better life. Fourthly, it will always advocate a culture of struggle, with "professionalization" as the lead and "executive power" as the core, so as to "go forward in the same way with those who share the same values".

The era of extensive development in the real estate industry in the past will truly come to an end and a "soft landing" will be realized. Under the guidance of the policy that "housing is for living in, not for speculation", the Group will create a more friendly and personal living experience and a more diversified service model, so that the real estate industry will return to its basic function, i.e., providing dwelling place for people. Entering 2022, the 13th year of the Group's sustainable development, we must not only stabilize the "fundamentals" of operations, but also strengthen our core capabilities to cope with the uncertainties in the development of the industry. Moreover, we must take the initiative to gradually explore and develop "new models" to continuously create value for the Shareholders, customers and society. We must work together with our employees, overcome difficulties with the industry and keep pace with the times for a better future.

ACKNOWLEDGMENT

The Group explored a development path as a cutting-edge real estate enterprise in 12 years. In the future, we will enter into a development era of developing under simplified operation in the industry. As an emerging force in the capital market, we firmly chose to be strong in the real estate industry by improving comprehensive competitiveness and being a long-termist to acknowledge the Shareholders, customers and society with sustainable, steady and healthy development.

Finally, on behalf of the Board, I would like to once again express my sincere gratitude to all Shareholders, investors, partners and customers for their support to the Company, and to all the employees for their hard work and dedication over the past year.

Sunkwan Properties Group Limited
Zhu Jing
Chairwoman of the Board
Hong Kong, 31 March 2022

Performance Highlights

	Year ended 31 December	
	2021	2020
Contracted sales[1] attributable to the Group (in RMB million)	**14,593**	12,660
Contracted gross floor area ("**GFA**") sold attributable to the Group (sq.m.)	**1,147,745**	778,311
Contracted average selling price ("**ASP**") attributable to the Group (RMB/sq.m.)	**12,714**	16,265
Revenue (in RMB million)	**8,340**	8,191
Gross profit (in RMB million)	**1,172**	1,794
Profit for the year		
– Including non-controlling interests (in RMB million)	**584**	885
– Attributable to owner of the parent (in RMB million)	**250**	356
Core net profit[2]		
– Including non-controlling interests (in RMB million)	**603**	808
– Attributable to owner of the parent (in RMB million)	**274**	311
Gross profit margin (%)[3]	**14.1**	21.9
Net profit margin (%)	**7.0**	10.8
Current ratio (times)[4]	**1.3**	1.4
Net gearing ratio (%)[5]	**85.9**	54.3
The cash and bank balances to current borrowings ratio (times)[6]	**0.8**	2.3
Assets to liabilities ratio after excluding receipts in advance (%)[7]	**70.5**	72.1

Notes:

(1) Contracted sales data is unaudited and is prepared based on internal information of the Group. In view of various uncertainties during the collection of such sales information, such contracted sales data is provided for investors' reference only.

(2) Equal to the profit for the year less fair value gains on investment properties and fair value gains on financial assets at fair value through profit or loss.

(3) Equal to gross profit for the year divided by revenue and multiplied by 100.

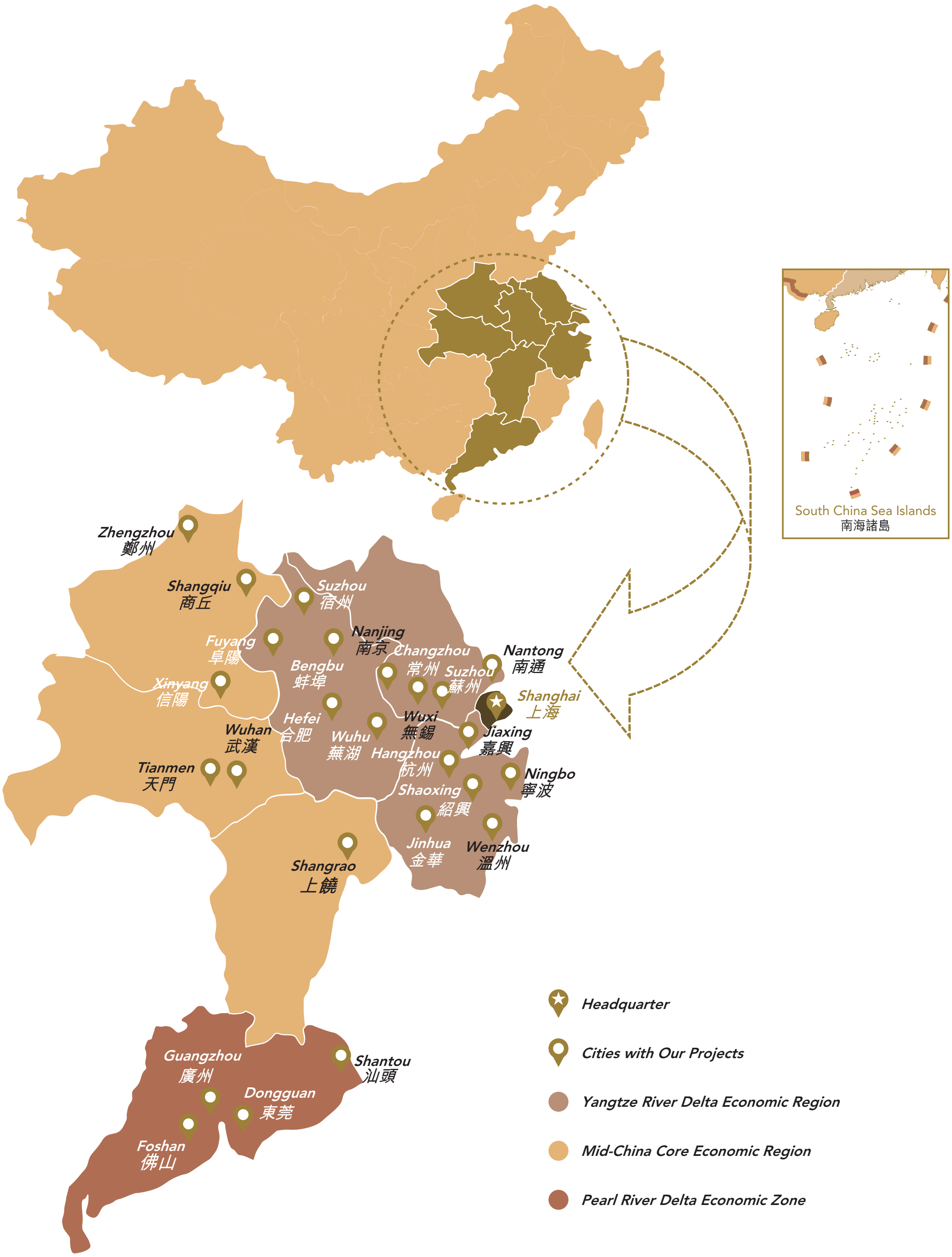
(4) Equal to total current assets divided by total current liabilities as at the respective dates.

(5) Equal to interest – bearing bank loans, other borrowings and senior notes less cash and bank balances divided by total equity at the end of the year and multiplied by 100.

(6) Equal to cash and bank balances divided by current portion of interest – bearing bank loans, other borrowings and senior notes.

(7) Equal to total liabilities less contract liabilities divided by total assets less contract liabilities and multiplied by 100.

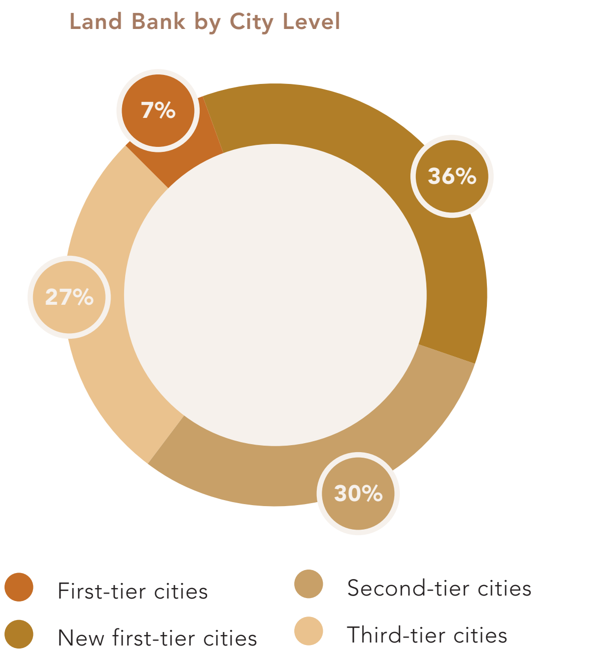
Summary of Major Properties

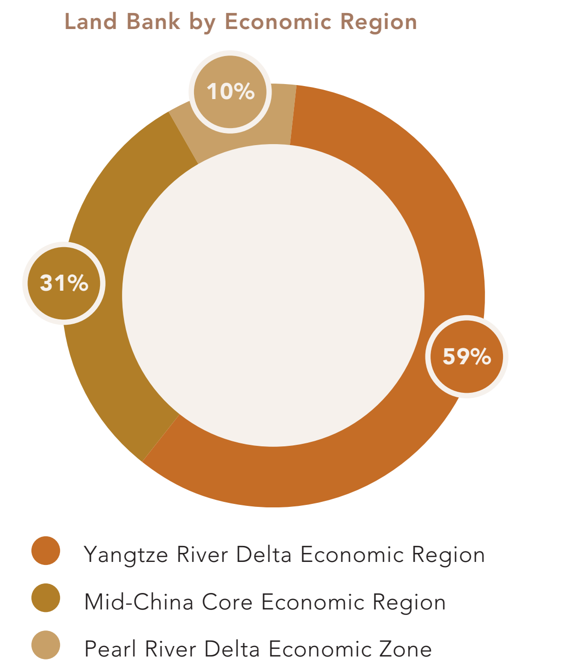


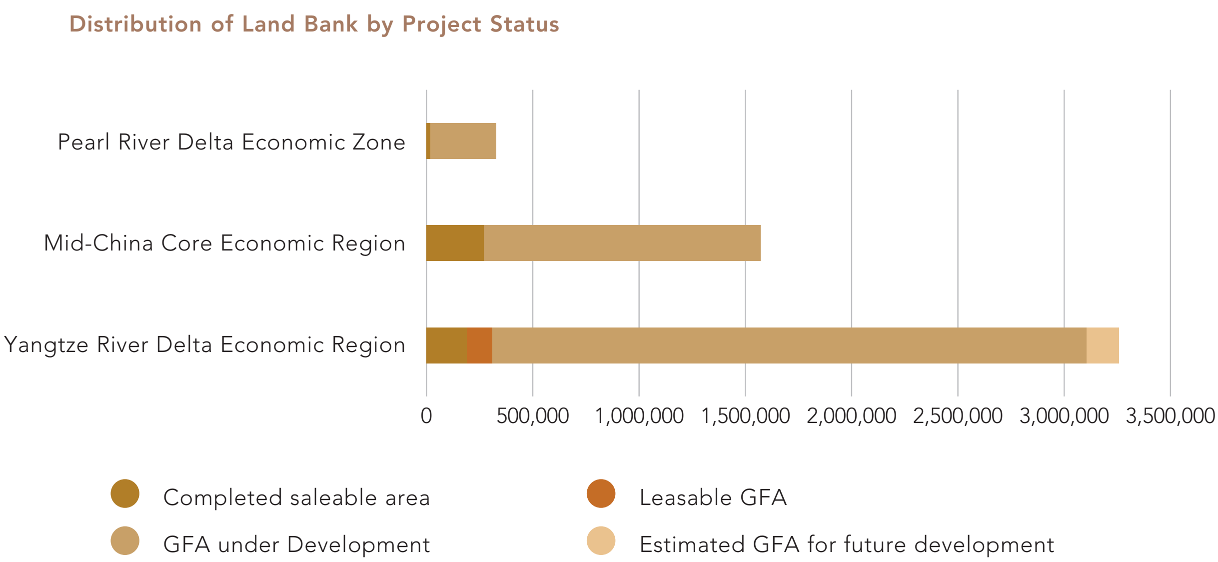
Summary of Major Properties

SUMMARY OF LAND BANK

As at 31 December 2021, the planned gross floor area of land bank of the Group, together with its joint ventures and associates, was approximately 7,028,208 sq.m., and the equity area was approximately 5,148,795 sq.m., involving 67 property development projects, 25 of which have been participated in through joint ventures and associates.







Summary of Major Properties

The following table sets forth the breakdown of land bank of the Group together with its joint ventures and associates as at 31 December 2021:

	Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale[1] in sq.m	Leasable GFA in sq.m	GFA Under Development in sq.m	Estimated GFA for Future Development in sq.m	Total Land Bank Attributable to the Group[2][3] in sq.m	Actual/ Estimated completion date
	Property Projects Developed by our Subsidiaries								
	Residential Property Projects								
	Yangtze River Delta Economic Region								
1	Shanghai • Flourish Neighbourhood (上海•樾裡)	Shanghai	50.0	–	–	11,254	–	11,254	2022
2	Shanghai • Mindcloud Mountainview (上海•雲棲麓)	Shanghai	100.0	–	–	71,931	–	71,931	2022
3	Ningbo • Cixi Phoenix Mansion (寧波•慈溪鳳鳴梧桐府)	Ningbo	30.0	2,932	–	–	–	2,932	2020
4	Ningbo • Cixi Cloud Mansion (寧波 • 慈溪雲邸華府)	Ningbo	33.3	5,457	–	–	–	5,457	2020
5	Ningbo • Cixi Crystal Seasons (寧波•慈溪晶萃四季)	Ningbo	53.6	–	–	96,728	–	96,728	2023
6	Jinhua • Dongyang Metropolis Seasons (金華•東陽都會四季)	Jinhua	38.3	72,575	–	–	–	72,575	2021
7	Jinhua • Dongyang Mindcloud Mansion (金華•東陽雲棲風華)	Jinhua	30.6	–	–	98,621	–	98,621	2023
8	Jinhua • Lanxi Mindcloud Garden (金華•蘭溪雲錦桃源)	Jinhua	45.9	–	–	131,778	–	131,778	2023
9	Hangzhou • Sunkwan Majestic Seasons (杭州•上坤山語四季)	Hangzhou	100.0	–	2,449	–	–	2,449	2021
10	Hangzhou • Mindcloud Imperial Garden (杭州•雲棲宸園)	Hangzhou	52.0	–	–	163,813	–	163,813	2023
11	Shaoxing • Majestic Mansion (紹興•山語雲邸)	Shaoxing	51.0	–	–	72,726	–	72,726	2022
12	Block B4, Wuzhen (烏鎮B4地塊)	Jiaxing	30.0	–	–	–	113,494	113,494	2023
13	Wenzhou • Yueqing Yunqi Fenghua (溫州•樂清雲棲風華)	Wenzhou	50.0	–	–	71,745	–	71,745	2023
14	Wenzhou • Yueqing Mindcloud Mountainview (溫州•樂清雲棲麓)	Wenzhou	30.0	–	–	118,010	–	118,010	2023
15	Nanjing • Mindcloud Garden (南京•雲棲風華璟園)	Nanjing	100.0	–	–	51,802	–	51,802	2023
16	Suzhou • Lakeview Seasons (蘇州•望湖四季)	Suzhou	35.0	–	–	125,152	–	125,152	2022
17	Suzhou • Kunshan Metropolis Seasons (蘇州•昆山都薈四季)	Suzhou	70.0	–	–	171,315	–	171,315	2023

Summary of Major Properties

	Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale[1] in sq.m	Leasable GFA in sq.m	GFA Under Development in sq.m	Estimated GFA for Future Development in sq.m	Total Land Bank Attributable to the Group[2][3] in sq.m	Actual/ Estimated completion date
18	Changzhou • Mindcloud Peakview (常州•雲峯)	Changzhou	40.0	95,550	–	–	–	95,550	2021
19	Nantong • Hai'an Changhong Waterfront City (南通•海安長宏水岸名城)	Nantong	49.9	–	–	79,883	–	79,883	2022
20	Hefei • Mindcloud Mountainview (合肥•雲棲麓)	Hefei	51.0	–	–	107,549	–	107,549	2022
21	Hefei • Crystal Seasons (合肥•晶萃四季)	Hefei	51.0	–	–	108,460	–	108,460	2023
22	Wuhu • Joy Seasons (蕪湖•銘悅四季)	Wuhu	49.0	–	–	185,255	–	185,255	2022
23	Fuyang • Majestic Mansion (阜陽•政務壹號)	Fuyang	51.0	–	–	204,848	–	204,848	2022
24	Fuyang • Baolong Stone Art Town (阜陽•抱龍石藝小鎮)	Fuyang	50.0	–	–	82,799	–	82,799	2023
25	Suzhou • Mindcloud Garden (宿州•雲棲園)	Suzhou	51.0	–	–	130,465	–	130,465	2023
	Sub-total			**176,514**	**2,449**	**2,084,132**	**113,494**	**2,376,589**	
	Mid-China Core Economic Region								
26	Shangrao • Sunkwan Riverside Seasons (上饒•上坤濱江四季)	Shangrao	100.0	77,845	–	–	–	77,845	2020
27	Shangrao • Metropolis Seasons (上饒•都會四季)	Shangrao	100.0	–	–	152,683	–	152,683	2023
28	Tianmen • Sunkwan Northlake Seasons (天門•上坤北湖四季)	Tianmen	100.0	18,867	–	–	–	18,867	2020
29	Wuhan • Yunqi Metropolis (武漢•雲啟都會)	Wuhan	51.0	–	–	58,458	–	58,458	2022
30	Shangqiu • Sky Platinum (商丘•天鉑)	Shangqiu	60.0	172,814	–	–	–	172,814	2021
31	Xinyang • Tianyue (信陽•天悦)	Xinyang	70.0	–	–	254,720	–	254,720	2023
32	Xinyang • Tianjing (信陽•天境)	Xinyang	70.0	–	–	103,822	–	103,822	2023
33	Xinyang • Tianxi (信陽•天璽)	Xinyang	70.0	–	–	154,889	–	154,889	2023
	Sub-total			**269,526**	**–**	**724,572**	**–**	**994,098**	

	Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale[1] in sq.m	Leasable GFA in sq.m	GFA Under Development in sq.m	Estimated GFA for Future Development in sq.m	Total Land Bank Attributable to the Group[2][3] in sq.m	Actual/ Estimated completion date
	Pearl River Delta Economic Zone								
34	Foshan • Mindcloud Mansion (佛山•雲棲公館)	Foshan	100.0	17,243	–	43,880	–	61,124	2021
35	Foshan • Sunkwan Mindcloud Peakview (佛山 • 上坤雲峯壹號)	Foshan	100.0	–	–	133,288	–	133,288	2022
	Sub-total			**17,243**	**–**	**177,168**	**–**	**194,411**	
	Commercial Property Projects								
36	Shanghai • Sunkwan Red Commercial Plaza (上海•上坤紅街)	Shanghai	100.0	–	5,952	–	–	5,952	2016
37	Shanghai • Sunkwan Upper Commercial Plaza (上海•上坤上街)	Shanghai	100.0	3,561	21,932	–	–	25,493	2016
38	Shanghai • Flourish projects 08-06/08 (上海•樾山項目08-06/08)	Shanghai	50.0	–	–	158,060	–	158,060	2023
39	Shanghai • Sunkwan Flourish Peninsula (Basement Clubhouse) (上海•上坤樾山半島地下部分)	Shanghai	50.0	–	1,725	–	–	1,725	2019
40	Shanghai • Sunkwan International Plaza T3 (上海•上坤國際廣場T3)	Shanghai	100.0	–	14,727	–	–	14,727	2017
41	Shanghai • Sunkwan International Plaza T4 (上海•上坤國際廣場T4)	Shanghai	100.0	–	14,805	–	–	14,805	2017
42	Shanghai • Sunkwan International Plaza T5 (上海•上坤國際廣場T5)	Shanghai	100.0	–	11,484	–	–	11,484	2017
	Sub-total			**3,561**	**70,625**	**158,060**	**–**	**232,246**	

Summary of Major Properties

	Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale[1] in sq.m	Leasable GFA in sq.m	GFA Under Development in sq.m	Estimated GFA for Future Development in sq.m	Total Land Bank Attributable to the Group[2][3] in sq.m	Actual/ Estimated completion date
	Property Projects Developed by Our Associates and Joint Ventures								
	Residential Property Projects								
	Yangtze River Delta Economic Region								
43	Wenzhou • West Lakeside Seasons (溫州•西湖四季)	Wenzhou	50.0	–	–	42,105	–	42,105	2022
44	Wenzhou • Prosperous Seasons (溫州•潮啟四季)	Wenzhou	50.0	–	–	49,850	–	49,850	2022
45	Jiaxing • Mindcloud Garden (嘉興•雲尚璟苑)	Jiaxing	50.0	–	–	40,980	–	40,980	2023
46	Jinhua • Dongyang Yunzhuxiyu (金華•東陽雲築溪語)	Jinhua	34.0	–	–	23,262	–	23,262	2023
47	Suzhou • Mindcloud Timeview (蘇州•雲棲時光)	Suzhou	90.0	–	–	148,796	–	148,796	2022
48	Wuxi • Mindcloud Mansion (無錫•雲錦東方)	Wuxi	15.0	–	–	23,450	–	23,450	2023
49	Bengbu • Yunqi Metropolis (蚌埠•雲啟都會)	Bengbu	51.0	–	–	40,858	–	40,858	2023
50	Shaoxing • Zhuji Mindcloud Mansion (紹興•諸暨雲錦東方)	Shaoxing	49.0	–	–	30,437	–	30,437	2023
51	Suzhou • TaicangMindcloud Mountainview (蘇州•太倉雲棲麓)	Suzhou	33.0	–	–	15,812	–	15,812	2023
52	Nantong • Chenxing Garden (南通•宸星雅苑)	Nantong	15.6	–	–	14,261	–	14,261	2023
53	Hangzhou • Yuezhen Mansion (杭州•樾臻府)	Hangzhou	24.9	–	–	21,895	–	21,895	2023
54	Block B5, Wuzhen (烏鎮B5地塊)	Jiaxing	30.0	–	–	–	38,253	38,253	2023
55	Jinhua • Yiwu Yunqifengjing (金華•義烏雲起峰境)	Jinhua	25.0	–	–	35,153	–	35,153	2023
56	Lishui • Chongwenli (麗水•崇文里)	Lishui	30.0	–	–	64,256	–	64,256	2023
57	Suzhou • Jade Seasons (蘇州•翡翠四季)	Suzhou	24.5	1,355	–	–	–	1,355	2020
	Sub-total			**1,355**	**–**	**551,114**	**38,253**	**590,722**	

Summary of Major Properties

	Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale[1] in sq.m	Leasable GFA in sq.m	GFA Under Development in sq.m	Estimated GFA for Future Development in sq.m	Total Land Bank Attributable to the Group[2][3] in sq.m	Actual/ Estimated completion date
	Mid-China Core Economic Region								
58	Zhengzhou • Seasons Fenghua (鄭州•四季風華)	Zhengzhou	49.0	–	–	99,594	–	99,594	2023
59	Wuhan • Sunkwan Sumptuous Skyview (武漢•上坤博譯雲峯)	Wuhan	70.0	–	–	24,912	–	24,912	2022
60	Wuhan Yangluo P (2020) Lot 186 (武漢陽邏P(2020)186號地塊)	Wuhan	51.0	–	–	152,051	–	152,051	2023
61	Wuhan • Yuehu Peninsula (武漢•樾湖半島)	Wuhan	36.3	–	–	15,483	–	15,483	2024
62	Wuhan • Metropolis (武漢•大都會)	Wuhan	51.0	–	–	284,924	–	284,924	2023
	Sub-total			**–**	**–**	**576,963**	**–**	**576,963**	
	Pearl River Delta Economic Zone								
63	Foshan • Jinping Mountain No. 1 (佛山•錦屏山壹號)	Foshan	49.0	–	–	37,570	–	37,570	2022
64	Shantou • Tanyue Mansion (汕頭•檀悅府)	Shantou	24.1	–	–	80,993	–	80,993	2023
65	Guangzhou • Yunjing Fenghua (廣州•雲境風華)	Guangzhou	20.0	–	–	14,533	–	14,533	2023
	Sub-total			**–**	**–**	**133,096**	**–**	**133,096**	
	Commercial Property Projects								
66	Shanghai • Sunkwan Center (上海•上坤中心)	Shanghai	50.0	–	49,162	–	–	49,162	2021
67	Wuzhen No.B3 Land Parcel (烏鎮B3地塊)	Jiaxing	6.9	–	–	–	1,508	1,508	2023
	Sub-total			**–**	**49,162**	**–**	**1,508**	**50,670**	
	Land Reserves Attributable to the Group			**468,198**	**122,236**	**4,405,105**	**153,255**	**5,148,795**	
	Total Land Reserves			**472,373**	**171,398**	**6,121,454**	**262,982**	**7,028,208**	

Notes:

(1) Includes (i) completed GFA pre-sold but yet delivered, and (ii)completed GFA unsold and available for sale.

(2) Total land bank attributable to the Group equals to the sum of (i) total GFA available for sale and total leasable GFA for completed properties, (ii) total GFA for properties under development, and (iii) total GFA for properties held for future development.

(3) For projects held by joint ventures or associates, total GFA attributable to the Group will be adjusted by the Group's equity interest in the respective project.

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 December 2021, the principal business activity of the Group is property development.

Contracted Sales

The property development business of the Group originated from Shanghai and is deeply rooted in the Yangtze River Delta Economic Region, and gradually expanded to other first-, second- and strong third-tier cities in the Pearl River Delta Economic Zone and the Mid-China Core Economic Region.

For the year ended 31 December 2021, the contracted sales attributable to the Group were approximately RMB14,593 million, representing an increase of approximately 15.3% as compared with the corresponding period in 2020. Such increase was mainly due to the fact that the Group, together with its joint ventures and associates, has been intensively penetrating into regional development, resulting in an increase of its accumulated saleable GFA.

For the year ended 31 December 2021, the contracted GFA sold attributable to the Group of approximately 1,147,745 sq.m., representing an increase of approximately 47.5% as compared with the corresponding period in 2020 and the contracted ASP attributable to the Group of approximately RMB12,714 per sq.m..

The following table sets forth the summary of the contracted sales attributable to the Group by economic regions for the year ended 31 December 2021:

Economic Regions	Contracted sales attributable to the Group in RMB million	Percentage of contracted sales attributable to the Group %	Contracted GFA sold attributable to the Group sq.m.	Contracted ASP attributable to the Group RMB/sq.m.
Yangtze River Delta Economic Region	11,504	78.8	850,192	13,531
Pearl River Delta Economic Zone	1,253	8.6	93,189	13,446
Mid-China Core Economic Region	1,836	12.6	204,364	8,984
Total	**14,593**	**100.0**	**1,147,745**	**12,714**

The following table sets forth the summary of the contracted sales attributable to the Group by cities for the year ended 31 December 2021:

City	Contracted sales attributable to the Group in RMB million	Percentage of contracted sales attributable to the Group %	Contracted GFA sold attributable to the Group sq.m.	Contracted ASP attributable to the Group RMB/sq.m.
Hangzhou	2,428	16.7	105,174	23,086
Wuhu	1,622	11.1	127,615	12,710
Suzhou	1,330	9.1	128,845	10,322
Hefei	1,294	8.9	107,641	12,021
Foshan	1,111	7.6	79,662	13,946
Jinhua	908	6.2	47,047	19,300
Ningbo	900	6.2	57,111	15,759
Wuhan	858	5.9	64,033	13,399
Shangqiu	679	4.7	101,692	6,677
Shaoxing	504	3.5	40,507	12,442
Fuyang	430	3.0	69,278	6,207
Nanjing	404	2.8	15,467	26,120
Shangrao	398	2.7	47,268	8,420
Suzhou	332	2.3	38,481	8,628
Shanghai	316	2.2	22,929	13,782
Xinyang	284	2.0	36,829	7,711
Lishui	168	1.2	13,139	12,786
Zhuji	159	1.1	7,983	19,917
Changzhou	131	0.9	7,243	18,086
Shantou	118	0.8	11,669	10,112
Others	219	1.5	18,132	12,078
Total	**14,593**	**100.0**	**1,147,745**	**12,714**

Note: Contracted sales data is unaudited and is prepared based on internal information of the Group. In view of various uncertainties during the collection of such sales information, such contracted sales data is provided for investors' reference only.

Properties under Development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realizable value. Properties under development are classified as current assets unless those will not be realized in normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

The Group's properties under development increased by approximately 58.0% from approximately RMB12,495.2 million as at 31 December 2020 to approximately RMB19,739.5 million as at 31 December 2021. The increase was mainly due to the increased number of properties under development projects held as at 31 December 2021.

Completed Properties Held for Sale

Completed properties held for sale are stated in the statements of financial position at the lower of cost and net realizable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or estimates based on prevailing marketing conditions.

The Group's completed properties held for sale decreased by approximately 49.8% from approximately RMB1,562.9 million as at 31 December 2020 to approximately RMB784.3 million as at 31 December 2021. The decrease was mainly due to part of those properties were sold and delivered to the customers for the year ended 31 December 2021.

Investment Properties

As at 31 December 2021, the Group had 11 investment properties (primarily include retail spaces adjacent to the Group's residential properties, commercial district shopping plazas and office buildings) with a total and attributable GFA of approximately 197,860 sq.m. and 150,089 sq.m.

Land Bank

During the Year, the Group further defined the "3+X" regional layout system based on the guidance of the regional deep cultivation strategy of urban agglomeration in combination with the Company's development demands and industry trends. Relying on Shanghai, the Group continued to deepen its penetration into the Yangtze River Delta Economic Region, the Pearl River Delta Economic Zone and the Mid-China Core Economic Region, continuously improved the Group's market position and brand awareness in cities that the Group had entered into in selected areas and gradually expanded the new first-, second- and strong third-tier cities with high growth potential that the Group had not entered into so as to reasonably protect the sustainable development of the Group's land bank.

As at 31 December 2021, the planned gross floor area of land bank of the Group, together with its joint ventures and associates, was approximately 7,028,208 sq.m., and the equity area was approximately 5,148,795 sq.m..

During the Year, the Group, together with its joint ventures and associates, had added 24 new projects, with a planned gross floor area of approximately 3,078,137 sq.m., and an average acquisition cost (calculated according to the estimated total GFA) of RMB3,729 per sq.m., of which 13 projects were acquired through public tender, auction or listing-for-sale held by the government, and 11 projects were cooperated with third-party business partners through joint ventures and associates, or acquiring equity interests in companies that possess land use rights.

The following table sets forth the details of additional property projects of the Group together with its joint ventures and associates for the year ended 31 December 2021:

City	Project/Land Parcel	Project Type	Interest Attributable to the Group %	Land Parcels Area in sq.m	Estimated GFA in sq.m	Average Acquisition Cost (Based on Estimated GFA) RMB/sq.m.
Yangtze River Delta Economic Region						
Lishui	Lishui • Chongwenli (麗水•崇文里)	Residential/ Commercial	30.0	54,837	128,513	2,665
Nantong	Nantong • Chenxing Garden (南通•宸星雅苑)	Residential/ Commercial	15.6	31,017	91,416	5,524
Hangzhou	Hangzhou • Yuezhen Mansion (杭州•樾臻府)	Residential/ Commercial	24.9	25,998	87,933	2,697
Jiaxing	Block B3, Wuzhen (烏鎮B3地塊)	Commercial	6.9	36,630	21,978	4,018
Jiaxing	Block B4, Wuzhen (烏鎮B4地塊)	Residential/ Commercial	30.0	32,652	113,494	3,035
Jiaxing	Block B5, Wuzhen (烏鎮B5地塊)	Residential/ Commercial	30.0	36,455	127,510	2,686
Wuxi	Wuxi • Mindcloud Mansion (無錫•雲錦東方)	Residential/ Commercial	15.0	53,937	156,330	6,580
Bengbu	Bengbu • Yunqi Metropolis (蚌埠•雲啟都會)	Residential/ Commercial	51.0	35,708	80,114	3,458
Jinhua	Jinhua • Dongyang Yunzhuxiyu (金華•東陽雲築溪語)	Residential	34.0	16,169	68,418	4,429
Wenzhou	Wenzhou • Yueqing Yunqi Fenghua (溫州•樂清雲棲風華)	Residential/ Commercial	50.0	21,570	71,745	2,899
Suzhou	Suzhou • TaicangMindcloud Mountainview (蘇州•太倉雲棲麓)	Residential	33.0	16,999	47,915	6,307
Hefei	Hefei • Jingcui Four Seasons (合肥•晶萃四季)	Residential/ Commercial	51.0	46,487	108,460	5,272
Jinhua	Jinhua • Yiwu Yunqifengjing (金華•義烏雲起峰境)	Residential/ Commercial	25.0	38,951	140,613	6,258
Jinhua	Jinhua • Lanxi Yunqitaoyuan (金華•蘭溪雲棲桃源)	Residential	45.9	46,690	131,778	5,446
Wenzhou	Wenzhou • Yueqing Mindcloud Mountainview (溫州•樂清雲棲麓)	Residential	30.0	35,882	118,010	3,288

City	Project/Land Parcel	Project Type	Interest Attributable to the Group %	Land Parcels Area in sq.m	Estimated GFA in sq.m	Average Acquisition Cost (Based on Estimated GFA) RMB/sq.m.
Pearl River Delta Economic Zone						
Shantou	Shantou • Joy Mansion (汕頭•檀悦府)	Residential/ Commercial	24.1	62,413	336,768	3,062
Guangzhou	Guangzhou • Yunjing Fenghua (廣州•雲境風華)	Residential/ Commercial	20.0	17,258	72,665	10,613
Mid-China Core Economic Region						
Xinyang	Xinyang • Tianyue (信陽•天悦)	Residential/ Commercial	70.0	84,176	254,720	2,403
Xinyang	Xinyang • Tianjing (信陽•天境)	Residential/ Commercial	70.0	40,839	103,822	2,590
Xinyang	Xinyang • Tianxi (信陽•天璽)	Residential/ Commercial	70.0	60,433	154,889	2,572
Wuhan	Wuhan •Yunqi Metropolis (武漢•雲啟都會)	Residential/ Commercial	51.0	13,155	58,458	4,297
Wuhan	Wuhan Yangluo P (2020) No. 186 Land Parcel (武漢陽邏P(2020)186號地塊)	Residential/ Commercial	51.0	104,832	298,139	2,131
Zhengzhou	Zhengzhou • Seasons Fenghua (鄭州•四季風華)	Residential	49.0	60,690	203,252	2,696
Wuhan	Wuhan • Yuehu Peninsula (武漢•樾湖半島)	Residential	36.3	39,197	101,197	4,201
Total				**1,012,975**	**3,078,137**	**3,729**

FINANCIAL REVIEW

Revenue

The revenue of the Group consists of revenue derived from: (i) sales of properties; (ii) property lease income; and (iii) project management services. For the year ended 31 December 2021, approximately 97.8% (2020: 98.1%) of the Group's revenue was derived from sales of properties and approximately 2.2% (2020: 1.9%) was derived from property lease income and project management services.

The Group's revenue increased by approximately 1.8% from approximately RMB8,190.6 million for the year ended 31 December 2020 to approximately RMB8,340.1 million for the year ended 31 December 2021. The increase was mainly due to the increase in the revenue recognised from sales of properties.

The table below sets forth a summary of the recognized revenue by business for the years indicated:

	Year ended 31 December			
	2021		2020	
	Revenue in RMB million	Percentage of total revenue %	Revenue in RMB million	Percentage of total revenue %
Sale of properties	8,159	97.8	8,038	98.1
Property lease income	60	0.7	47	0.6
Project management services	121	1.5	106	1.3
Total	8,340	100.0	8,191	100.0

Revenue from sales of properties

Revenue from sales of properties has constituted, and is expected to continue to constitute, a substantial portion of the Group's total revenue and approximately 97.8% of the total revenue during the Year.

The Group's operating results for any given period depend on the GFA and selling price of the properties delivered by the Group in the relevant period and the market demand for such properties. According to industry practice, the Group typically enters into purchase contracts with customers when the properties are still under development but have already satisfied the conditions for pre-sale in accordance with the PRC laws and regulations. In general, it takes it at least one year from commencement of the pre-sale of the properties under development to the construction completion of such properties. The Group does not recognize revenue from any pre-sold properties until the construction completion of such properties and the ownership of the properties having been transferred to the customers.

Revenue from sales of properties increased by approximately 1.5% from approximately RMB8,038.1 million for the year ended 31 December 2020 to approximately RMB8,158.8 million for the year ended 31 December 2021, mainly due to the higher ASP of the completed.

Revenue from property lease

Rental income from the investment properties increased by approximately 29.0% from RMB46.7 million for the year ended 31 December 2020 to RMB60.2 million for the year ended 31 December 2021, mainly due to the easing of the novel coronavirus epidemic in the first half and normalized in the second half.

Revenue from project management services

Revenue from the provision of project management services increased by approximately 14.5% from RMB105.8 million for the year ended 31 December 2020 to RMB121.1 million for the year ended 31 December 2021, mainly due to an increase in the number of property projects that require project management services from us compared with the corresponding period in 2020.

Cost of Sales

The Group's cost of sales primarily represents the costs the Group incurs directly for the property development activities as well as property lease and project management services. The principal components of cost of sales for the Group's property development include cost of properties sold, which represents land use right costs, direct construction costs and capitalized interest costs on related borrowings for the purpose of property development during the period of construction.

The Group's cost of sales increased by approximately 12.1% from RMB6,396.2 million for the year ended 31 December 2020 to RMB7,167.9 million for the year ended 31 December 2021, mainly due to an increase of average land acquisition cost per sq.m. of the delivered property projects.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately 34.7% from RMB1,794.4 million for the year ended 31 December 2020 to RMB1,172.2 million for the year ended 31 December 2021.

The gross profit margin decreased from approximately 21.9% for the year ended 31 December 2020 to approximately 14.1% for the year ended 31 December 2021, primarily due to the geographical difference and higher gross profit margin of the delivered properties in the previous year.

Finance Income

Finance income mainly refers to the interest income of bank deposits. The finance income of the Group increased by approximately 384.4% from RMB17.3 million for the year ended 31 December 2020 to RMB83.8 million for the year ended 31 December 2021, mainly due to an increase in the average balance of bank deposits.

Other Income and Gains

Other income and gains of the Group increased from RMB8.3 million for the year ended 31 December 2020 to RMB96.9 million for the year ended 31 December 2021, mainly due to increase in (1) the exchange gains due to exchange rate changes; (2) the gain on the disposal of subsidiaries; (3) the remeasurement gain on investments in joint ventures held before business combination.

Selling and Distribution Expenses

The selling and distribution expenses primarily consist of (i) sales commissions; (ii) advertising and marketing expenses; (iii) staff costs; (iv) property management fees; and (v) office expenses. The Group's selling and distribution expenses increased by approximately 11.3% from RMB240.1 million for the year ended 31 December 2020 to RMB267.3 million for the year ended 31 December 2021, mainly due to an increase in the number of projects on sale incurring additional sales commissions and advertising activities.

Administrative Expenses

Administrative expenses primarily consist of staff costs, traveling and office expenses, professional fees, entertainment expenses, depreciation and amortization, tax charges. The administrative expenses of the Group increased by approximately 16.5% from RMB277.5 million for the year ended 31 December 2020 to RMB323.3 million for the year ended 31 December 2021, mainly due to increase in staff costs and office expenses as the Group further scaled up and accelerated its expansion.

Impairment Losses on Financial Assets

Impairment losses on financial assets presents that the Group made prudent general provisions for losses arising from potential bad debts in respect of the financial assets. The Group reversed impairment losses of RMB1.0 million for the year ended 31 December 2020, and recognised impairment losses of RMB1.3 million for the year ended 31 December 2021.

Other Expenses

Other expenses of the Group increased from RMB7.2 million for the year ended 31 December 2020 to RMB13.5 million for the year ended 31 December 2021.

Fair Value Gains on Investment Properties

Fair value gains on investment properties represent the changes in the fair value of investment properties of certain commercial areas developed and held by the Group for the purpose of earning rental income or capital appreciation. Fair value gains on investment properties of the Group decreased by approximately 52.8% from RMB102.5 million for the year ended 31 December 2020 to RMB48.4 million for the year ended 31 December 2021, mainly due to a decrease of GFA of investment properties for the year ended 31 December 2021.

Fair Value (Losses)/Gains on Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss of the Group changed from the gain of RMB0.4 million for the year ended 31 December 2020 to the loss of RMB74.2 million for the year ended 31 December 2021, mainly due to the purchase of an additional financial product during the Year and the subsequent decrease in its fair value.

Finance Costs

Finance costs primarily consist of (i) interest expenses for bank and other borrowings net of capitalized interest relating to properties under development; and (ii) interest expenses arising from contract liabilities, which is related to the pre-sale proceeds of the Group's properties received from customers. Finance costs of the Group increased by approximately 6.8% from RMB302.0 million for the year ended 31 December 2020 to RMB322.5 million for the year ended 31 December 2021, mainly due to an increase in the scale of interest-bearing debt.

Share of Profits and Losses of Joint Ventures and Associates

Share of profits and losses of joint ventures and associates of the Group decreased from RMB234.9 million for the year ended 31 December 2020 to RMB22.8 million for the year ended 31 December 2021, mainly due to the absence of the delivery of property projects held by the Group's joint ventures and associates during the year.

Income Tax Credit/(Expense)

The income tax expense of the Group mainly includes provisions for PRC corporate income tax and land appreciation tax ("**LAT**"), net of deferred tax. The income tax expense of the Group decreased from RMB446.9 million for the year ended 31 December 2020 to the income tax credit of RMB161.6 million for the year ended 31 December 2021, mainly due to (i) the lower gross profit of the delivered property projects during the Year; and (ii) the final clearance of LAT for three projects, which were lower than the provision estimated and deducted from the LAT in current year.

Profit for the Year

Profit for the year of the Group decreased by approximately 34.1% from RMB885.2 million for the year ended 31 December 2020 to RMB583.5 million for the year ended 31 December 2021. The profit attributable to the owners of the parent was RMB250.1 million, with a year-on-year decrease of approximately 29.8% from RMB356.1 million in 2020 mainly due to the lower gross profit of the delivered property projects for the year ended 31 December 2021.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group operates in a capital-intensive industry and has financed its working capital, capital expenditure and other capital requirements primarily through (i) internally generated cash flows including proceeds from the pre-sales and sales of its properties and (ii) external financings, such as borrowings from commercial banks, asset management, trust financing, and other financing arrangements. The Group may also look for additional financing opportunities, such as the issuance of corporate bonds, asset-backed securities programs and other debt offerings when needed, to fund the Group property development operations.

Cash Position

As at 31 December 2021, the Group's cash and bank balances (including restricted cash and pledged deposits) were approximately RMB4,483.1 million (31 December 2020: approximately RMB5,333.5 million). Cash and cash equivalents of the Group are denominated in RMB and others are denominated in the U.S. dollar and Hong Kong dollar.

Indebtedness

As at 31 December 2021, the Group's total outstanding borrowings amounted to approximately RMB11,225.1 million (31 December 2020: approximately RMB8,745.4 million). The Group's total secured borrowings are secured by the pledges of one or more of the following categories: properties under development, completed properties held for sale, investment properties, property, plant and equipment, interests in subsidiaries of the Group, pledged deposits and/or guarantees provided by subsidiaries of the Group as collateral or security.

The following table sets forth the Group's total borrowings as of the dates indicated:

	As of 31 December	
	2021 RMB'000	2020 RMB'000
Current		
Bank loans – secured	200,000	–
Other loans – secured	1,234,085	1,568,525
Other loans – unsecured	–	43,400
Current portion of long-term bank loans – secured	1,118,750	202,000
Current portion of long-term other loans – secured	594,500	515,695
Senior notes	2,633,520	
Total current	5,780,855	2,329,620
Non-current		
Bank loans – secured	3,521,458	2,386,000
Other loans – secured	1,922,760	4,029,748
Total non-current	5,444,218	6,415,748
Total	11,225,073	8,745,368

The following table sets forth the maturity profiles of the Group's total borrowings as of the dates indicated:

	As of 31 December	
	2021 RMB '000	2020 RMB '000
Bank loans repayable:		
Within one year	1,318,750	202,000
In the second year	1,680,867	295,000
In the third to the fifth year, inclusive	1,840,591	1,420,000
Beyond five years	–	671,000
	4,840,208	2,588,000
Other loans repayable:		
Within one year	1,828,585	2,127,620
In the second year	1,554,548	2,313,511
In the third to the fifth year, inclusive	368,212	1,716,237
	3,751,345	6,157,368
Senior notes:		
Within one year	2,633,520	
Total	11,225,073	8,745,368

Pledge of Assets

As at 31 December 2021, the Group's borrowings were secured by the Group's assets of RMB13,956.6 million (2020: RMB9,508.0 million), including (i) property, plant and equipment; (ii) investment properties; (iii) properties under development; (iv) completed properties held for sale; and (v) pledged deposits.

Net Gearing Ratio

The net gearing ratio of the Group increased from 54.3% as at 31 December 2020 to 85.9% as at 31 December 2021. Net gearing ratio is calculated by dividing total borrowings less cash and cash equivalents, restricted cash and pledged deposits by total equity.

Financial Risk

The Group's businesses exposed it to various financial risks, including interest rate risk, foreign exchange risk, credit risk and liquidity risk. In order to minimize such risk exposures of the Group, which do not use any derivatives and other instruments for hedging. The Group does not hold or issue financial derivatives for trading purpose.

Interest rate risk

The Group's exposure to changes in market interest rates is primarily related to its interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to hedge interest rate risk and manages its interest cost by using variable rate bank borrowings and other borrowings.

Foreign currency risk

The Group operates its business primarily in China and the majority of its revenues and expenses are denominated in RMB, while the net proceeds from the listing are paid in Hong Kong dollar. As at 31 December 2021, RMB60.2 million of the Group's cash and bank balances were denominated in Hong Kong dollar and the U.S. dollar, and both of them were subject to exchange rate fluctuation. The Group has no foreign currency hedging policy. However, the Group will closely monitor its exchange rate risk in an effort to maintain the Group's cash value.

Credit risk

The Group classifies financial instruments based on common credit risk characteristics (such as instrument type and credit risk level) to identify significant increase in credit risk and to measure impairment. To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and management will perform ongoing credit evaluations of counterparties. The credit terms granted to customers is generally three to six months and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews regularly the recoverable amount of trade receivables 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.

Liquidity risk

The Group aims to maintain sufficient cash through internally generated sales proceeds and an adequate amount of committed credit facilities to meet the Group's operation needs and commitments in respect of property projects. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of lease liabilities and interest-bearing bank and other borrowings.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Company:

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 International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to Note 2.1 to the consolidated financial statements, which states that as at 31 December 2021, the Group's current portion of interest-bearing bank and other borrowings and senior notes amounted to RMB5,780,855,000 while its cash and cash equivalents amounted to RMB2,946,780,000. This condition, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

GOING CONCERN AND MITIGATION MEASURES

In view of such circumstances, the Directors consider that the Group has taken various measures and will have adequate funds available to enable it to operate as a going concern, taken into account the past operating performance of the Group and the following:

a) Subsequent to 31 December 2021, the Company successfully completed exchange offer and consent solicitation with respect to senior notes amounted to RMB1,021,000,000, which effectively extended the maturity date after January 2023, alleviating its cashflow pressure and improving the liquidity of the Group.

b) The Group continues to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds.

c) The Group is actively negotiating with several financial institutions to obtain new loans at a reasonable cost.

d) The Group continues to monitor capital expenditure to balance and relieve cash resource to support operations.

e) The Group continues to take action to tighten cost controls over various operating expenses.

The Directors have reviewed the Group's cash flow forecast covering a period of twelve months from the end of 31 December 2021. They are of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2021 on a going concern basis, and the Audit Committee also agreed with the position of the Directors after full discussion of the material uncertainty related to going concern and the various measures that the Group has taken on an audit committee meeting held on 31 March 2022..

CONTINGENT LIABILITIES

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provide to its customers for their purchases of properties in order to secure the repayment obligations of such customers. The mortgage guarantees to banks in respect of mortgage loans to the Group's customers are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant property ownership certificates to the customers, or (ii) the settlement of mortgage loans by the customers. If a purchaser defaults on the mortgage loan, the Group is typically required to repurchase the underlying property by paying off the mortgage loan. If the Group fails to do so, the mortgagee banks will auction the underlying property and recover the balance from the Group if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, the Group does not conduct independent credit checks on its customers but rely on the credit checks conducted by the mortgagee banks.

The Group also provides guarantees to banks and other institutions in connection with financial facilities granted to the related companies. The Directors consider that no provision is needed in respect of the guarantees, since the fair value is not significant.

The following table sets forth the Group's total guarantees as of the dates indicated:

	As of 31 December	
	2021 **RMB'000**	**2020** **RMB'000**
Guarantees given to banks in connection with facilities granted to the purchasers of the Group's properties	**7,855,867**	6,325,012
Guarantees given to banks and other institutions in connection with facilities granted to the Group's related companies	**4,952,850**	3,698,325
	12,808,717	10,023,337

The Group did not incur any material losses for the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The Directors considered that in the case of default on payments, the net realizable value of the related properties would be sufficient for repaying the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

LEGAL CONTINGENTS

The Group is involved in lawsuits and other proceedings in the ordinary course of business. The Group has assessed the claims and believe that no liabilities resulting from these proceedings will have a material adverse effect on its business, financial condition or operating results.

COMMITMENTS

As of 31 December 2021, the Group's capital commitments for property development activities, acquisition of land use rights, and capital contribution for investments in joint ventures and associates amounted to RMB4,395.8 million (31 December 2020: RMB2,795.1 million).

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as of 31 December 2021, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

SIGNIFICANT INVESTMENTS HELD, MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

During the year ended 31 December 2021, the Company has no other significant investments or material acquisitions or disposals of subsidiaries, joint ventures and associates.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to focus on the current business of property development, and purchase quality land parcels in China. Save as disclosed in this report, the Group did not have any other immediate plans for material investments and capital assets as at 31 December 2021.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company (the "**Shares**") were listed on the Main Board of the Stock Exchange on 17 November 2020. The net proceeds raised from the global offering of the Company and the partial exercise of the over-allotment option in connection therewith, after the deduction of underwriting commission and related expenditures, were approximately HK$1,254 million.

As disclosed in the prospectus of the Company dated 31 October 2020 (the "**Prospectus**"), (i) HK$753 million (representing 60% of the total net proceeds raised) were allocated for projects expenditure; (ii) HK$376 million (representing 30% of the total net proceeds raised) were allocated for loan repayment; and (iii) HK$125 million (representing 10% of the total net proceeds raised) were allocated for general working capital. As disclosed in the interim report of the Company for the six months ended 30 June 2021, HK$302 million for projects expenditure remained unused and net proceeds allocated for other categories had been fully utilized. As at 31 December 2021, all such net proceeds have been used up according to the purposes stated above.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2021, the Group has a total of 1,083 employees (2020: 974). For the year ended 31 December 2021, the Group confirmed staff cost of approximately RMB407 million (2020: approximately RMB241 million). The remuneration package of employees of the Group includes salary and bonuses. In general, we determine employee salaries based on each employee's qualifications, experience, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its determinations on salary raises, bonuses and promotion. The Group also reviews and adjusts its remuneration package by referring to the relevant salary survey in real estate industry published by renowned consulting firms. The Group believes the salaries and benefits that its employees receive are competitive with market standards in each geographic location where the Group conducts business. The Group also pays medical insurance, endowment insurance, maternity insurance, unemployment insurance, work-related injury insurance and housing provident funds as well as related premiums for employees of the Group. In terms of employee training, the Group provides continuous and systematic training to employees according to their positions and expertise, so as to enhance their professional knowledge about the real estate industry and related fields.

To motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group, the Group also adopted restricted share unit (RSU) scheme (the "**RSU Scheme**"). The main provisions of the RSU Scheme were approved by the Board on 27 October 2020, and on 27 January 2021, the Board approved the resolution on "Granting Restricted Share Units to Part of Specific Objects". Further details will be disclosed in the paragraph headed "RESTRICTED STOCK UNIT SCHEME" in the Directors' report of annual report.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Issuance of US$160.2 Million 13.5% Senior Notes due 2023

On 3 January 2022, 21 January 2022 and 24 January 2022, the Company issued the senior notes listed on the Stock Exchange with an aggregate principal amount of US$160.2 million due 2023, which bear interest at a rate of 13.5% per annum, payable in arrears on 3 July 2022 and 2 January 2023. For more details, please refer to the announcements of the Company dated 29 December 2021, 3 January 2022, 4 January 2022, 20 January 2022, 21 January 2022 and 24 January 2022.

Save as disclosed above, the Group has no other significant events after 31 December 2021.

Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Zhu Jing (朱靜), aged 46, is our founder, chief executive officer, chairwoman of the Board and an executive Director. She has over 18 years of experience in the PRC real estate industry. With her extensive experience in the real estate industry, she is principally responsible for the overall management and business operation of the Group, including coordinating board affairs, formulating strategies and operational plans, and making major business decisions. Ms. Zhu has served in various roles of the Group, including chairwoman and executive director at Sunkwan Properties Co., Ltd. (上坤置業有限公司) ("**Sunkwan Properties**") since February 2010, chairwoman at Shanghai Sheshan Country Club Co., Ltd. (上海佘山鄉村俱樂部有限公司) ("**Sheshan Country Club**") since August 2015 and chairwoman at Shanghai Zhaokun Industrial Co., Ltd. (上海兆坤實業有限公司)("Zhaokun Industrial") since October 2018. Ms. Zhu is one of our Controlling Shareholders.

Prior to founding the Group, Ms. Zhu served in various roles at Central China Real Estate Limited (建業地產股份有限公司), a PRC-based real estate developer listed on the Main Board of the Stock Exchange (stock code: 832) from February 2003 to December 2009, with her last position being the vice president of the group.

Ms. Zhu obtained her bachelor's degree in accounting from Zhengzhou University (鄭州大學) in the PRC in July 1999. She also obtained a master's degree in business administration from China-Europe International Business School (中歐國際工商學院) in the PRC in September 2009.

Ms. Sheng Jianjing (盛劍靜), aged 43, is our assistant president and an executive Director. She has more than ten years of experience in the PRC real estate industry. Ms. Sheng is primarily responsible for the day-to-day business operations and overall administration of the Group. Ms. Sheng served as a general manager at Shanghai Sunkwan Industrial Investment Co., Ltd. (上海上坤實業投資有限公司) ("**Sunkwan Industrial**") from March 2010 to April 2014, when she later served as a general manager at Sunkwan Properties from May 2014 to December 2018. She has also been a general manager at Zhaokun Industrial since January 2019. In addition, Ms. Sheng has also been serving as a director at a number of subsidiaries of the Group, including Shanghai Kunhui Property Co., Ltd. (上海坤輝置業有限公司) ("**Shanghai Kunhui**") since October 2016, Cixi Hengkun Property Co., Ltd. since June 2018, Sheshan Country Club since August 2018, Hangzhou Xingkun Property Co., Ltd. (杭州興坤置業有限公司) and Hangzhou Kunxin Property Co., Ltd. (杭州坤鑫置業有限公司) since June 2019. Ms. Sheng graduated from Shanghai University in the PRC, with an associate degree in secretarial science studies in July 2020.

Mr. Yang Zhandong (楊佔東), aged 45, is our executive vice president and an executive Director. He has 13 years of experience in the construction and real estate industry. Mr. Yang is primarily responsible for the development and day-to-day management of the business of the Group. He joined the Group in May 2011 and has served in various roles at a number of subsidiaries of the Group, including director at Shanghai Kunhui since May 2015, general manager and an executive director at Suzhou Kunxiang Property Co., Ltd. (蘇州坤翔置業有限公司) since October 2016, general manager and an executive director at Suzhou Sunkwan Property Co., Ltd. (蘇州上坤置業有限公司) since November 2016, director at Changshu Gongzhu Property Co., Ltd. (常熟市共築房地產有限公司) since September 2017 and director at Changzhou Qiansheng Real Estate Development Co., Ltd. (常州乾晟房地產開發有限公司) since May 2019. Mr. Yang was first appointed vice president of the Group in September 2018.

Prior to joining the Group, Mr. Yang served as a designing deputy manager at Shanghai R&F Properties Limited (上海富力地產有限公司), a real estate developer, from 2008 to 2011. Mr. Yang obtained his bachelor's degree in architectural engineering from Suzhou Urban Construction and Environmental Protection Institute (蘇州城市建設環境保護學院) in the PRC in July 2000.

NON-EXECUTIVE DIRECTORS

Mr. Lin Jinfeng (林勁峰), aged 51, is our non-executive Director. He is primarily responsible for providing strategic advice and recommendations on the operations and management of the Group. Mr. Lin joined the Group as a director at Zhaokun Industrial in May 2018 and was later designated as a non-executive Director of the Group on 24 March 2020. He founded Shenzhen Juwan Investment Development Limited (深圳市巨萬投資發展有限公司), an investment company, in July 1996 and served as the chairman of the board and general manager until May 2003. In 2003, Mr. Lin founded Yingxin Investment Group Co., Ltd. (盈信投資集團股份有限公司), an investment company whose primary business includes real estate investment. He has been serving as a director at Landsea Group Co., Ltd. (朗詩集團股份有限公司), a company principally engaged in property development since May 2007. From September 2016 to September 2019, Mr. Lin also served as a director at Shanghai Landleaf Architecture Technology Co., Ltd. (上海朗綠建築科技股份有限公司), an architectural technology service provider whose shares were listed on the National Equities Exchange and Quotations (stock code: 870998) but were subsequently delisted in March 2020.

Mr. Lin obtained his bachelor's degree in international economies and trade from Shenzhen University in the PRC in July 1994. Mr. Lin also obtained an EMBA degree from China-Europe International Business School (中歐國際工商學院) in the PRC in September 2009. Mr. Lin is one of our Controlling Shareholders.

Ms. Lin Zhaohong (林朝虹), aged 50, is our non-executive Director. She is primarily responsible for providing strategic advice and recommendations on the operations and management of the Group. Ms. Lin joined the Group as a director at Zhaokun Industrial in May 2018 and was later designated as a non-executive Director of the Group on 24 March 2020. Prior to joining the Group, Ms. Lin worked at the Industrial & Commercial Bank of China (Shenzhen Branch) (中國工商銀行深圳分行) from September 1990 to July 2016, with her last position being the general manager of the private banking department. She has also been serving as a director at Shenzhen Ginkgo Gofar Industrial Co., Ltd. (深圳市盈信國富實業有限公司), an investment company controlled by Mr. LIN Jinfeng, since October 2017. Ms. Lin obtained a master's degree in business administration from Xi'an Jiaotong University (西安交通大學) in the PRC in July 2009. Ms. Lin is a shareholder of Ginkgo Gofar Holdings Limited, one of our Controlling Shareholders.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guo Shaomu (郭少牧), aged 56, was appointed our independent non-executive Director on 27 October 2020. He is primarily responsible for providing independent advice on the operations and management of the Group to the Board. Mr. Guo has over 14 years of experience in investment banking in Hong Kong, during which he accumulated ample knowledge in the PRC real estate market.

From February 2000 to February 2001, Mr. Guo served as an associate of corporate finance at Salomon Smith Barney, an investment bank principally engaged in providing financial services (an investment banking arm of Citigroup Inc.), where he was primarily responsible for supporting the marketing and execution efforts of the China team. From March 2001 to September 2005, Mr. Guo served as an associate and an associate director of global investment banking at HSBC Investment Bank Asia Holdings Ltd., an investment bank principally engaged in providing financial services, where he was primarily responsible for the execution of China-related transactions. From October 2005 to April 2007, Mr. Guo served as a vice president and a director of the real estate team at J.P. Morgan Investment Banking Asia, an investment bank principally engaged in financial services, where he was primarily responsible for marketing efforts covering the real estate sector in the PRC. From April 2007 to April 2013, Mr. Guo served as a director and a managing director of the real estate team at Morgan Stanley Investment Banking Asia, an investment bank primarily engaged in providing financial services, where he was one of the key members responsible for the business in the real estate sector in the Greater China region. Moreover, since June 2014, Mr. Guo has been serving as an independent non-executive director at Yida China Holdings Limited (億達中國控股有限公司), a property developer listed on the Main Board of the Stock Exchange (stock code: 3639). He is also an independent non-executive director at Fantasia Holdings Group Co., Limited (花樣年控股集團有限公司), a property developer listed on the Main

Board of the Stock Exchange (stock code: 1777), and Ganglong China Property Group Limited (港龍中國地產集團有限公司), a property developer listed on the Main Board of the Stock Exchange (stock code: 6968) since February 2015 and June 2020, respectively.

Mr. Guo received his bachelor's degree in electrical engineering from Zhejiang University (浙江大學) in the PRC in July 1989, a master's degree in computer engineering from the University of Southern California and a master's degree in business administration from the School of Management of Yale University in the United States in May 1993 and May 1998, respectively.

Mr. Au Yeung Po Fung (歐陽寶豐), aged 54, was appointed our independent non-executive Director on 27 October 2020. He is primarily responsible for providing independent advice on the operations and management of the Group to the Board. He held various senior management positions in the following companies in the real estate industry: Beijing Huahong Group Co., Ltd. (北京華鴻集團), Sansheng Holdings (Group) Co., Ltd. (三盛控股(集團)有限公司), Fujian Sansheng Property Development Company Limited (福建三盛房地產開發有限公司), South China Assets Holding Limited (南華資產控股有限公司), Shenzhen Tianlai Tourism Property Group (深圳天萊文旅地產集團), Fosun Industrial Holdings Limited (復星地產控股有限公司) (a subsidiary of Fosun International Limited), Sun Hung Kai Properties Limited (新鴻基地產發展有限公司), Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司) and Greenland Hong Kong Holdings Limited (綠地香港控股有限公司).

Mr. AU YEUNG graduated from The Hong Kong Polytechnic College (now known as The Hong Kong Polytechnic University) in November 1990 with a bachelor's degree in business studies. He was admitted as fellow of the Association of Chartered Certified Accountants in November 2000, a fellow of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants (HKICPA)) in May 2003, a chartered financial analyst of the CFA Institute in September 2006, and a fellow of the Institute of Chartered Accountants in England and Wales in July 2015.

Mr. Au Yeung has extensive experience in the PRC real estate industry. He held various senior management positions in the following companies in the real estate industry:

Period of Services	Name of Company	Principal Business	Place of Listing and Stock code	Position(s)
March 2018 to October 2018	Beijing Huahong Group Co., Ltd. (北京華鴻集團)	Real estate development and property management	N/A	Group chief financial officer
August 2017 to January 2018	Sansheng Holdings (Group) Co. Ltd. (三盛控股(集團）有限公司)	Property development and investment	Stock Exchange (stock code: 2183)	Chief financial officer
	Fujian Sansheng Property Development Company Limited (福建三盛房地產開發有限公司)	Commerce, property development and industry investment	N/A	Vice president
July 2016 to September 2017	South China Assets Holding Limited (南華資產控股有限公司)	Commercial property development	Stock Exchange (stock code: 8155)	Chief financial officer
October 2014 to July 2015	Shenzhen Tianlai Tourism Property Group (深圳天萊文旅地產集團)	Commercial property development	N/A	Group vice president and vice president of finance

Directors and Senior Management

Period of Services	Name of Company	Principal Business	Place of Listing and Stock code	Position(s)
February 2014 to September 2014	Fosun Industrial Holdings Limited (復星地產控股有限公司) (a subsidiary of Fosun International Limited (復星國際有限公司))	Global real estate investment and management	Stock Exchange (stock code: 656)	Vice president and chief financial officer
October 2011 to December 2013	Sun Hung Kai Properties Limited (新鴻基地產發展有限公司)	Development of properties for sale and investment	Stock Exchange (stock code: 16)	Chief financial officer (Mainland operations)
November 2007 to October 2011	Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司)	Commercial real estate development and investment, property management and hotel development	Stock Exchange (stock code: 1238)	Chief financial officer
From July 2006 to November 2007	Greenland Hong Kong Holdings Limited (綠地香港控股有限公司)	Property development and management, property and hotel investment	Main Board of the Stock Exchange (stock code: 337)	Group financial controller
From March 2005 to October 2005	Landsea Green Group Co., Ltd. (currently known as Landsea Green Properties Co., Ltd. (朗詩綠色地產有限公司))	Real estate development and property investment	Main Board of the Stock Exchange (stock code: 106)	Certified accountant and company secretary
From December 1996 to May 1998	Fu Wah International Enterprises Group Ltd. (富華國際集團有限公司)	Commercial property development and management in the PRC	N/A	Financial controller

In addition, Mr. Au Yeung holds or had held directorships in the following listed companies:

Period of Services	Name of Company	Principal Business	Place of Listing and Stock code	Position(s)
June 2020 to present	Zhenro Services Group Limited (正榮服務集團有限公司)	Property management	Stock Exchange (stock code: 6958)	Independent nonexecutive director, chairman of the remuneration committee and member of the nomination committee
August 2019 to present	Sinic Holdings (Group) Company Limited (新力控股(集團)有限公司)	Property development and property leasing	Stock Exchange (stock code: 2103)	Independent non-executive director, chairman of the remuneration committee, member of the audit committee and the nomination committee
June 2019 to present	Zhongliang Holdings Group Company Limited (中梁控股集團有限公司)	Property development, property management, property leasing and management consulting	Stock Exchange (stock code: 2772)	Independent non-executive director, chairman of the audit committee and member of the remuneration committee
June 2018 to present	eBroker Group Limited (電子交易集團有限公司)	Financial technology solution provider	GEM of the Stock Exchange (stock code: 8036)	Independent non-executive director, chairman of the audit committee and member of the remuneration committee
June 2018 to present	Redsun Properties Group Limited (弘陽地產集團有限公司)	Real estate development	Stock Exchange (stock code: 1996)	Independent non-executive director, member of the audit committee, the remuneration committee and the nomination committee
May 2018 to June 2021	Shanshan Brand Management Co., Ltd. (杉杉品牌運營股份有限公司)	Design, marketing and sales of formal and casual business menswear	Stock Exchange (stock code: 1749)	Independent non-executive director, chairman of the audit committee
July 2017 to February 2020	GR Properties Limited (國銳地產有限公司)	Property development and management	Stock Exchange (stock code: 108)	Independent non-executive director, member of the audit committee, the remuneration committee and the nomination committee

Period of Services	Name of Company	Principal Business	Place of Listing and Stock code	Position(s)
July 2016 to September 2019	China LNG Group Limited (中國天然氣有限公司)	Asset management and new energy development	Stock Exchange (stock code: 931)	Independent non-executive director, member of the audit committee, the remuneration committee and the nomination committee
May 2016 to September 2016	Kiu Hung International Holdings Limited (僑雄國際控股有限公司)	Toys, resources and leisure-related business	Stock Exchange (stock code: 381)	Independent non-executive director

Mr. Zhou Zheren (周喆人), aged 45, was appointed our independent non-executive Director on 27 October 2020. He is primarily responsible for providing independent advice on the operations and management of the Group to the Board. Mr. Zhou has extensive experience in legal matters and serving at listed companies. Mr. Zhou served as an executive director and chairman at Sky Chinafortune Holdings Group Limited (天禧海嘉控股集團有限公司), a property investment company listed on the Main Board of the Stock Exchange (stock code: 141) from June 2016 to June 2017. Since June 2014 to August 2018, Mr. Zhou has been serving as an external supervisor at Shengjing Bank Co., Ltd. (盛京銀行股份有限公司), a banking services provider listed on the Main Board of the Stock Exchange (stock code: 2066) where, pursuant to its articles of association, he shall fulfill his supervision responsibilities, including but not limited to, attending and voting at the meetings of the supervisory board, supervising the board of directors and senior management, and proposing the removal of directors or senior management who are in violation of the law and statutes. Mr. Zhou has been serving as an arbitrator at Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) (上海國際經濟貿易仲裁委員會(上海國際仲裁中心)) since May 2018. Since February 2019, he also served as an arbitrator at Shenzhen Court of International Arbitration (Shenzhen Arbitration Commission) (深圳國際仲裁院(深圳仲裁委員會)). In addition, Mr. Zhou was appointed a director of Huaxin Trust Co., Ltd. (華信信託股份有限公司), a trust company, since March 2016 to July 2020.

Mr. Zhou received a bachelor's degree in international economic laws from East China University of Politics and Law (華東政法大學, formerly known as East China College of Political Science and Law (華東政法學院)) in the PRC in July 1999. He further obtained his master's degree in laws from the University of Technology in Sydney, Australia in September 2004. He has been qualified as a PRC lawyer upon approval from the Review Committee of Lawyer Committee of Lawyer Qualification under the PRC Ministry of Justice since February 2000. He is also qualified to act as an independent director in PRC-listed companies as recognized by the Shanghai Stock Exchange in November 2010.

SENIOR MANAGEMENT

Mr. Feng Huiming (馮輝明), aged 51, joined the Group and was appointed the executive president of the Group on 6 May 2020. He has also been serving as the executive president at Zhaokun Industrial since May 2020. Mr. Feng is primarily responsible for assisting the chairwoman in formulating the Group's development strategies and overseeing the financial affairs of the Group. Mr. Feng resigned from the Group in February 2021 due to personal development.

Prior to joining the Group, Mr. Feng served in various roles at Shenzhen Jubang Enterprise General Company (深圳市巨邦企業總公司), a hospitality services provider, including deputy manager of the finance department, general manager assistant and executive director from July 1996 to October 2000. From November 2000 to March 2002, he worked as a senior manager of the investment banking division and as a supervising manager of the brokerage department at Yingda Securities Co., Ltd. (英大證券有限責任公司). Mr. Feng worked as a deputy general manager and a financial officer at Shenzhen Fuyida Investment Development Co., Ltd. (深圳市富怡達投資發展有限公司) from March 2002 to April 2003. He then served in various roles at Kaisa Group Holdings Ltd., an integrated real estate company listed on the Main Board of the Stock Exchange (stock code: 1638), including manager of the investment and development department and financial officer at Kaisa Property (Shenzhen) Co., Ltd. (佳兆業地產(深圳)有限公司) from August 2003 to March 2004, and as the vice president of the group from September 2012 to December 2012. Mr. Feng worked as a general manager at Suzhou Fuyin Investment Development Co., Ltd. (蘇州市富銀投資發展有限公司), an investment company, from April 2004 to April 2005. From April 2005 to September 2012, he served in various positions at Fantasia Holdings Group Co., Limited, a property developer listed on the Main Board of the Stock Exchange (stock code: 1777), including deputy general manager, vice president and an executive director. Later, Mr. Feng served as the group's vice president at Shenzhen Baoneng Investment Group Co., Ltd. (深圳市寶能投資集團有限公司), an urban property developer, from January 2013 to July 2014. From August 2014 to December 2015, he served as an assistant president at Henderson China Properties Limited (恒基中國地產有限公司), a subsidiary of Henderson Land Development Company Limited, a real estate developer listed on the Main Board of the Stock Exchange (stock code: 12). Mr. Feng served as the vice president at Chongqing Sincere Holdings Group Co., Ltd. (重慶協信控股(集團)有限公司), a PRC-based enterprise group with a primary focus on real estate investment, operation and management, from December 2016 to October 2018. From October 2018 to April 2020, he served as the general vice president at Shanghai Sansheng Hongye Investment (Group) Company Limited (上海三盛宏業投資(集團)有限責任公司), an investment and development company with investment in real estate in the PRC.

Mr. Feng obtained a bachelor's degree in forestry economics and management from Northeast Forestry University (東北林業大學) in the PRC in July 1993. He received his master's degree in economics from Zhongnan University of Economics (currently known as Zhongnan University of Economics and Law) in the PRC in June 1996.

Ms. Tong Wenyan (佟文艷), aged 41, joined the Group as the vice president at Sunkwan Properties in November 2018 and was appointed the vice president of the Group on 24 March 2020. She has also served as the vice president at Zhaokun Industrial since January 2019. Ms. Tong is primarily responsible for brand development, sales and marketing management and customer relations of the Group. Ms. Tong resigned from the Group in January 2021 as she hopes to focus on other personal development.

Prior to joining the Group, Ms. Tong served as a division deputy director of sales at Greenland Holdings Corp., Ltd., a real estate developer listed on the Shanghai Stock Exchange (stock code: 600606) from April 2011 to September 2015. From September 2015 to January 2018, Ms. Tong served as an assistant general manager of the Shanghai business division at CIFI Holdings (Group) Co. Ltd. (旭輝控股(集團)有限公司), a real estate development company listed on the Main Board of the Stock Exchange (stock code: 884). She also served as a regional deputy sales general manager in Shanghai at Tahoe Group Co., Ltd, a China-based real estate company listed on the Shenzhen Stock Exchange (stock code: 000732) from March 2018 to October 2018.

Ms. Tong obtained a bachelor's degree in philosophy from Beijing Normal University in the PRC in July 2005.

Mr. Liang Jing (梁晶), aged 39, joined the Group as an assistant president at Sunkwan Properties in September 2017 and was appointed an assistant president of the Group on 24 March 2020. Mr. Liang is primarily responsible for product development and commercial asset management of the Group. He has over 13 years of experience in the construction designing and real estate industry. Prior to joining the Group, Mr. Liang worked as a project manager at PDG International Group Co., Ltd. (泛太平洋設計集團有限公司(加拿大)), an architecture design company, from July 2006 to October 2009. He then served as a designing manager at CapitaLand (China) Investment Co., Ltd. (凱德置地投資有限公司), a subsidiary of CapitaLand Limited, a real estate company listed on the Singapore Stock Exchange (stock code: C31), from 2009 to 2012. He also served as the design director at Shanghai Vanke Enterprise Limited (上海萬科企業有限公司), a real estate developer, from 2012 to 2016 and served as the design director at Shanghai Zhengda Dijing Investment Management Limited (上海正大帝景投資管理有限公司) September 2016 to September 2017.

Mr. Liang obtained a bachelor's degree in architecture from Dongnan University (東南大學) in the PRC in July 2006.

Ms. Lu Shiyuan (陸石媛), aged 41, joined the Group in February 2015 and was appointed an assistant president of the Group on 24 March 2020. She was also appointed as a joint company secretary on 24 March 2020 and with effect from 27 October 2020. Ms. Lu is primarily responsible for the financial and capital management of the Group and company secretarial matters of the Company. She has 18 years of experience in financial management. Ms. Lu joined the Group in March 2015 and she has served in various roles of the Group, including general manager at Shanghai Qianrong Property Co., Ltd. from May 2015 to August 2015, general manager at Sunkwan Properties from August 2015 to December 2018, and general manager at Zhaokun Industrial since January 2019. Prior to joining the Group, Ms. Lu served as the chief financial officer of Shanghai Sansheng Real Estate (Group) Co., Ltd. (上海三盛房地產(集團)有限責任公司), a real estate developer, where she was responsible for its overall financial affairs from July 2002 to December 2014.

Ms. Lu obtained a bachelor's degree in accounting from Zhejiang University of Finance & Economics in the PRC in June 2002 and a master's degree in business administration from East China University of Science and Technology (華東理工大學) in the PRC in March 2010.

JOINT COMPANY SECRETARIES

Mr. Lee Leong Yin (李亮賢), aged 34, was appointed a joint company secretary of the Company on 24 March 2020 and with effect from 27 October 2020. He is primarily responsible for the overall company secretarial matters of the Group. Mr. Lee has over ten years of experience in the corporate secretarial field. He obtained a bachelor's degree of business administration in corporate administration from The Open University of Hong Kong in August 2010. He is an associate member of The Hong Kong institute of Chartered Secretaries and The Chartered Governance Institute.

Mr. Lee Leong Yin has resigned as the joint company secretary of the Company (the "**Joint Company Secretary**") from 31 May 2021 and Mr. Lee has confirmed that he has no disagreement with the Board and there is no matter relating to his resignation that needs to be brought to the attention of the Shareholders and/or the Stock Exchange.

Ms. Lau Jeanie (劉准羽), aged 44, has been appointed as a Joint Company Secretary, Process Agent and Authorised Representative in replacement of Mr. Lee Leong Yin with effect from 31 May 2021. Ms. Lau is an Assistant Vice President of Corporate Secretarial Department of SWCS Corporate Services Group (Hong Kong) Limited. She is an associate member of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in England and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). She has over 16 years of experience in corporate secretarial practice. She has been providing corporate services to companies overseas and in Hong Kong. Ms. Lau had been a company secretary of various listed companies on the Main Board of the Stock Exchange over the last 10 years.

Ms. Lu Shiyuan (陸石媛), is a joint company secretary of the Company. For biographical details of Ms. Lu, please see " Directors and Senior Management – Senior Management."

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders, enhance corporate value as well as our responsibility and commitment. During the year ended 31 December 2021, the Company had adopted, applied and complied with the provisions of the Corporate Governance Code (the "**Corporate Governance Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), save for the non-compliance with the then applicable Code Provision A.2.1 of the Corporate Governance Code as described below.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 a guideline on securities transactions of the Company for the Directors for the year ended 31 December 2021. In response to the specific enquiry of the Company, all Directors have confirmed that they have complied with the provisions set out in the Model Code during the year ended 31 December 2021.

Employees of the Company who may have inside information about the Company have also complied with the Model Code. The Company was not aware of any incidents of non-compliance by employees with the Model Code during the year ended 31 December 2021.

BOARD OF DIRECTORS

1. Responsibility

The Board is responsible for leading and controlling the Company, and supervising, reviewing and approving the major decisions related to the financial performance, strategic development goals and operations of the Company. The Board delegates to the management authority and responsibility for the Company's daily operations and businesses management according to the Board's instructions. The Board has established various committees and delegated a number of duties to its audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**") and nomination committee (the "**Nomination Committee**") (collectively, "**Board committees**"). All the Board committees perform their duties in accordance with respective scope of duties. All Directors shall ensure that they act honestly and comply with applicable laws and regulations, and at all times perform their duties in a manner that is in the interests of the Company and Shareholders.

2. Composition of the Board

The composition of the Board as at the date of this annual report are as follows:

Executive Directors

Ms. Zhu Jing *(Chairwoman and chief executive officer)*
Ms. Sheng Jianjing
Mr. Yang Zhandong

Non-executive Directors

Mr. Lin Jinfeng
Ms. Lin Zhaohong

Independent non-executive Directors

Mr. Guo Shaomu
Mr. Au Yeung Po Fung
Mr. Zhou Zheren

None of the members of the Board has any financial, business, family or other material relationship with each other.

For the year ended 31 December 2021, the Board had complied with Rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of at least three independent non-executive Directors, and at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. Three independent non-executive Directors represent over one-third of the Board, which is compliant with the requirement of Rule 3.10A of the Listing Rules that an issuer must appoint independent non-executive directors representing at least one-third of the board. The Board believes that the composition of the members of the Board provides sufficient independence to safeguard the interests of the Shareholders.

The Company has received annual written confirmations regarding their respective independence from each independent non-executive Director pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent persons pursuant to the Listing Rules.

3. Appointment, Re-election and Retirement of Directors

Each of Directors has entered into service contract/letter of appointment with the Company, each for a term of three years, subject to retirement by rotation in accordance with the articles of association (the "**Articles of Association**") of the Company.

Article 84(1) of the amended and restated Articles of Association provides that at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Also, Article 83(3) of the Articles of Association provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Shareholders after his appointment and be subject to re-election at such meeting and 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.

Accordingly, in accordance with Article 84(1) of the Articles of Association, Ms. Zhu Jing and Mr. Zhou Zheren had retired by rotation at the 2021 Annual General Meeting and in accordance with Article 83(3) of the Articles of Association, Ms. Sheng Jianjing, Mr. Yang Zhandong, Mr. Lin Jinfeng and Ms. Lin Zhaohong had retired by rotation at the 2021 Annual General Meeting. The retiring Directors aforementioned had being re-elected at the 2021 Annual General Meeting.

4. Induction Guidance and Continuous Development of Directors

Each Director will be provided with the necessary induction training and information to ensure they are adequately informed of the operations and businesses of the Company and their responsibilities under relevant regulations, articles, laws, rules and ordinances. The Company will continue to regularly arrange training sessions for Directors in order to provide them with the latest developments and changes regarding the Listing Rules and other relevant laws and regulations. Directors are also provided with updates from time to time about the Company's performance, status and prospect, so that the Board as a whole and each Director can fulfil their respective duties.

For the year ended 31 December 2021, all Directors had received the training sessions organized by the Company. The training sessions covered the continuity obligation of a listed company and its directors, the disclosure obligation of a listed company and updates of the Listing Rules.

According to the records provided by the Directors, the training attended by all the Directors for the year ended 31 December 2021 is summarized as follows:

Name of Directors	Training
Executive Directors	
Ms. Zhu Jing	√
Ms. Sheng Jianjing	√
Mr. Yang Zhandong	√
Non-executive Directors	
Mr. Lin Jinfeng	√
Ms. Lin Zhaohong	√
Independent non-executive Directors	
Mr. Guo Shaomu	√
Mr. Au Yeung Po Fung	√
Mr. Zhou Zheren	√

5. Attendance Records of the Board Meetings and General Meetings

The Company has adopted the practice of holding Board meetings regularly. Notice of not less than 14 days is given of all regular Board meetings to provide all Directors with the opportunity to attend and include matters in the agenda. The agenda and accompanying board papers are despatched to the Directors or Board Committee members at least three days before meetings to ensure that they have sufficient time to review these documents and be adequately prepared. When Directors or Board Committee members are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

Minutes of the Board meetings and the Board Committee meetings are recorded in detail and include the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors within a reasonable time after the date on which the meeting is held so that they have an opportunity to request amendments. Apart from regular Board meetings, the Chairman of the Board will hold a meeting solely with the independent non-executive Directors annually.

For the year ended 31 December 2021, six Board meetings were held. The individual attendance records of each Director at the meetings of the Board, Nomination Committee, Remuneration Committee, Audit Committee and the general meeting of the Company are set out as follows:

Name of Directors	Number of Board meetings attended/held	Number of Nomination Committee attended/held	Number of Remuneration Committee attended/held	Number of Audit Committee attended/held	Number of General Meeting of shareholders attended/held
Executive Directors					
Ms. Zhu Jing *(Chairwoman)*	6/6	1/1			1/1
Ms. Sheng Jianjing	6/6		2/2		1/1
Mr. Yang Zhandong	6/6				1/1
Non-executive Directors					
Mr. Lin Jinfeng	6/6				1/1
Ms. Lin Zhaohong	6/6				1/1
Independent non-executive Directors					
Mr. Guo Shaomu	6/6	1/1	2/2	3/3	1/1
Mr. Au Yeung Po Fung	6/6			3/3	1/1
Mr. Zhou Zheren	6/6	1/1	2/2	3/3	1/1

6. Chairman of the Board and Chief Executive Officer

The then applicable Code Provision A.2.1 of the Corporate Governance Code states that the roles of Chairman of the board and chief executive should be separate and should not be performed by the same individual. Ms. Zhu Jing ("**Ms. Zhu**") is the chairwoman of the Board and chief executive officer of the Company. As Ms. Zhu has been responsible for the day-to-day operations and management of the Group since its establishment, the Board considers that it is in the best interests of the Group to have Ms. Zhu taking up both roles of chairwoman of the Board and chief executive officer for effective management and business development. The Board therefore considers it is appropriate to deviate from the then applicable Code Provision A.2.1 of the Corporate Governance Code in such circumstances. Notwithstanding the foregoing, the Board considers that the management structure is effective for the operation of the Group and those adequate checks and balances have been put in place.

BOARD COMMITTEES

1. Audit Committee

The Company established an Audit Committee in compliance with Rules 3.21 to 3.23 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Audit Committee are to review, supervise and approve the financial reporting process and risk management and internal control system and to provide advice and comments to the Board.

Members of the Audit Committee are Mr. Au Yeung Po Fung, Mr. Guo Shaomu and Mr. Zhou Zheren, independent non-executive Directors. Mr. Au Yeung Po Fung is the chairman of the Audit Committee.

For the year ended 31 December 2021, three meetings of the Audit Committee were held. The work performed by Audit Committee during the year ended 31 December 2021 includes but not limited to (i) reviewing annual results of 2020 and annual report of 2020, interim results of 2021 and interim report of 2021; (ii) reviewing audit and review reports of the auditors; (iii) reviewing the effectiveness of the risk management and internal control systems of the Group; (iv) reviewing the continuing connected transactions; (v) considering the re-appointment of external auditor of the Company; (vi) reviewing the resources of accounting and financial reporting functions of the Group; and (vii) reviewing the effectiveness of the Company's internal audit function.

2. Remuneration Committee

The Company established a Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Remuneration Committee are to establish, review and make recommendations to the Directors on the Group's policy and structure concerning remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

Members of the Remuneration Committee are Mr. Guo Shaomu and Mr. Zhou Zheren, independent non-executive Directors, and Ms. Sheng Jianjing, executive Director. Mr. Guo Shaomu is the chairman of the Remuneration Committee.

For the year ended 31 December 2021, two meetings of the Remuneration Committee were held. The work performed by the Remuneration Committee during the year ended 31 December 2021 includes but not limited to (i) review the remuneration structure of the Directors and senior management; (ii) review appraisal system of the key positions of the Group and (iii) discuss the challenges of attracting and retaining senior level staff of the Company, make recommendation on the remuneration of the Directors and senior management for Board's approval for 2021.

3. Nomination Committee

The Company established a Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes, identify, select or make recommendations to the Board on the selection of individuals nominated for directorship, assess the independence of our independent non-executive Directors and make recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of the Directors and succession planning for the Directors.

Members of the Nomination Committee are Ms. Zhu Jing, executive Director, Mr. Guo Shaomu and Mr. Zhou Zheren, independent non-executive Directors. Ms. Zhu Jing is the chairwoman of the Nomination Committee.

For the year ended 31 December 2021, one meeting of Nomination Committee was held to review the composition of the Board and its committees as well as the background and experiences of the Board members, evaluate the contributions of the Board members to the Board diversity, make recommendation to the Board on the re-appointment of Directors, evaluate the independence of independent non-executive Directors, and review the board diversity policy.

Nomination Policy

The primary responsibilities of the Nomination Committee are to consider and recommend to the Board suitable and qualified candidates of Directors and to review the structure, size and composition of the Board and the board diversity policy adopted by the Company on a regular basis. The Nomination Committee utilises various methods for identifying candidates for directorship, including recommendations from Board members, management, and professional search firms. In addition, the Nomination Committee will consider candidates for directorship properly submitted by the Shareholders. The evaluation of candidates for directorship by the Nomination Committee may include, without limitation, review of resume and job history, personal interviews, verification of professional and personal references and performance of background checks. The Board will consider the recommendations of the Nomination Committee and is responsible for designating the candidates for directorship to be considered by the Shareholders for their election at the general meeting of the Company, or appointing the suitable candidate to act as Director to fill the Board vacancies or as an additional to the Board members, subject to compliance of the constitutional documents of the Company. All appointments of Director should be confirmed by letter of appointment and/or service contract setting out the key terms and conditions of the appointment of Directors.

The Nomination Committee should consider the following qualifications as a minimum to be required for a candidate in recommending to the Board to be a potential new Director, or the continued service of existing Director:

- the highest personal and professional ethics and integrity;
- proven achievement and competence in the nominee's field and the ability to exercise sound business judgment;
- skills that are complementary to those of the existing Board;
- the ability to assist and support management and make significant contributions to the Company's success;
- an understanding of the fiduciary responsibilities that is required for a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities;
- independence: the candidates for independent non-executive directorship should meet the "**independence**" criteria as required under the Listing Rules and the composition of the Board is in conformity with the provisions of the Listing Rules.

The Nomination Committee may also consider such other factors as it may deem are in the best interests of the Company and the Shareholders as a whole.

BOARD DIVERSITY

To enhance the effectiveness of the Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board. Pursuant to board diversity policy, we seek to achieve board diversity by taking into consideration of various factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service with the Company.

The Directors have a balanced mix of knowledge, skills and experience, including the areas of real estate, property development, accounting, legal matters and financial industries. They obtained academic degrees in various majors, including business administration, accounting, electrical engineering and architectural engineering. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the members of the Board. Furthermore, the Board has a wide range of age, ranging from 43 years old to 56 years old. We have also taken and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and the management levels. In particular, two of executive Directors are female and one of non-executive Directors is also female. Going forward, the Company will take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board. All Board appointments will be based on meritocracy having due regard for the benefits of diversity on the Board.

The Nomination Committee is responsible for ensuring the diversity of the Board members. The Nomination Committee will review the board diversity policy and the diversity profile (including gender balance) from time to time to ensure its continued effectiveness. We will also disclose in the corporate governance report about the implementation of the board diversity policy on an annual basis.

We are also committed to adopting similar approach to promote diversity, including but not limited to gender diversity, at all other levels of the Company from the Board downwards to enhance the effectiveness of the corporate governance as a whole.

DIVIDEND POLICY

The Company has adopted a dividend policy, based on which the Company can decide at its discretion to declare and pay dividends to the Shareholders. In deciding whether to propose a dividend and in determining the dividend amount, the Board would take into account (among others) the Group's earnings, cashflows, financial condition, capital requirements, statutory reserve regulations and any other conditions that the Board may consider relevant. Although the Board will review from time to time for determination on proposed dividend with the above factors taken into account, there can be no assurance that dividends will be declared or paid in any particular amount for any given period.

CORPORATE GOVERNANCE FUNCTIONS

The Board recognizes that corporate governance should be the collective responsibility of Directors, which include:

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

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

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

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

(v) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

The Board has reviewed and monitored the training and continuous professional development of directors of the Company and reviewed the Company's compliance with the Corporate Governance Code, the Model Code and the disclosure requirements in the Corporate Governance Report during the year ended 31 December 2021.

RENUMERATION OF SENIOR MANAGEMENT

The remuneration payable to the senior management (excluding Directors) of the Company for the year ended 31 December 2021 is set out in the following table by band:

Bands	Number of individuals
HK$1,500,001 to HK$2,000,000	1
HK$2,500,001 to HK$3,000,000	1

Further details of the Directors' emoluments and the top five highest paid employees required to be disclosed under Appendix 16 of the Listing Rules are set out in Notes 8 and 9 to the consolidated financial statements.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the Company's financial statements for the year ended 31 December 2021.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements.

The senior management of the Company has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval.

EXTERNAL AUDITOR AND THEIR REMUNERATIONS

For the year ended 31 December 2021, the remuneration paid and payable for the audit services and non-audit services of Ernst & Young was approximately RMB4.75 million and RMB0.18 million, respectively. The amount of non-audit services in 2021 mainly included fees related to consulting services on Environmental, Social and Governance Report. The Audit Committee was satisfied that the non-audit services in 2021 did not affect the auditor's independence.

JOINT COMPANY SECRETARIES

Mr. Lee Leong Yin has resigned as the joint company secretary of the Company (the "**Joint Company Secretary**") and Ms. Lau Jeanie has been appointed as a Joint Company Secretary on 31 May 2021. Ms. Lau is an assistant vice president of Corporate Secretarial Department of SWCS Corporate Services Group (Hong Kong) Limited and is not an employee of the Company. The current primary contact person of the Company with Ms. Lau Jeanie is Mr. Lu Shiyuan, an assistant president and the Joint Company Secretary of the Company.

In compliance with Rule 3.29 of the Listing Rules, each of Ms. Lu Shiyuan and Ms. Lau Jeanie has undertaken no less than 15 hours of relevant professional training for the year ended 31 December 2021.

The biographical details of the Joint Company Secretaries are set out in the section headed "**Directors and Senior Management**" of this annual report.

GOING CONCERN

The Directors draw attention to Note 2.1 to the consolidated financial statements of auditor's report, which states that as at 31 December 2021, the Company's current portion of interest-bearing bank and other borrowings and senior notes amounted to RMB5,780,855,000 while its cash and cash equivalents amounted to RMB2,946,780,000. This condition, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

In view of such circumstances, the Directors consider that the Group has taken various measures and will have adequate funds available to enable it to operate as a going concern, taken into account the past operating performance of the Group and the following:

a) Subsequent to 31 December 2021, the Company successfully completed exchange offer and consent solicitation with respect to senior notes amounted to RMB1,021,000,000, which effectively extended the maturity date after January 2023, alleviating its cashflow pressure and improving the liquidity of the Group.

b) The Group continues to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds.

c) The Group is actively negotiating with several financial institutions to obtain new loans at a reasonable cost.

d) The Group continues to monitor capital expenditure to balance and relieve cash resource to support operations.

e) The Group continues to take action to tighten cost controls over various operating expenses.

The Directors have reviewed the Group's cash flow forecast covering a period of twelve months from the end of 31 December 2021. They are of the opinion that, taking into account of the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future.

An Audit Committee meeting was held on 31 March 2022 to review the consolidated annual financial statement of the Group for the year ended 31 December 2021 and the opinion and report of independent auditor. After full discussion of the material uncertainty related to going concern and the various measures that the Group has taken, the Audit Committee accepted the aforesaid report and agreed with the position of the Directors.

Accordingly, the Directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2021 on a going concern basis.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

The Board is responsible for the Company's risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company recognizes that risk management is critical to the success of any property developer in the PRC. Key operational risks that the Company face include changes in general market conditions and the regulatory environment of the PRC property market, availability of suitable land sites for developments at commercially acceptable prices, local economic environment, expansion risks relating to entering into new cities or geographic regions, ability to timely complete our construction projects with sound quality, available financing to support our growth, competition from other property developers and our ability to promote and sell our properties in a timely fashion.

In order to meet these challenges, the Company have adopted, a series of internal control policies, procedures and plans that are designed to reasonably assure effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. See "Directors' Report – Principal Risks and Uncertainties" for a discussion of various risks and uncertainties the Company face. In addition, the Company also faces various market risks. In particular, the Company is exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business. See Note 45 to the Consolidated financial statements of the Group for a discussion of these market risks.

In order to ensure the effective implementation of such internal control policies, the Company have adopted various on-going measures, including the following:

- The Board is responsible and has general powers over the management and conduct of the business of the Company. Any significant business decision involving material risks, such as decisions to expand into new geographic regions or to incur significant corporate finance transactions, are reviewed, analyzed and approved at the board level to ensure a thorough examination of the associated risks at our highest corporate governance body.

- Our management team at the headquarter level is in charge of the daily business operations and risk monitoring of the Company, and is responsible for the supervision of the respective fields of operations on a daily basis as well as the supervision and approval of any material business decisions of our city and project companies. We adopt a centralized approach to review and approve the business plan and structure. Our financial and accounting matters are directly controlled and reviewed at our headquarters level to ensure the consistency and accuracy. Our cost management department centralizes major procurement and construction contracts entered into to monitor the risks associated with such contracts, and also our internal audit function and legal affairs department to ensure regulatory and contractual compliance. Our IT system facilitates the above management processes.

Our final site selection decisions are made by our investment committee. This committee was specifically formed to review and approve such business development and consists of the Chairman of the Board, chief executive officer and the heads of relevant departments at the headquarters.

- For particular operational and market risks, control measures are adopted at an operational level. For example, the Company controls major construction risk by engaging qualified construction contractors with strict contractual requirements and reputable independent third-party project supervisory companies while maintaining daily quality control supervision.

- The Company enforces strict control and accountability policies and manuals at an individual employee level and conduct ongoing training. Our policies and manuals are updated consistently based on our operational needs. The Company seeks to maintain a corporate culture with a high level of responsibility, integrity and reliability to manage our operational and market risks.

- Our internal audit function performs regular reviews on the design and implementation of the internal controls and follows through remediation of deficiencies identified, the details of which are set out above.

Internal Control

The internal control system is designed to provide reasonable and adequate assurance for effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

Our internal control system covers all major aspects of our operations, including, among others, sales, procurement, asset management, budgeting and accounting processes. To effectively implement such processes, the Company has a set of comprehensive policies and guidelines which set out details regarding the internal control standards, segregation of responsibilities, approval procedures and personnel accountability in each aspect. The Company also carry out regular internal assessments and training to ensure our employees are equipped with sufficient knowledge on such policies and guidelines.

The Board had conducted an annual review of the Group's risk management and internal control systems for the year ended 31 December 2021 and considered them effective and adequate.

Information Disclosure

The Company discloses information in compliance with the Listing Rules and other applicable laws, and publishes periodic reports and announcements to the public in accordance with relevant laws and regulations. In particular, the Company has put in place a robust framework for the disclosure of inside information in compliance with the Securities and Futures Ordinance (the "SFO", Chapter 571 of the Laws of Hong Kong). The framework sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner so as to allow all the stakeholders to apprehend the latest position of the Company. The framework and its effectiveness are subject to review by the Board on a regular basis.

Internal Audit

The Company has an internal audit function. The primary role of the internal audit function is to help the Board and the senior management of the Company to protect the assets, reputation and sustainability of the Company. The internal audit function provides independent and objective assurance as to whether the design and operational effectiveness of the Company's framework of risk management, control and governance processes, as designed and represented by the Company's management, is adequate. The internal audit function of the Company is independent of the risk management and internal control systems of the Company.

Results of audit work together with an assessment of the overall risk management and control framework are reported to the Audit Committee as appropriate. The internal audit function also reviews the Company's management's action plans in relation to audit findings and verifies the adequacy and effectiveness of the mitigating controls before formally closing the issue.

RIGHTS OF SHAREHOLDER

Communication with the Shareholders and Investors

The Company is committed to pursue active dialogue with the Shareholders as well as to provide timely disclosure of information concerning the Company's material developments to its Shareholders, investors and other stakeholders.

Annual general meeting of the Company serves as an effective forum for communication between the Shareholders and the Board. Notice of annual general meeting together with the meeting materials will be dispatched to all Shareholders not less than 21 days and not less than 20 clear business days before the annual general meeting. As one of the measures to safeguard the Shareholders' interests and rights, separate resolutions will be proposed at general meetings on each substantial issue, including the election of individual Directors, for the Shareholders' consideration and voting. In addition, the Company regards annual general meeting as an important event, and all Directors, the chairmen of all Board Committees, senior management and external auditor will attend the annual general meeting of the Company to address the Shareholders' inquiries. If the chairmen of the Board or each Board Committee fail to attend the meeting, then other members of each Board Committee will be invited to attend the annual general meeting and answer the Shareholders' inquiries thereat. All resolutions proposed at general meetings will be voted by poll. The voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunkwan.com.cn) on the same day of the relevant general meetings.

To promote effective communication, the Company maintains a website (www.sunkwan.com.cn), where the latest information and updates on its business operation and development, corporate governance practice, contact information of investor relations and other information are published for the public's access.

Procedures for the Shareholders to Convene an Extraordinary General Meeting

In accordance with Article 58 of the Articles of Association of the Company, any one or more Shareholders 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 the general meetings of the Company shall at all times have the rights, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward Proposals at General Meetings

Save for the following, Shareholders do not generally have a right to propose new resolutions at general meetings. Shareholders who wish to propose a resolution may request the Company to convene an extraordinary general meeting following the procedures set out in the preceding paragraph.

Where notice of a general meeting includes the election of Directors, any Shareholder may propose the election of any person as a Director at the general meeting. Pursuant to Article 85 of the Articles of Association, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at any general meeting (including the annual general meeting), the shareholder should lodge a written notice (the "**Nomination Notice**") at the registered office or the head office of the Company and the minimum length of the period during which such notice is given shall be at least seven (7) days. If the Nomination Notice is submitted after the despatch of the notice of the general meeting appointed for such election, the period for lodgment of the Nomination Notice shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. The Nomination Notice must be accompanied by a notice signed by the person to be proposed of his willingness to be elected as a Director.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the investor relations which contact details are as follows:

Address: 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
Email: skir@sunkwan.com.cn

AMENDMENT TO THE CONSTITUTIONAL DOCUMENTS

There has not been any change in the memorandum and Articles of Association during the year ended 31 December 2021.

Directors' Report

The Board is pleased to present the Directors' report of the Company for the financial year ended 31 December 2021.

COMPANY INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands on 21 August 2018. The shares of the Company (the "**Shares**") were listed on the Main Board of the Stock Exchange on 17 November 2020.

PRINCIPAL ACTIVITIES

The Group is a growing real estate developer engaged in the residential property development and sales. Focusing on the Yangtze River Delta Economic Zone and expanding to the Pearl River Delta Economic Zone and the Mid-China Core Economic Region, the Group is committed to becoming "a premium urban life service provider (城市優質生活服務商)".

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the section of "Chairwoman's Statement" of this annual report and the consolidated statement of profit or loss and other comprehensive income on page 79.

BUSINESS REVIEW AND FUTURE DEVELOPMENT

The review of the Group's business during the Year, performance indicators and the discussion of the Group's future business development are set out in the sections of "Chairwoman's Statement" and "Management Discussion and Analysis" of this annual report. Discussions on the Group's environmental protection policies, performance, and relationships with employees, customers, suppliers and major stakeholders will be set out in the Company's 2021 Environmental, Social and Governance Report (published separately from this annual report). The Group's financial risk management objectives and policies are set out in Note 45 to the consolidated financial statements.

Details of the significant events that occurred after the financial year ended 31 December 2021 and had an impact on the Group are set out in Note 46 to the consolidated financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: RMB2 cents).

PROPERTY, PLANT AND EQUIPMENT

Details of the changes in the property, plant and equipment of the Group during the year are set out in Note 13 to the consolidated financial statements.

US$185 MILLION 12.75% SENIOR NOTES DUE 2022

On 22 January 2021, the Company issued US$185 million 12.75% senior notes due January 2022 (the "**2022 January Notes**") (stock code: 40553). The 2022 January Notes are listed and traded on the Stock Exchange.

US$210 MILLION 12.25% GREEN SENIOR NOTES DUE 2022

On 22 July 2021, the Company issued US$210 million 12.25% green senior notes due July 2022 (the "**2022 July Notes**") (stock code: 40773). The 2022 July Notes are listed and traded on the Stock Exchange.

BANK AND OTHER BORROWINGS

Details of bank and other borrowings are set out in the section of "Management Discussion and Analysis" of this annual report and in Note 30 to the consolidated financial statements.

RESERVE

Details of movements in the reserves of the Group during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity and Note 35 to the consolidated financial statements. As at 31 December 2021, the distributable reserve of the Company amounted to approximately RMB880.7 million.

SHARE CAPITAL

Details of the changes in the share capital of the Group during the year ended 31 December 2021 are set out in Note 33 to the consolidated financial statements.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

PRE-EMPTIVE RIGHTS

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

DIRECTORS AND SERVICE CONTRACTS OF DIRECTORS

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

Executive Directors
Ms. Zhu Jing (*Chairwoman*)
Ms. Sheng Jianjing
Mr. Yang Zhandong

Non-Executive Directors
Mr. Lin Jinfeng
Ms. Lin Zhaohong

Independent Non-Executive Directors
Mr. Guo Shaomu
Mr. Au Yeung Po Fung
Mr. Zhou Zheren

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

In accordance with Article 84(1) of the Articles of Association, Mr. Yang Zhandong, Mr. Guo Shaomu and Mr. Au Yeung Po Fung shall retire by rotation at the 2022 Annual General Meeting. The retiring Directors, being eligible, have offered themselves for re-election at the 2022 Annual General Meeting.

Each of the executive Directors has entered into a service contract with the Company and each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company. The service contracts with each of executive Directors are for an initial fixed term of three years and the letters of appointment with each of non-executive Directors and independent non-executive Directors are for an initial fixed term of three years. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms and may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

None of the Directors has entered service contract or an letter of appointment with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

INDEMNITY AND INSURANCE PROVISIONS

The Articles of Association provides that every Director shall be entitled to be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses as a result of any act or failure to act in carrying out his/her functions. 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 report.

The Company has also arranged an appropriate liability insurance for its Directors and officers.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

The remuneration of Directors is reviewed by the Remuneration Committee and determined by the Board, having regard to the Group's operating results, individual performance and prevailing market condition. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. No Director or any of his or her associates was involved in deciding his or her own remuneration.

Further details of the Directors' emoluments and the top five highest paid employees required to be disclosed under Appendix 16 of the Listing Rules are set out in Notes 8 and 9 to the consolidated financial statements.

For the Year, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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

As at 31 December 2021, the interests and short positions of the Directors and chief executives in the Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, the "**SFO**")), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange under the Model Code, were as follows:

Name of Directors	Nature of Interest[1]	Number of Shares	Approximate Percentage of Interest in the Company[1]
Ms. Zhu Jing ("**Ms. Zhu**")[2][3]	Founder of a discretionary trust	754,525,000	36.40%
Mr. Lin Jinfeng[4]	Interest in a controlled corporation	622,425,000	30.03%
Ms. Sheng Jianjing[5]	Personal Interest	3,432,000	0.17%
Mr. Yang Zhandong[5]	Personal Interest	3,000,000	0.14%

Notes:

(1) As at 31 December 2021, the Company issued 2,072,940,000 Shares. All interests stated are long positions.

(2) Ms. Zhu Jing ("**Ms. Zhu**") had purchased in the open market an aggregate of 4,450,000 ordinary shares of the Company (the "Share(s)") at the price of HK$2.45 per Share for the total consideration of HK$10,902,500 (excluding relevant transaction fee) (collectively, the "Acquisition of Shares") through YongHeng Holdings Limited on 15 October 2021. Following the Acquisition of Shares, Ms. Zhu is deemed to be interested in an aggregate of 754,525,000 Shares, representing approximately 36.40% of the total issued share capital of the Company, indirectly through YongHeng Holdings Limited.

(3) Northern American Trust Company, LLC as the trustee of the Fulva Family Trust (through its direct wholly-owned company FULVA Holding Limited) holds the entire issued share capital of YongHeng Holdings Limited. YongHeng Holdings Limited holds 754,525,000 Shares. The Fulva Family Trust is a discretionary trust established by Ms. Zhu (as the settlor) and the discretionary beneficiaries of which is Ms. Zhu and her family. Accordingly, Ms. Zhu is deemed to be interested in the number of 754,525,000 Shares held by YongHeng Holdings Limited.

(4) Mr. Lin Jinfeng is entitled to exercise or control the exercise of approximately 79.48% of the voting power at general meetings of Ginkgo Gofar Holdings Limited and is therefore deemed to be interested in the Shares in which Ginkgo Gofar Holdings Limited is interested.

(5) It represents 3,432,000 Shares granted to Ms. Sheng Jianjing and 3,000,000 Shares granted to Mr. Yang Zhandong of which 50% was granted on 27 January 2021 and the remaining 50% on 1 July 2021, and will be vested to selected persons after 2 years, respectively, subject to the RSU Scheme.

Save as disclosed above, so far as the Directors are aware, as at 31 December 2021, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange under the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2021, the following persons (other than the Directors and chief executives of the Company) had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company, pursuant to Section 336 of the SFO:

Name of Substantial Shareholders	Nature of Interest[1]	Number of Shares	Approximate Percentage of Interest in the Company[1]
Mr. Chen Peng[3]	Interest of spouse	754,525,000	36.40%
Northern American Trust Company, LLC[2]	Trustee of a trust	754,525,000	36.40%
FULVA Holding Limited[2]	Interest in a controlled corporation	754,525,000	36.40%
YongHeng Holdings Limited	Beneficial interest	754,525,000	36.40%
Ginkgo Gofar Holdings Limited	Beneficial interest	622,425,000	30.03%

Notes:

(1) As at 31 December 2021, the Company issued 2,072,940,000 Shares. All interests stated are long positions.

(2) Northern American Trust Company, LLC as the trustee of the Fulva Family Trust (through its direct wholly-owned company FULVA Holding Limited) holds the entire issued share capital of YongHeng Holdings Limited. YongHeng Holdings Limited holds 754,525,000 Shares. The Fulva Family Trust is a discretionary trust established by Ms. Zhu (as the settlor) and the discretionary beneficiaries of which is Ms. Zhu and her family. Accordingly, each of Ms. Zhu, FULVA Holding Limited and Northern American Trust Company, LLC is deemed to be interested in the number of 754,525,000 Shares held by YongHeng Holdings Limited.

(3) Mr. Chen Peng is the spouse of Ms. Zhu. By virtue of the SFO, Mr. Chen Peng is deemed to be interested in the Shares which are interested by Ms. Zhu.

Save as disclosed above, as at 31 December 2021, the Company had not been notified by any person (other than the Directors or the chief executives of the Company) who had an interest or short position in the Shares or the underlying Shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraphs headed "RESTRICTED STOCK UNIT SCHEME" and "SHARE OPTION SCHEME" below, neither the Company nor any of its subsidiaries was a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debenture of, the Company or any other body corporate during the Year.

COMPETING INTERESTS OF DIRECTORS

Mr. Lin Jinfeng, an non-executive Director and one of controlling shareholders of the Company (has the meaning as ascribed under the Listing Rules) (the "**Controlling Shareholders**"), is indirectly interested in the following companies:

Entity Name	Principal Activities	Total Interests
Landsea Group Co., Ltd (朗詩集團股份有限公司) ("**Landsea Group**")	Green Technology Property Development, Green Aged Care, Green Financial Services, Green Decoration, Green Design and Green Property Services	Approximately 18.31%
Landsea Green Properties Co., Ltd (朗詩綠色地產有限公司) ("**Landsea Green Properties**")	Green Technology Property Development	Approximately 8.82%

As at 31 December 2021, as part of his financial investment, Mr. Lin was only interested in approximately 18.31% and 8.82% of equity interest in each of Landsea Group and Landsea Green Properties, respectively. Although Landsea Group and Landsea Green Properties also engage in property development business in the PRC, they focus on the core industry of green technology property, which differs from the focus of the Group on providing residential properties with new technologies and artistic designs that cater to the various needs and preferences of different groups of customers and provide them with a smart, convenient and satisfactory living experience.

The Directors are of the view that the Group is and will be capable of carrying on our business independent of and at arm's length from the potential competing interests of Mr. Lin in Landsea Group and Landsea Green Properties for the following reasons:

i. the management and operational decisions of the Group are made by the executive Directors and senior management. As our non-executive Director, Mr. Lin is not and will not be involved in the daily management and operation of the Company. In addition, the independent non-executive Directors constitute three-eighths of the Board upon listing and none of them has any relationship with controlling shareholders of the Company or their respective associates. We believe that they will bring independent judgment to the decision-making process of the Board and possess relevant experience to allow the proper functioning of the Board; and

ii. as at 31 December 2021, Mr. Lin only acted as a passive investor of Landsea Group and Landsea Green Properties, and a director of Landsea Group, he had no control over and was not involved in the day-to-day management of Landsea Group or Landsea Green Properties. In case of conflict of interest between the Group and Landsea Group and/or Landsea Green Properties, Mr. Lin will exercise his duties in accordance with relevant constitutional documents, applicable laws and regulations and corporate governance measures adopted by the Group as set out in the section headed "Relationship with Controlling Shareholders – Corporate Governance Measures" of the Prospectus. Mr. Lin has also entered into the Deed of Non-Competition (as defined below) to make certain non-competition undertakings in favor of the Company (for itself and as trustee for its subsidiaries). For details of the Deed of Non-Completion, please refer to the section headed "Relationship with Controlling Shareholders – Non-Competition Undertakings" of the Prospectus.

Save as disclosed above, as at the 31 December 2021, none of the Directors was engaged in or had any interest in a business, apart from business of the Group, which competes or is likely to compete with our business, whether directly or indirectly, or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, no transaction, arrangement or contract of significance entered into by the Group, its holding company or subsidiaries and in which a Director or its related entities had a material interest in, whether directly or indirectly, subsisted at the end of the year or at any time during the Year.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2021, the Group has complied with relevant laws and regulations that have a significant impact on the operations of the Group. In addition, relevant employees and relevant operating units are reminded from time to time of paying attention to any changes in applicable laws, provisions and regulations.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties facing the Group include, among others, that:

(i) The Group's business operations are subject to extensive government policies and regulations and, in particular, we are susceptible to adverse changes in policies related to the property industry in China and in regions in which we operate;

(ii) Our business and prospects are heavily dependent on and may be adversely affected by the state of the real estate market in China, particularly in the Yangtze River Delta Economic Region;

(iii) We may not be able to acquire land reserves in desirable locations that are suitable for our development at commercially acceptable prices, or at all; and

(iv) The Group may not be able to obtain adequate financing to fund the future land acquisitions and property development, and such capital resources may not be available on commercially reasonable terms or at all.

NON-COMPETITION UNDERTAKING

Ms. Zhu Jing, Mr. Lin Jinfeng, YongHeng Holdings Limited, FULVA Holding Limited and Ginkgo Gofar Holdings Limited, the Controlling Shareholders, have confirmed in writing with the Company that they have complied with the undertakings under the deed of non-competition dated 29 October 2020, (the "**Deed of Non-competition**") and entered into by the Controlling Shareholders in favor of the Company (for itself and as trustee for its subsidiaries) during the year ended 31 December 2021.

The independent non-executive Directors have also reviewed the compliance with the undertakings under the Deed of Non-competition by the Controlling Shareholders during the year ended 31 December 2021 and confirmed that there was no breach of undertakings under the Deed of Non-competition by any of the Controlling Shareholders.

For details of the Deed of Non-Completion, please refer to the section headed "Relationship with Controlling Shareholders – Deed of Non-Competition" of the Prospectus.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Continuing Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, the following persons are connected persons of the Company:

- Ms. Zhu is an executive Director and a substantial Shareholder, hence is a connected person of the Company;

- Mr. Lin is a non-executive Director and a substantial Shareholder, hence is a connected person of the Company;

- Shanghai Sunkwan Property Management Co., Ltd. (上海上坤物業管理有限公司) ("**Sunkwan Property Management**"), a limited liability company established in the PRC, with each of Ms. Zhu and Mr. Lin indirectly controlling the exercise of 30% or more of the voting power at the general meetings, is an associate (as defined under Chapter 14A of the Listing Rules) of each of Ms. Zhu and Mr. Lin and is hence a connected person of the Company; and

- each entity being a subsidiary (as defined under Chapter 14A of the Listing Rules) of Sunkwan Property Management (the "**Sunkwan Property Management Group**") are the connected persons of the Company.

According to Chapter 14A of the Listing Rules, the continuing connected transactions of the Company during the year ended 31 December 2021 are as follows:

1. ***Property Management Services Framework Agreement***

   On 17 November 2020, the Company, as service recipients, entered into a property management services framework agreement (the "**Property Management Services Framework Agreement**") with Sunkwan Property Management (for itself and on behalf of its subsidiaries), pursuant to which Sunkwan Property Management Group agreed to provide property management services, including (i) pre-delivery services prior to the delivery of residential properties to property owners, such as security, car park management, cleaning, gardening, repair, maintenance and operation of common area and shared facilities, (ii) housing inspection services on residential properties prior to the delivery to property owners and (iii) management and maintenance services for unsold property units and car park spaces (the "**Property Management Services**"), to certain of our residential property projects. The term of the Property Management Services Framework Agreement is from 17 November 2020 to 31 December 2022.

   For the two years ended 31 December 2021 and for the year ending 31 December 2022, the proposed annual caps under the Property Management Services Framework Agreement were RMB7.61 million, RMB8.35 million and RMB9.40 million, respectively. For the year ended 31 December 2021, the value of the services provided by Sunkwan Property to the Company was approximately RMB8.34 million.

2. ***Sales Management Services Framework Agreement***

   On 17 November 2020, the Company, as service recipients, entered into a sales management services framework agreement (the "**Sales Management Services Framework Agreement**") with Sunkwan Property Management (for itself and on behalf of its subsidiaries), pursuant to which Sunkwan Property Management Group agreed to provide sales management services, including but not limited to reception services, cleaning, car park management, security, maintenance and utility services in showrooms, display units and sales offices (the "**Sales Management Services**"), to certain of our residential property projects. The term of the Sales Management Services Framework Agreement is from 17 November 2020 to 31 December 2022.

   For the two years ended 31 December 2021 and for the year ending 31 December 2022, the proposed annual caps under the Sales Management Services Framework Agreement were RMB10.3 million, RMB13.8 million and RMB18.4 million, respectively. For the year ended 31 December 2021, the value of the services provided by Sunkwan Property to the Company was approximately RMB13.74 million.

For details of the aforementioned continuing connected transactions, please refer to the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions" of the Prospectus.

Confirmation from the Independent Non-Executive Directors and Auditors

The independent non-executive Directors have reviewed the aforementioned continuing connected transactions and confirmed that these transactions were conducted in the ordinary daily business of the Group, on normal or better commercial terms and in accordance with the relevant agreements governing these transactions on the terms that were fair and reasonable and in the interests of the Shareholders as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, the Group's auditor, Ernst & Young, has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe the aforementioned continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) have exceed the respective annual caps.

Related Party Transactions

A summary of the related party transactions entered into by the Group during the Year is contained in Note 42 to the consolidated financial statements. Save as disclosed above, the other related party transactions do not constitute connected transactions required to be disclosed under the Listing Rules. The Company confirms it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities.

ENVIRONMENT, SOCIETY AND GOVERNANCE

It is the Group's corporate and social responsibility in promoting sustainable development and environmental protection, and the Group strives to minimise its environmental impact and comply with the applicable environmental laws and regulations. The measures it takes to ensure its compliance with the applicable environmental laws and regulations include: (i) strictly selecting construction contractors and supervising the process of construction; (ii) applying for review by the relevant government authorities in a timely manner after the project is completed; and (iii) actively adopting environment-friendly equipment and designs. The Group also takes voluntary actions with respect to environmental protection and make energy conservation and emission reduction as primary considerations when designing its property projects. None of the Group's properties had received any material fines or penalties associated with the breach of any environmental laws or regulations during the year ended 31 December 2021. The 2021 Environmental, Social and Governance Report of the Company will be published separately.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed for the year ended 31 December 2021.

SHARE OPTION SCHEME

The Company has approved and adopted a share option scheme on 27 October 2020 (the "**Share Option Scheme**"). The Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

Details of the Share Option Scheme

(a) Purpose

The purpose of Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants.

(b) Selected participants to the Share Option Scheme

Any individual, being a director, employee, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner or service provider of any member of the Company or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Company is entitled to be offered and granted options. However, no individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Share Option Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

(c) Maximum number of Shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes is 200,000,000, being no more than 9.64% of the Shares in issue at the date of this report. Options which have lapsed in accordance with the terms of the rules of the Share Option Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Shares which 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 at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the "**Option Scheme Limit**"). No options may be granted under any schemes of the Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

The Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the refreshed Option Scheme Mandate Limit cannot exceed 10% of the Shares in issue as at the date of such approval. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, canceled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit. Our Company may also grant options in excess of the Option Scheme Mandate Limit, provided such grant is to specifically identified selected participant and is first approved by the Shareholders in general meeting.

(d) Maximum entitlement of a grantee

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue (the "**Individual Limit**"). Any further grant of options to a selected participant which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, canceled and outstanding options) in the 12-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of the Shareholders(with such selected participant and his associates abstaining from voting).

(e) Subscription price

The amount payable for each Share to be subscribed for under an option in the event of the option being exercised shall be determined by the Board but shall be not less than the greater of:

(i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share on the date of grant.

(f) Options granted to directors, chief executive or substantial shareholders of the Company

Each grant of options to any director, chief executive or substantial shareholder of the Company (or any of their respective associates) must first be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of options). Where any grant of options to a substantial shareholder or an independent non-executive Director of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange), such further grant of options must also be first approved by the Shareholders (voting by way of poll) in a general meeting. In obtaining the approval, the Company shall send a circular to the Shareholders in accordance with and containing such information as is required under the Listing Rules. The grantee, his associates and all connected persons of the Company shall abstain from voting in favor at such general meeting.

(g) Rights on a voluntary winding up

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it dispatches such notice to each member of the Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this sub-paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than five business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid. If the option is not exercised within the time specified, the option shall immediately lapse.

(h) Duration

The Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted under the Share Option Scheme), but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Share Option Scheme. As at the date of this report, the remaining life of the Share Option Scheme is approximately eight years and ten months.

(i) Grant offer letter and notification of grant of options

An offer shall be made to selected participants by a letter in duplicate which specifies the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board or its delegate(s) such other terms either on a case basis or generally.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company on or before the date upon which an offer of an option must be accepted by the relevant selected participants, which must be received by the Company within ten business days from the date on which the offer letter is delivered to the grantee. Such remittance shall in no circumstances be refundable.

Any offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares or a multiple thereof. To the extent that the offer is not accepted within ten business days from the date on which the letter containing the offer is delivered to that selected participant, it shall be deemed to have been irrevocably declined.

(j) Time of exercise of an option

The Share Option Scheme does not specify any minimum holding period but the Board has the authority to determine for which a share option must be held before it can be exercised. An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

Since the adoption of the Share Option Scheme and up to the date of this report, no option was granted or agreed to be granted, exercised or cancelled by the Company pursuant to the Share Option Scheme. There was no outstanding share option under the Share Option Scheme as at the date of this report.

RESTRICTED STOCK UNIT SCHEME

The Board adopted the restricted stock unit scheme of the Company (the "**RSU Scheme**") on 27 October 2020 (the "**Adoption Date**"). For further details of the RSU Scheme, please refer to the section headed "Statutory and general information – D-2. RSU Scheme" of the Prospectus.

The purpose of the RSU Scheme is to recognize the contributions by certain any of the (i) key management personnel including Directors and senior management of the Group; and (ii) employee of any member of the Group (the "**Eligible Persons**", other than any Eligible Person who is resident in a place where the award of the Awarded Shares and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the RSU Scheme is not permitted under the laws or regulations of such place, or in the view of the Board or the Trustee (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Eligible Person as excluded persons) and to provide them with incentives in order to retain them for the continual operation and development of the Group. The RSU Scheme shall be subject to administration of the Board and the Trustee in accordance with the rules of the RSU Scheme and the Trust Deed. Subject to any early termination as may be determined by the Board, the RSU Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date. The Board shall not make any further award of Awarded Shares which will result in the total number of Awarded Shares exceeding 3.75% of the number of issued shares of the Group from time to time.

On 27 January 2021, the Board granted 16,568,000 restricted stock units according to the RSU Scheme to selected persons in the form of ordinary shares of the Company at US$0.000001 per Share, with a total share capital of 16,568,000, of which 50% was granted on 27 January 2021 and the remaining 50% was granted on 1 July 2021, and will be vested to selected persons after 2 years, respectively, subject to the RSU Scheme.

EQUITY-LINKED AGREEMENT

Save as disclosed in the "SHARE OPTION SCHEME" and "RESTRICTED STOCK UNIT SCHEME" paragraphs above in this section, no equity-linked agreement was entered into during the year ended 31 December 2021 and remained in force as at 31 December 2021.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the change in information of Directors of the Company during the year ended 31 December 2021 is set out below:

– Mr. Au Yeung Po Fung, retired as an independent non-executive director of Shanshan Brand Management Co., Ltd. (stock code: 1749) on 4 June 2021.

EVENTS AFTER THE REPORTING PERIOD

Issuance of US$160.2 Million 13.5% Senior Notes due 2023

On 3 January 2022, 21 January 2022 and 24 January 2022, the Company issued the senior notes listed on the Stock Exchange with an aggregate principal amount of US$160.2 million due 2023, which bear interest at a rate of 13.5% per annum, payable in arrears on 3 July 2022 and 2 January 2023. For more details, please refer to the announcements of the Company dated 29 December 2021, 3 January 2022, 4 January 2022, 20 January 2022, 21 January 2022 and 24 January 2022.

Save as disclosed above, the Group has no other significant events after 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

In accordance with the publicly available information and the information in the Directors' possession, the Company has maintained sufficient public float for the year ended 31 December 2021 and up to the date of this annual report, and the public held at least 25% of the total number of issued Shares of the Company as required by the Listing Rules.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**2022 AGM**") will be convened and held on 30 May 2022. A notice of the 2022 AGM will be published and despatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligibility of the Shareholders to attend, speak and vote at the 2022 AGM, the register of members of the Company will be closed from 25 May 2022 to 30 May 2022 (both days inclusive), during which period no transfer of the shares of the Company will be registered. In order to qualify for attending and voting at the 2022 AGM, all transfer of share documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 24 May 2022.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

The customers of the Group are individuals and corporate purchasers of residential properties as well as tenants of commercial properties. For the year ended 31 December 2021, the Group's five largest customers accounted for less than 30% of the Group's total revenue.

Major Suppliers

The major suppliers of the Group are construction material suppliers and construction contractors. For the year ended 31 December 2021, the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

During the year ended 31 December 2021, to the knowledge of the Directors, none of the Directors, their close associates, or any Shareholders (which, to the knowledge of the Directors, owned more than 5% of the number of issued Shares) had interests in the five largest suppliers or customers.

FINANCIAL SUMMARY

A summary of the Group's results and assets and liabilities for the past five financial years is set out in the page 200 in this annual report.

CHARITABLE DONATIONS

For the year ended 31 December 2021, the Group made a total of charitable and other donations of approximately RMB6.31 million (31 December 2020: RMB2.1 million).

AUDITOR

Ernst & Young has audited the consolidated financial statements for the year ended 31 December 2021. A resolution regarding the re-appointment of Ernst & Young as the Group's auditor will be proposed at the 2022 AGM. There is no change of auditor for the year ended 31 December 2021.

By Order of the Board
Chairwoman
Zhu Jing

Hong Kong, 31 March 2022

Independent Auditor's Report

EY安永

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To the shareholders of Sunkwan Properties Group Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sunkwan Properties Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 199, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the consolidated financial statements, which states that as at 31 December 2021, the Group's current portion of interest-bearing bank and other borrowings and senior notes amounted to RMB5,780,855,000 while its cash and cash equivalents amounted to RMB2,946,780,000. This condition along with other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the Material uncertainty related to going concern, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
The Group owns investment properties in Mainland China which were measured at fair value with an aggregate carrying amount of RMB2,483,200,000 on 31 December 2021, which represented 6.2% of the Group's total assets. The Group has engaged an external valuer to perform the valuation of these properties as at 31 December 2021. Significant judgement is required to determine the fair value of the investment properties, which reflects the market conditions as at the end of the year. The use of different valuation techniques and assumptions could produce significantly different estimates of fair values. The fair values of completed commercial properties and properties held under leases were determined by using the income approach, which has taken into account the rental income of the properties derived from the existing and/or achievable leases in the existing market with due allowance for the reversionary income potential of the leases, and then applied the appropriate capitalisation rate. The fair values of commercial properties under construction and residential properties under construction were determined by using the comparison method, which has taken into account the comparable market value. Changes in these assumptions would have significant effects on the valuation of investment properties. Accordingly, the valuation of investment properties was identified as a key audit matter. The accounting policies and disclosures of the investment properties are included in notes 2.4, 3 and 14 to the consolidated financial statements.	We assessed and evaluated the design and operating effectiveness of the key controls of management in the valuation of investment properties. We evaluated the competency, independence and objectivity of the external valuer. We understood the valuation approach and key assumptions used by the external valuer. We assessed the correctness of the property related data used as inputs for the valuations and involved our internal valuation experts to assist us in evaluating the valuation methodology and the underlying assumptions. We evaluated the source data used in the valuation by benchmarking them to relevant market information on a sampling basis. We assessed the disclosures related to the valuation of investment properties in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Key audit matter	How our audit addressed the key audit matter
Net realisable value of properties under development and completed properties held for sale	
As at 31 December 2021, the Group owned properties under development ("PUD") and completed properties held for sale ("PHS") located in Mainland China with a carrying amount of RMB20,523,790,000 in aggregate, which represented 50.8% of the Group's total assets. PUD and PHS are stated at the lower of cost and net realisable value, and the write-down of the carrying amounts of PUD and PHS to their net realisable values amounted to RMB151,955,000 as at 31 December 2021. The determination of the net realisable value of PUD and PHS involves significant management judgement and estimation, including expected future selling prices, the relevant taxes, and the costs necessary to complete the sale of these properties. The calculation of the net realisable value for PUD and PHS at the financial reporting date is performed by the Group managements. The Group managements engaged an external valuer to perform independent valuations for certain properties. Recent property market cooling measures imposed by the local governments in different cities in Mainland China, which include increased percentages for mortgage down payments, policies of limiting prices, and home purchase restrictions, could lead to volatility in property prices in these cities. We identified the assessment of the net realisable value of the properties as a key audit matter because of the significance of these properties to the Group's total assets and because the assessment of net realisable value is inherently subjective and requires significant management judgement and estimation in relation to estimating the future selling prices and future construction costs which increases the risk of error or potential management bias. The accounting policies and disclosures of the provision for PUD and PHS are included in notes 2.4, 3, 20 and 21 to the consolidated financial statements.	We evaluated the design, implementation and operating effectiveness of key controls over the Group's estimating of the realisable values of PUD and PHS and the provision for impairment loss. We assessed the competency, independence and objectivity of the external valuer. We understood the valuation methodology and key assumptions used by the external valuer. With the assistance of our internal property valuation specialists, we discussed with management and the external property valuers their valuation methodologies and assessed the key estimates and assumptions adopted in the valuations, including expected future selling prices and costs to completion, by comparing expected future selling prices to, where available, recently transacted prices for similar properties or the prices of comparable properties located in the vicinity of each development, and publicly available construction cost information for properties of a similar nature and location and by utilising the industry knowledge and experience of our internal property valuation specialists. We conducted site visits to properties under development for sale, on a sampling basis, to observe the development progress and evaluating management's development budgets reflected in the latest forecasts with reference to market statistics about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects developed by the Group. In addition, we evaluated the disclosures of the provision for impairment losses on properties held or under development for sale.

Key audit matter	How our audit addressed the key audit matter
Provision for land appreciation tax	
The Group is a property developer in Mainland China focusing on the development of residential properties and the development, operation and management of commercial and mixed-use properties. Land appreciation tax ("LAT") in Mainland China is one of the main components of the Group's taxation charge. LAT is levied on the sale of properties at progressive rates ranging from 30% to 60% based on the appreciation of land value. At the end of the year, the management of the Group estimated the provision for LAT based on its understanding and interpretation of the relevant tax rules and regulations, and the estimated total sales of properties less total deductible expenditure, which includes lease charges for land use rights, property development costs, borrowing costs and development expenditure. When the LAT is subsequently determined, the actual payments may be different from the estimates. The disclosures of the provision for land appreciation tax are included in notes 3 and 10 to the consolidated financial statements.	We assessed and evaluated the design and operating effectiveness of the key controls of management in the calculation of the provision for land appreciation tax. We involved our internal tax specialists to assist us in performing a review on the LAT position, including the review of the estimates and assumptions used by the Group and the evaluation of tax exposure based on communications received from the relevant tax authorities and applying our local knowledge and experience. We also recalculated the tax computation and compared our calculations with the amounts recorded by the Group. We assessed the disclosures related to the provision for land appreciation tax in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

We communicate with the board of directors of the Company 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 SIU FUNG TERENCE HO.

Certified Public Accountants
Hong Kong
31 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	8,340,071	8,190,576
Cost of sales		(7,167,914)	(6,396,196)
GROSS PROFIT		1,172,157	1,794,380
Finance income		83,849	17,313
Other income and gains	5	96,891	8,320
Selling and distribution expenses		(267,339)	(240,058)
Administrative expenses		(323,303)	(277,508)
Impairment losses on financial assets		(1,286)	950
Other expenses		(13,523)	(7,181)
Fair value gains on investment properties	14	48,448	102,537
Fair value (losses)/gains on financial assets at fair value through profit or loss		(74,220)	368
Finance costs	7	(322,520)	(301,971)
Share of profits and losses of:			
Joint ventures		34,465	160,965
Associates		(11,710)	73,933
PROFIT BEFORE TAX	6	421,909	1,332,048
Income tax credit/(expense)	10	161,597	(446,886)
PROFIT FOR THE YEAR		583,506	885,162
Profit attributable to:			
Owners of the parent		250,057	356,064
Non-controlling interests		333,449	529,098
		583,506	885,162
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted earnings per share	12	RMB0.12	RMB0.23

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	137,837	143,721
Right-of-use assets	15(a)	2,438	1,777
Investment properties	14	2,483,200	3,245,600
Intangible assets	16	1,321	2,166
Investments in joint ventures	17	612,502	357,174
Investments in associates	18	1,972,217	1,584,016
Deferred tax assets	19	616,919	521,353
Total non-current assets		5,826,434	5,855,807
CURRENT ASSETS			
Properties under development	20	19,739,521	12,495,168
Completed properties held for sale	21	784,269	1,562,937
Trade receivables	22	23,879	25,913
Due from related companies	42	4,909,111	1,341,958
Contract cost assets	24	174,931	51,497
Prepayments, other receivables and other assets	23	4,031,040	3,474,502
Tax recoverable		292,665	267,134
Financial assets at fair value through profit or loss	25	110,597	113,209
Restricted cash	26	1,471,491	1,768,413
Pledged deposits	26	64,828	199,881
Cash and cash equivalents	26	2,946,780	3,365,194
Total current assets		34,549,112	24,665,806
CURRENT LIABILITIES			
Trade and bills payables	27	2,101,183	1,714,898
Other payables and accruals	28	3,184,260	2,571,598
Contract liabilities	29	13,741,819	8,001,562
Due to related companies	42	695,846	539,125
Interest-bearing bank and other borrowings	30	3,147,335	2,329,620
Provision for financial guarantee contracts	31	35,303	–
Senior notes	32	2,633,520	–
Tax payables	10	1,297,608	2,417,983
Lease liabilities	15(b)	30,014	32,277
Total current liabilities		26,866,888	17,607,063
NET CURRENT ASSETS		7,682,224	7,058,743
TOTAL ASSETS LESS CURRENT LIABILITIES		13,508,658	12,914,550

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	5,444,218	6,415,748
Deferred tax liabilities	19	187,165	161,715
Lease liabilities	15(b)	25,169	54,518
Total non-current liabilities		5,656,552	6,631,981
Net assets		7,852,106	6,282,569
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	14	14
Reserves	35	2,501,209	2,279,483
		2,501,223	2,279,497
Non-controlling interests		5,350,883	4,003,072
Total equity		7,852,106	6,282,569

Ms. Zhu Jing
Director

Ms. Sheng Jianjing
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent									
	Share capital RMB'000 Note 33	Share premium RMB'000 Note 35(a)	Merger reserve RMB'000 Note 35(b)	Capital reserve RMB'000 Note 35(c)	Statutory surplus reserve RMB'000 Note 35(d)	Employee share-based compensation reserve RMB'000 Note 34	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 31 December 2020	14	1,063,334	396,498	(24,544)	182,025	–	662,170	2,279,497	4,003,072	6,282,569
Profit and total comprehensive income for the year	–	–	–	–	–	–	250,057	250,057	333,449	583,506
Dividends and distributions (note 11)	–	(39,331)	–	–	–	–	–	(39,331)	–	(39,331)
Capital contribution by the non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	1,291,444	1,291,444
Share-based compensation expenses	–	–	–	–	–	11,000	–	11,000	–	11,000
Acquisition of subsidiaries (note 37)	–	–	–	–	–	–	–	–	1,151	1,151
Disposal of subsidiaries (note 38)	–	–	–	–	–	–	–	–	(260,199)	(260,199)
Disposal of partial interest in a subsidiary without losing control	–	–	–	–	–	–	–	–	1,750	1,750
Dividend paid to the non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	(19,784)	(19,784)
Appropriations to statutory surplus reserve	–	–	–	–	31,537	–	(31,537)	–	–	–
As at 31 December 2021	14	1,024,003*	396,498*	(24,544)*	213,562*	11,000*	880,690*	2,501,223	5,350,883	7,852,106

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent								
	Share capital RMB'000 Note 33	Share premium RMB'000 Note 35(a)	Merger reserve RMB'000 Note 35(b)	Capital reserve RMB'000 Note 35(c)	Statutory surplus reserve RMB'000 Note 35(d)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 31 December 2019 and 1 January 2020	11	–	396,498	(24,610)	138,297	349,834	860,030	1,902,642	2,762,672
Profit and total comprehensive income for the year	–	–	–	–	–	356,064	356,064	529,098	885,162
Issuance of new shares	3	1,063,334	–	–	–	–	1,063,337	–	1,063,337
Capital contribution by the non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	2,665,810	2,665,810
Acquisition of subsidiaries (note 37)	–	–	–	–	–	–	–	22,912	22,912
Disposal of partial interests in subsidiaries without losing control	–	–	–	66	–	–	66	6,617	6,683
Dividend paid to the non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	(1,124,007)	(1,124,007)
Appropriations to statutory surplus reserve	–	–	–	–	43,728	(43,728)	–	–	–
As at 31 December 2020	14	1,063,334*	396,498*	(24,544)*	182,025*	662,170*	2,279,497	4,003,072	6,282,569

* These reserve accounts comprise the consolidated reserves of RMB2,501,209,000 (2020: RMB2,279,483,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		421,909	1,332,048
Adjustments for:			
Finance costs	7	322,520	301,971
Share of profits and losses of joint ventures		(34,465)	(160,965)
Share of profits and losses of associates		11,710	(73,933)
Interest income		(83,849)	(17,313)
Gain on disposal of subsidiaries	5	(27,157)	–
Fair value gains on investment properties	14	(48,448)	(102,537)
Fair value losses/(gains) on financial assets at fair value through profit or loss		74,220	(368)
Depreciation of items of property, plant and equipment	6, 13	7,611	7,450
Depreciation of right-of-use assets	6, 15(a)	3,437	4,429
Amortisation of intangible assets	6, 16	845	1,004
Impairment losses recognised for properties under development	6, 20	126,998	80,289
Impairment losses recognised/(reversed) for financial assets	6	1,286	(950)
Exchange gains		(35,425)	–
Share-based compensation expenses	6	11,000	–
Remeasurement gain on an investment in a joint venture held before business combination	5	(23,907)	–
		728,285	1,371,125
Increase in properties under development and completed properties held for sale		(5,538,123)	(1,244,066)
(Increase)/decrease in contract cost assets		(129,059)	941
Increase in prepayments, other receivables and other assets		(639,789)	(62,798)
Decrease in restricted cash		299,663	664,269
Decrease/(increase) in pledged deposits		32,806	(50,549)
Decrease in trade receivables		2,007	20,974
Increase in trade and bills payables		455,481	6
Increase in other payables and accruals		1,646,664	1,421,906
Increase/(decrease) in contract liabilities		3,180,946	(1,227,002)
Decrease in amounts due from related companies		–	30,458
Decrease in amounts due to related companies		(3,816)	(594)
Cash generated from operations		35,065	924,670
Interest received		83,849	17,313
Interest element of rental payments		(2,649)	(3,537)
Tax paid		(1,020,617)	(1,183,094)
Net cash flows used in operating activities		(904,352)	(244,648)

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,448)**	(969)
Purchase of intangible assets		**–**	(1,204)
Additions in investment properties		**(82,909)**	(169,373)
Acquisition of subsidiaries	37	**226,756**	5,287
Acquisition of financial assets at fair value through profit or loss		**(697,759)**	(74,900)
Disposal of financial assets at fair value through profit or loss		**626,151**	17,587
Disposal of an associate		**100,000**	–
Disposal of subsidiaries	38	**384,634**	–
Investments in joint ventures		**(188,859)**	(86,860)
Investments in associates		**(1,238,720)**	(1,358,667)
Advances to related companies	42	**(7,002,443)**	(2,909,042)
Repayment of advances to related companies	42	**4,199,709**	3,509,618
Net cash flows used in investing activities		**(3,674,888)**	(1,068,523)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution by the non-controlling shareholders of subsidiaries		**1,291,444**	2,660,910
Proceeds from issue of new shares		**–**	1,107,404
Share issue expenses		**–**	(44,067)
Principal portion of lease payments		**(35,710)**	(31,785)
Advances from related companies	42	**1,764,787**	1,212,533
Repayment of advances from related companies	42	**(1,719,123)**	(1,304,456)
Loan from non-controlling shareholders of a subsidiary		**418,000**	–
Dividends and distributions		**(39,331)**	–
Dividends paid to the non-controlling shareholder of a subsidiary		**(19,784)**	(1,124,007)
Disposal of partial interests in subsidiaries without losing control		**1,750**	11,583
Decrease/(increase) in pledged deposits		**102,247**	(99,187)
Interest paid		**(1,170,467)**	(785,364)
Proceeds from the issuance of senior notes		**2,495,772**	–
Proceeds from interest-bearing bank and other borrowings		**10,862,996**	8,466,735
Repayment of interest-bearing bank and other borrowings		**(9,791,755)**	(6,465,433)
Net cash flows generated from financing activities		**4,160,826**	3,604,866

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		(418,414)	2,291,695
Cash and cash equivalents at beginning of year		3,365,194	1,073,499
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,946,780	3,365,194
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	4,483,099	5,333,488
Less: Restricted cash	26	1,471,491	1,768,413
Pledged deposits	26	64,828	199,881
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS		2,946,780	3,365,194

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands on 21 August 2018. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 November 2020. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, the subsidiaries now comprising the Group were involved in property development, property leasing and providing project management services in the People's Republic of China (the "PRC").

In the opinion of the directors, the holding company and the ultimate holding company of the Company is FULVA Holdings Limited, which is incorporated in the British Virgin Islands.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Directly held:				
Inspiration Holdings Limited ("Inspiration Holdings")**	British Virgin Islands	United States dollar ("US$")50	100%	Investment holding
Foison Treasure Limited ("Foison Treasure")**	British Virgin Islands	US$50	100%	Investment holding
Kun palace Holdings Limited ("Kun Palace")**	British Virgin Islands	US$50	100%	Investment holding
Indirectly held:				
Winning Concord Enterprises Limited ("Winning Concord")**	Hong Kong	Hong Kong dollar ("HK$")0.001	100%	Investment holding
Wanxie HK Limited ("Wanxie HK")**	Hong Kong	HK$0.001	100%	Investment holding
上海融振企業管理諮詢有限公司 Shanghai Rongzhen Business Management Consulting Co., Ltd. ("Shanghai Rongzhen")*	PRC/Mainland China	RMB10,000	100%	Investment holding

Notes to Financial Statements

31 December 2021

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Indirectly held: (Continued)				
上海兆坤實業有限公司 Shanghai Zhaokun Industrial Co., Ltd. ("Zhaokun Industrial")**	PRC/Mainland China	RMB70,000	100%	Investment holding
上坤置業有限公司 Sunkwan Properties Co., Ltd. ("Sunkwan Properties")**	PRC/Mainland China	RMB2,000,000	100%	Investment holding
上海新鑰投資有限公司 Shanghai Xinyao Investment Co., Ltd. (Note a) ("Shanghai Xinyao")**	PRC/Mainland China	RMB750,000	50%	Investment holding
上海權坤投資有限公司 Shanghai Quankun Investment Co., Ltd. (Note a) ("Shanghai Quankun")**	PRC/Mainland China	RMB10,000	50%	Investment holding
上海佘山鄉村俱樂部有限公司 Shanghai Sheshan Country Club Co., Ltd. (Note a) ("Sheshan Country Club")**	PRC/Mainland China	RMB2,699,635	50%	Property development
上海龍樞物業管理有限公司 Shanghai Longshu Property Management Co., Ltd. ("Shanghai Longshu")**	PRC/Mainland China	RMB30,000	100%	Property leasing
上海龍呂物業管理有限公司 Shanghai Longlv Property Management Co., Ltd. ("Shanghai Longlv")**	PRC/Mainland China	RMB30,000	100%	Property leasing

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Indirectly held: (Continued)				
上海龍弼物業管理有限公司 Shanghai Longbi Property Management Co., Ltd. ("Shanghai Longbi")**	PRC/Mainland China	RMB30,000	100%	Property leasing
上海乾嶸置業有限公司 Shanghai Qianrong Property Co., Ltd. (Note b) ("Shanghai Qianrong")**	PRC/Mainland China	RMB8,050	100%	Property development and property leasing
上海上坤淞發置業有限公司 Shanghai Sunkwan Songfa Property Co., Ltd. (Note b) ("Shanghai Sunkwan Songfa")**	PRC/Mainland China	RMB50,050	100%	Property leasing
上海坤熵資產管理有限公司 Shanghai Kunshang Asset Management Co., Ltd. ("Shanghai Kunshang")**	PRC/Mainland China	RMB500	100%	Property leasing
杭州坤鑫置業有限公司 Hangzhou Kunxin Property Co., Ltd. ("Hangzhou Kunxin")**	PRC/Mainland China	RMB10,000	100%	Property development
金華璟坤置業有限公司 Jinhua Jingkun Property Co., Ltd. (Note c) ("Jinhua Jingkun")**	PRC/Mainland China	RMB537,000	51%	Property development
杭州上坤置業有限公司 Hangzhou Sunkwan Property Co., Ltd. ("Hangzhou Sunkwan")**	PRC/Mainland China	RMB8,000	100%	Investment holding

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Indirectly held: (Continued)				
杭州祥璟資產管理有限公司 Hangzhou Xiangjing Asset Management Co., Ltd. ("Hangzhou Xiangjing")**	PRC/Mainland China	RMB400,000	100%	Investment holding
上海京大置業有限公司 Shanghai Jingda Property Co., Ltd. ("Shanghai Jingda")**	PRC/Mainland China	RMB1,000,000	100%	Property development
杭州坤麟置業有限公司 Hangzhou Kunlin Property Co., Ltd. ("Hangzhou Kunlin")**	PRC/Mainland China	RMB100,000	100%	Investment holding
宿州坤宿置業有限公司 Suzhou Kunsu Property Co., Ltd. ("Suzhou Kunsu")**	PRC/Mainland China	RMB152,580	51%	Property development
上饒市宜居置業有限公司 Shangrao Yiju Property Co., Ltd. ("Shangrao Yiju")**	PRC/Mainland China	RMB510,200	100%	Property development
常州乾晟房地產開發有限公司 Changzhou Qiansheng Real Estate Development Co., Ltd. (Note a) ("Changzhou Qiansheng")**	PRC/Mainland China	RMB300,000	40%	Property development
東陽坤宇置業有限公司 Dongyang Kunyu Property Co., Ltd. (Note a) ("Dongyang Kunyu")**	PRC/Mainland China	RMB400,000	38.25%	Property development

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Indirectly held: (Continued)				
天門上坤置業有限公司 Tianmen Sunkwan Property Co., Ltd. ("Tianmen Sunkwan")**	PRC/Mainland China	RMB20,000	100%	Property development
佛山凱楓商務諮詢有限公司 Foshan Kaifeng Business Consulting Co., Ltd. ("Foshan Kaifeng Consulting")**	PRC/Mainland China	RMB10,000	100%	Property development
寧波悦遠置業有限公司 Ningbo Yueyuan Property Co., Ltd. (Note a) ("Ningbo Yueyuan")**	PRC/Mainland China	RMB20,000	25%	Property development
上海億薇置業有限公司 Shanghai Yiwei Property Consulting Co., Ltd. ("Shanghai Yiwei")**	PRC/Mainland China	RMB10,000	100%	Investment holding
上海億翊置業有限公司 Shanghai Yiyi Property Consulting Co., Ltd. ("Shanghai Yiyi")**	PRC/Mainland China	RMB10,000	100%	Investment holding
河南宸博置業有限公司 Henan Chenbo Property Co., Ltd. (Note a) ("Henan Chenbo")**	PRC/Mainland China	RMB20,000	60%	Property development
蘇州坤信房地產開發有限公司 Suzhou Kunxin Property Development Co., Ltd. (Note a) ("Suzhou Kunxin")**	PRC/Mainland China	RMB50,000	35%	Property development
杭州景上房地產開發有限公司 Hangzhou Jingshang Property Development Co., Ltd. (Note c) ("Hangzhou Jingshang")**	PRC/Mainland China	RMB50,000	52%	Property development

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Indirectly held: (Continued)				
佛山丹坤置業有限公司 Foshan Dankun Property Co., Ltd. ("Foshan Dankun")**	PRC/Mainland China	RMB10,000	100%	Property development
蘇州上坤置業有限公司 Suzhou Sunkwan Property Co., Ltd. ("Suzhou Sunkwan")**	PRC/Mainland China	RMB10,000	100%	Investment holding
佛山深恒商務信息諮詢有限公司 Foshan Shenheng Business Information Consulting Co., Ltd. ("Foshan Shenheng Consulting")**	PRC/Mainland China	RMB10,000	100%	Investment holding
上海鑫裔置業有限公司 Shanghai Xinyi Property Consulting Co., Ltd. (Note b) ("Shanghai Xinyi")**	PRC/Mainland China	RMB141,400	100%	Investment holding
上饒市麒坤置業有限公司 Shangrao Qikun Property Co., Ltd. ("Shangrao Qikun")**	PRC/Mainland China	RMB10,000	100%	Property development
上海坤璽置業有限公司 Shanghai Kunxi Property Consulting Co., Ltd. (Note b) ("Shanghai Kunxi")**	PRC/Mainland China	RMB100,000	100%	Investment holding
金華坤澤置業有限公司 Jinhua Kunze Property Co., Ltd. (Note c) ("Jinhua Kunze")**	PRC/Mainland China	RMB300,000	31%	Property development
抱龍文旅發展有限公司 Baolong Wenlv development Co., Ltd. (Note a) ("Baolong Wenlv")**	PRC/Mainland China	RMB105,000	50%	Property development

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Indirectly held: (Continued)				
蕪湖垠安置業有限公司 Wuhu Yi'nan Property Co., Ltd. (Note a) ("Wuhu Yinan")**	PRC/Mainland China	RMB364,000	49%	Property development
佛山江坤置業有限公司 Foshan Jiangkun Property Co., Ltd. ("Foshan Jiangkun")**	PRC/Mainland China	RMB10,000	100%	Property development
合肥坤尚置業有限公司 Hefei Kunshang Property Co., Ltd. ("Hefei Kunshang")**	PRC/Mainland China	RMB200,000	51%	Property development
慈溪益坤置業有限公司 Cixi Yikun Property Co., Ltd. ("Cixi Yikun")**	PRC/Mainland China	RMB10,000	54%	Property development
合肥坤旭置業有限公司 Hefei Kunxu Property Co., Ltd. ("Hefei Kunxu")**	PRC/Mainland China	RMB286,000	51%	Property development
信陽龍飛置業有限責任公司 Xinyang Longfei Property Co., Ltd. ("Xinyang Longfei")*	PRC/Mainland China	RMB20,000	70%	Property development
信陽楚韻置業有限責任公司 Xinyang Longfei Property Co., Ltd. ("Xinyang Longfei")*	PRC/Mainland China	RMB20,000	70%	Property development
信陽茶德置業有限責任公司 Xinyang Chade Property Co., Ltd. ("Xinyang Chade")*	PRC/Mainland China	RMB50,000	70%	Property development

Notes to Financial Statements

31 December 2021

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Indirectly held: (Continued)				
界首坤智置業有限公司 Jieshou Kunzhi Property Co., Ltd. (Note c) ("Jieshou Kunzhi")**	PRC/Mainland China	RMB61,230	51%	Property development
紹興儀坤置業有限公司 Shaoxing Yikun Property Co., Ltd. ("Shaoxing Yikun")**	PRC/Mainland China	RMB10,000	51%	Property development
南京坤鑫置業有限公司 Nanjing Kunxin Property Co., Ltd. ("Nanjing Kunxin")**	PRC/Mainland China	RMB50,000	100%	Property development
昆山坤熙置業有限公司 Kunshan Kunxi Property Co., Ltd. ("Kunshan Kunxi")**	PRC/Mainland China	RMB50,000	70%	Property development
南通長宏房地產開發有限公司 Nantong Changhong Property Development Co., Ltd. (Note c) ("Nantong Changhong")**	PRC/Mainland China	RMB20,000	50%	Property development
武漢恒祿置業有限公司 Wuhan Henglu Property Co., Ltd. (Note c) ("Wuhan Henglu")**	PRC/Mainland China	RMB50,000	51%	Property development
桐鄉市安潤置業有限公司 Tongxiang Anrun Property Co., Ltd. (Note a) ("Tongxiang Anrun")**	PRC/Mainland China	RMB10,000	30%	Property development
樂清坤慶置業有限公司 Yueqing Kunqing Property Co., Ltd. (Note c) ("Yueqing Kunqing")**	PRC/Mainland China	RMB10,000	30%	Property development

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Indirectly held: (Continued)				
蘭溪市坤晴置業有限公司 Lanxi Kunqing Property Co., Ltd. (Note c) ("Lanxi Kunqing")**	PRC/Mainland China	RMB10,000	46%	Property development
杭州坤語置業有限公司 Hangzhou Kunyu Property Co., Ltd. (Note a) ("Hangzhou Kunyu")**	PRC/Mainland China	RMB10,000	40%	Investment holding
樂清坤實置業有限公司 Yueqing Kunshi Property Co., Ltd. (Note a) ("Yueqing Kunshi")**	PRC/Mainland China	RMB10,000	50%	Property development
南京坤斐企業管理諮詢有限公司 Nanjing Kunfei Business Information Consulting Co., Ltd. (Note b) ("Nanjing Kunfei")**	PRC/Mainland China	RMB9,800	100%	Investment holding
諸暨市雋祥置業有限公司 Zhuji Junxiang Property Co., Ltd. (Note c) ("Zhuji Junxiang")**	PRC/Mainland China	RMB10,000	90%	Property development
諸暨市禎祥置業有限公司 Zhuji Zhenxiang Property Co., Ltd. (Note c) ("Zhuji Zhenxiang")**	PRC/Mainland China	RMB10,000	90%	Property development

* The legal form of this subsidiary is a wholly foreign-owned enterprise.
** The legal form of these subsidiaries is limited liability companies.

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Note a The Group was granted more than a majority of voting rights in the shareholders' meeting according to the contractual arrangement and the articles of associations with the then equity holders, which gives the Group the current ability to direct the relevant activities of these entities,and therefore, these entities were accounted for as subsidiaries of the Group.

	Percentage of voting rights held by the Group
Shanghai Xinyao	51.00%
Shanghai Quankun	51.00%
Sheshan Country Club	51.00%
Changzhou Qiansheng	51.00%
Dongyang Kunyu	75.00%
Ningbo Yueyuan	75.00%
Suzhou Kunxin	51.00%
Baolong Wenlv	51.00%
Wuhu Yin'an	51.00%
Tongxiang Anrun	51.00%
Hangzhou Kunyu	51.00%
Lanxi Kunqing	51.00%
Yueqing Kunshi	51.00%

Note b The Group legally transferred partial interests of these subsidiaries as collateral to independent trust companies under financing arrangements as at 31 December 2021. Pursuant to the financing arrangements, the Group was obliged to repurchase the equity interests held by trust companies at a fixed amount upon repayment of the borrowings.

	Percentage of equity pledged
Shanghai Qianrong	80.12%
Shanghai Kunxi	95.00%
Shanghai Sunkwan Songfa	99.00%
Nanjing Kunfei	99.00%
Shanghai Xinyi	99.01%

The Group is exposed to variable returns from its involvement and has the ability to affect those returns through its power over the relevant activities of these entities in the ordinary course of business. The trust companies earn fixed return from their investments and their rights in these entities are considered as protected in nature. In this regard, the investments from trust companies are treated as liabilities of the Group and these entities are considered as subsidiaries.

Note c These entities are subsidiaries of a non-wholly owned subsidiary of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over it.

2.1 BASIS OF PREPARATION

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

Going concern basis

As at 31 December 2021, the Group's current portion of interest-bearing bank and other borrowings, and senior notes amounted to RMB5,780,855,000 while the balance of cash and cash equivalents is amounted to RMB2,946,780,000. The Group anticipates that the market condition in the real estate sector will remain under pressure in 2022, and therefore, in the absence of a sharp recovery in the market and a resurge of various financing options, the Group remains cautious about its liquidity in the near term. The above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors consider that the Group has taken various measures and will have adequate funds available to enable it to operate as a going concern, taken into account the past operating performance of the Group and the following:

a) Subsequent to 31 December 2021, the Company successfully completed exchange offers and consent solicitation with respect to senior notes amounting to RMB1,021,000,000, which effectively extended the maturity date after January 2023, alleviating its cash flow pressure and improving the liquidity of the Group.

b) The Group continues to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds.

c) The Group is actively negotiating with several financial institutions to obtain new loans at a reasonable cost.

d) The Group continues to monitor capital expenditure to balance and relieve cash resource to support operation;.

e) The Group continues to take action to tighten cost controls over various operating expenses.

2.1 BASIS OF PREPARATION (Continued)

Going concern basis (Continued)

The directors of the Group have reviewed the Group's cash flow forecast covering a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2021 on a going concern basis.

Notwithstanding the above, given the volatility of the property sector in China and the uncertainties to obtain continuous support by the banks and the Group's creditors, material uncertainties exist as to whether the management of the Group will be able to achieve its plans and measures as described above.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had no interest-bearing bank and other borrowings and senior notes denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate as at 31 December 2021. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group as the Group does not have any rent concessions arising as a direct consequence of the covid-19 pandemic for the year ended 31 December 2021.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The Company has changed its accounting policy for the classification of the interest paid in the current year's consolidated statement of cash flows. In prior periods, interest paid was classified as cash flows from operating activities, whereas interest paid is now classified as cash flows from financing activities (the "Policy Change"). In the opinion of the directors of the Company, it is more appropriate to classify all cash flows in respect of the Group's borrowings, as cash flows from financing activities in the consolidated statement of cash flows to reflect the nature of the cash flows associated with the Group's borrowings, including the interest paid as a cost of financing, and will provide more relevant information about the cash flows associated with the borrowings. The directors are also of the opinion that such classification and presentation will provide greater comparability with other industry peers of the Group. The comparative amounts have been restated accordingly.

Set out below are the amounts by which each financial statement line item was affected for the years ended 31 December 2021 and 2020 as a result of the Policy Change:

	For the year ended 31 December	
	2021 Increase /(decrease) RMB'000	2020 Increase /(decrease) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest paid	**1,170,467**	785,364
Increase in cash flows related to operating activities	**1,170,467**	785,364
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(1,170,467)**	(785,364)
Decrease in cash flows related to financing activities	**(1,170,467)**	(785,364)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**–**	–

The adoption of the Policy Change has had no impact on the consolidated statements of profit or loss and other comprehensive income, financial position and changes in equity.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,4]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS standards 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[1]

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

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

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

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Buildings	2%-5%
Motor vehicles	19%-48%
Office equipment and electronic devices	19%-48%
Leasehold improvements	20%-33%

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the year.

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

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Transfers to or from investment property

Transfers to or from investment property shall be made when and only when there is a change in use evidenced by:

(a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;

(b) commencement of development with a view to sale, for a transfer from investment property to inventories;

(c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or

(d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position 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 applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

Allocation of property development cost

Land costs are allocated to each unit according to their respective saleable gross floor area ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

Intangible assets (other than goodwill)

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

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 5 years.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Office buildings	2 to 5 years

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

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "Properties under development" or "Completed properties held for sale". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee **(Continued)**

(b) *Lease liabilities*

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

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

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

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Sale and leaseback

The Group transfers an asset to its customer (the buyer-lessor) and leases that asset back from the buyer-lessor, and the Group assesses whether the transfer of the asset is a sale applying the requirements for determining when a performance obligation is satisfied in IFRS 15.

When a sale occurs, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the Group recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group makes the adjustments to measure the sales proceeds at fair value with any below-market terms accounted for as a prepayment of lease payments and any above-market terms accounted for as additional financing provided by the buyer-lessor to the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

***Subsequent measurement* (Continued)**

Financial assets at fair value through profit or loss

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

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

General approach

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

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

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

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

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

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include interest-bearing bank and other borrowings, trade payables and other payables, lease liabilities and amounts due to related parties.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

a. *Sale of properties*

Revenues are recognised when or as the control of the asset is transferred to the customer.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of the 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 customer obtains the physical possession, or the legal title of the completed property and the Group has a present right to payment and the collection of the consideration is probable.

b. *Project management services*

Project management service income derived from the provision of support services in connection with the development of property projects is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

Revenue from other sources

Rental income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

Dividend income

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract liabilities

A contract liability is recognised when a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs assets

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined at the dates of grant based on the market value of the Company's shares.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding shares is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of these payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. No forfeited contributions may be used to reduce the existing level of contributions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised.

All other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs include interest expense, finance charges 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 adjustments 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 forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and is limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

Dividends

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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 financial statements is presented in RMB, which is the Company's functional currency because the Group's principal operations are carried out in the Mainland China. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the year. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that may individually or collectively cast a significant doubt upon the going concern assumption are set out in note 2.1 to the consolidated financial statements.

Judgements

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

Revenue recognition from sales of properties

The Group has recognised revenue from sales of properties. Revenue is recognised over time when the Group's performance 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, revenue is recognised at the point in time when the buyer obtains control of the completed property. Whether there is an enforceable right to payment depends on the terms of contracts and relevant laws that apply to the contracts. To assess the enforceability of right to payment, the Group has reviewed the terms of the contracts, the relevant local laws and the local regulators' view, and obtained legal advice, and a significant judgement is required.

Operating lease commitments

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Consolidation scope

The classification of an investment as a subsidiary, a joint venture or an associate is based on whether the Group is determined to have control, joint control or significant influence over the investee, which involves judgements through the analysis of various factors, including the Group's representation on the chief decision-making authorities of an investee, such as the board of directors' meetings and shareholders' meetings, as well as other facts and circumstances.

Subsidiaries are consolidated, which means each of their assets, liabilities and transactions are included line by line in the Group's consolidated financial statements, whereas the interests in joint ventures and associates are equity accounted for as investments in the consolidated statement of financial position.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 19 to the financial statements.

Significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the timing value of money if the timing of payments agreed by the parties to the contract provides the Group with a significant benefit of financing.

Certain advance payments received from customers provide a significant financing benefit to the Group. Although the Group is required by the government to place all deposits and periodic payments received from the pre-completion sales in a stakeholder's account, the Group is able to benefit from those advance payments as it can withdraw money from that account to pay for the expended construction costs on the project. The advance payments received in effect reduce the Group's need to rely on other sources of financing.

The amount of the financing component is estimated at the inception of the contract. After contract inception, the discount rate is not updated for changes in interest rates or other circumstances, such as a change in credit risk. The period of financing is from the time that the payment is received until the transfer of goods to the customers is completed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

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

Provision for properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

PRC corporate income tax ("CIT")

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

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences are realised.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each year. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences, and;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2021 was RMB2,483,200,000 (2020: RMB3,245,600,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development by project location for the purpose of making decisions about resource allocation and performance assessment. As all locations have similar economic characteristics with similar nature of property development and leasing and management, a similar nature of the aforementioned business processes, a similar type or class of customers for the aforementioned businesses and similar methods used to distribute the properties or provide the services, all locations were aggregated as one reportable operating segment.

Geographical information

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

Information about major customers

No revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the year.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	8,279,845	8,143,888
Revenue from other sources		
Gross rental income from investment property operating leases	60,226	46,688
	8,340,071	8,190,576

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021 RMB'000	2020 RMB'000
Types of goods or services:		
Sale of properties	8,158,783	8,038,124
Project management services	121,062	105,764
Total revenue from contracts with customers	8,279,845	8,143,888
Timing of revenue recognition:		
Properties transferred at a point in time	8,158,783	8,038,124
Services transferred over time	121,062	105,764
Total revenue from contracts with customers	8,279,845	8,143,888

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information **(Continued)**

The following table shows the amounts of revenue recognised in the reporting period that were included in the contract liabilities at the beginning of respective periods and recognised from performance obligations satisfied in previous periods:

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sale of properties	**5,688,892**	5,758,920

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of properties

The performance obligation is satisfied when the purchaser obtains the physical possession or the legal title of the completed property and the Group has the right to payment and collection of the consideration if probable.

Project management services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 90 days from the date of billing.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) related to the sales of properties as at the end of the year are as follows:

	2021 RMB'000	2020 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**7,657,472**	7,059,528
After one year	**8,177,546**	1,260,309
	15,835,018	8,319,837

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to the sale of properties, of which the performance obligations are to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

***(ii) Performance obligations* (Continued)**

Project management services (Continued)

An analysis of other income and gains is as follows:

	2021 RMB'000	2020 RMB'000
Other income and gains		
Exchange gains	39,175	–
Gain on disposal of subsidiaries	27,157	–
Remeasurement gain on investments in joint ventures held before business combination	23,907	–
Government grants	3,402	4,238
Forfeiture of deposits	1,939	3,303
Others	1,311	779
	96,891	8,320

6. PROFIT BEFORE TAX

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

	2021 RMB'000	2020 RMB'000
Cost of properties sold (note 21)	6,999,276	6,259,087
Impairment losses recognised for properties under development (note 20)	126,998	80,289
Impairment losses recognised/(reversed) for financial assets (notes 22 and 23)	1,286	(950)
Depreciation of property, plant and equipment (note 13)	7,611	7,450
Depreciation of right-of-use assets (note 15(a))	3,437	4,429
Lease payments not included in the measurement of lease liabilities	5,903	1,787
Auditor's remuneration	5,250	2,800
Amortisation of intangible assets (note 16)	845	1,004
Employee benefit expense (including directors' and chief executive's remuneration in note 8):		
Wages and salaries	180,931	173,481
Pension scheme contributions and social welfare	41,846	23,248
Employee share-based compensation expense (note 34)	11,000	–

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 RMB'000	2020 RMB'000
Interest on interest-bearing bank and other borrowings and senior notes	1,324,321	772,356
Interest on lease liabilities	2,649	3,537
Interest expense arising from revenue contracts	394,903	314,072
Total interest expense on financial liabilities not at fair value through profit or loss	1,721,873	1,089,965
Less: Interest capitalised	(1,399,353)	(787,994)
	322,520	301,971

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2021 RMB'000	2020 RMB'000
Fees	1,008	168
Other emoluments:		
Salaries, allowances and benefits in kind	3,695	4,549
Performance-related bonuses	–	2,605
Equity-settled share option expense	4,271	–
Pension scheme contributions and social welfare	366	196
	9,340	7,518

(a) Independent non-executive directors

Mr. Guo Shaomu, Mr. Au Yeung Po Fung, and Mr. Zhou Zheren were appointed as independent non-executive directors of the Company on 27 October 2020.

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

	2021 RMB'000	2020 RMB'000
Mr. Guo Shaomu	336	56
Mr. Au Yeung Po Fung	336	56
Mr. Zhou Zheren	336	56
	1,008	168

There was no other emolument payable to the independent non-executive directors during the year (2020: nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive

Ms. Zhu Jing was appointed as an executive director and the chief executive officer of the Company on 21 August 2018. Mr. Yang Zhandong and Ms. Sheng Jianjing were appointed as executive directors of the Company on 24 March 2020. Mr. Lin Jinfeng and Ms. Lin Zhaohong were appointed as non-executive directors of the Company on 24 March 2020.

	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Pension scheme contributions and social welfare remuneration RMB'000	Total RMB'000
2021:					
Executive directors:					
– Ms. Zhu Jing	2,268	–	–	122	2,390
– Mr. Yang Zhandong	622	–	1,992	122	2,736
– Ms. Sheng Jianjing	805	–	2,279	122	3,206
Non-executive directors:					
– Mr. Lin Jinfeng	–	–	–	–	–
– Ms. Lin Zhaohong	–	–	–	–	–
	3,695	–	4,271	366	8,332

	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Pension scheme contributions and social welfare remuneration RMB'000	Total RMB'000
2020:					
Executive directors:					
– Ms. Zhu Jing	2,365	1,972	–	52	4,389
– Mr. Yang Zhandong	902	306	–	92	1,300
– Ms. Sheng Jianjing	1,282	327	–	52	1,661
Non-executive directors:					
– Mr. Lin Jinfeng	–	–	–	–	–
– Ms. Lin Zhaohong	–	–	–	–	–
	4,549	2,605	–	196	7,350

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2020: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2020: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the three (2020: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	5,514	6,365
Performance related bonuses	–	2,025
Equity-settled share-based payment expenses	2,502	–
Pension scheme contributions and social welfare	311	201
	8,327	8,591

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

	2021 RMB'000	2020 RMB'000
Nil to HK$500,000	–	–
HK$500,001 to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$2,500,000	–	3
HK$2,500,001 to HK$3,000,000	–	–
HK$3,000,001 to HK$3,500,000	1	1
HK$3,500,001 to HK$4,000,000	2	–
	3	4

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong is not liable for income tax as it did not have any assessable profits arising in Hong Kong for the year ended 31 December 2021.

Subsidiaries of the Group operating in Mainland China were subject to the PRC corporate income tax with a tax rate of 25% for the reporting period.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	2021 RMB'000	2020 RMB'000
Current tax:		
Corporate income tax	**318,463**	200,542
LAT (note)	**(428,596)**	(28,955)
Deferred tax (note 19)	**(51,464)**	275,299
Total tax (credit)/charge for the year	**(161,597)**	446,886

Note: The significant decrease of the LAT amount was mainly due to the final clearance of LAT for seven projects (2020: three), which have been approved by the relevant tax authority. Such final clearances of LAT were approved by relevant local tax authority based on its consideration and judgement of the development and operation of these projects. The approved LAT amounts are lower than the provision estimated. Therefore, such differences were deducted from the LAT in the current period.

10. INCOME TAX (Continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate are as follows:

	2021 RMB'000	2020 RMB'000
Profit before tax	**421,909**	1,332,048
Tax at the statutory tax rate	**105,477**	333,012
Profits and losses attributable to joint ventures and associates	**(5,689)**	(58,725)
Expenses not deductible for tax	**4,059**	1,750
Cost not deductible for tax	**2,904**	47,264
Tax losses utilised from previous years	**(2,416)**	(2,427)
Deductible temporary differences utilised from previous years	**(36,595)**	–
Tax losses and deductible temporary differences not recognised	**92,110**	147,728
Provision for LAT	**(428,596)**	(28,955)
Tax effect on LAT	**107,149**	7,239
Tax charge at the Group's effective rate	**(161,597)**	446,886

The share of tax charge attributable to joint ventures and associates amounted to RMB34,613,000 (2020: RMB98,121,000) for the year ended 31 December 2021. The share of tax credit attributable to joint ventures and associates amounted to RMB27,028,000 (2020: RMB19,822,000) for the year ended 31 December 2021. Both are included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss and other comprehensive income.

Tax payables in the consolidated statement of financial position represent:

	2021 RMB'000	2020 RMB'000
Tax payables:		
Corporate income tax	**561,539**	540,555
LAT	**736,069**	1,877,428
	1,297,608	2,417,983

11. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Proposed final – Nil (2020: RMB2 cents) per ordinary share	–	39,331

The Board did not recommend to propose the final dividend for the year ended 31 December 2021 (2020: RMB39,331,000).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,072,940,000 (2020: 1,565,859,781) in issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the years ended 31 December 2021 and 2020 was based on 1,500,000,000 shares of the Company as at 1 January 2020. On 17 November 2020, the Company issued 500,000,000 new ordinary shares. On 10 December 2020, the over-allotment option has been partially exercised and the Company allotted and issued 72,940,000 additional shares.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

The calculations of the basic and diluted earnings per share amounts are based on:

	2021 RMB'000	2020 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	250,057	356,064

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year	2,072,940,000	1,565,859,781
Earnings per share		
Basic and diluted	RMB0.12	RMB0.23

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2021					
At 31 December 2020 and 1 January 2021:					
Cost	143,971	5,351	6,275	13,455	169,052
Accumulated depreciation	(9,720)	(2,915)	(4,634)	(8,062)	(25,331)
Net carrying amount	134,251	2,436	1,641	5,393	143,721
At 1 January 2021, net of accumulated depreciation	134,251	2,436	1,641	5,393	143,721
Additions	–	–	1,447	–	1,447
Acquisition of subsidiaries (note 37)	–	74	520	–	594
Disposal of subsidiaries (note 38)	–	(314)	–	–	(314)
Depreciation provided during the year (note 6)	(2,777)	(906)	(1,176)	(2,752)	(7,611)
At 31 December 2021, net of accumulated depreciation	131,474	1,290	2,432	2,641	137,837
At 31 December 2021:					
Cost	143,971	5,112	8,243	13,455	170,781
Accumulated depreciation	(12,497)	(3,822)	(5,811)	(10,814)	(32,944)
Net carrying amount	131,474	1,290	2,432	2,641	137,837

Certain of the Group's property, plant and equipment with an aggregate carrying amount of approximately RMB131,474,000 (2020: RMB134,251,000) as at 31 December 2021 have been pledged to secure bank and other borrowings granted to the Group (note 30).

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2020					
At 31 December 2019 and 1 January 2020:					
Cost	143,971	5,351	5,259	13,455	168,036
Accumulated depreciation	(6,942)	(2,021)	(3,431)	(5,487)	(17,881)
Net carrying amount	137,029	3,330	1,828	7,968	150,155
At 1 January 2020, net of accumulated depreciation	137,029	3,330	1,828	7,968	150,155
Additions	–	–	969	–	969
Acquisition of subsidiaries	–	–	47	–	47
Depreciation provided during the year (note 6)	(2,778)	(894)	(1,203)	(2,575)	(7,450)
At 31 December 2020, net of accumulated depreciation	134,251	2,436	1,641	5,393	143,721
At 31 December 2020:					
Cost	143,971	5,351	6,275	13,455	169,052
Accumulated depreciation	(9,720)	(2,915)	(4,634)	(8,062)	(25,331)
Net carrying amount	134,251	2,436	1,641	5,393	143,721

14. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Held under leases RMB'000	Total RMB'000
Carrying amount at 31 December 2019	1,760,000	1,109,300	49,100	2,918,400
Additions	–	169,373	182	169,555
Transferred from properties under development (note 20)	–	47,202	–	47,202
Transferred from completed properties held for sale (note 21)	7,906	–	–	7,906
Net gain from a fair value adjustment	38,594	76,925	(12,982)	102,537
Carrying amount at 31 December 2020	1,806,500	1,402,800	36,300	3,245,600
Additions	**–**	**82,909**	**–**	**82,909**
Acquisition of subsidiaries (note 37)	**–**	**227,300**	**–**	**227,300**
Transferred from properties under development (note 20)	**–**	**160,143**	**–**	**160,143**
Transferred to properties under development (note 20)	**–**	**(1,281,200)**	**–**	**(1,281,200)**
Transfer	**45,700**	**(45,700)**	**–**	**–**
Net gain from a fair value adjustment	**49,900**	**15,148**	**(16,600)**	**48,448**
Carrying amount at 31 December 2021	**1,902,100**	**561,400**	**19,700**	**2,483,200**

The Group's investment properties are situated in Mainland China. The Group's investment properties were revalued on 2021 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, at RMB2,483,200,000 (2020: RMB3,245,600,000). The Group's senior finance manager and the chief financial officer decide, after approval from the board of directors of the Company, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior finance manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

The Group also entered into certain sale and leaseback transactions, under which the Group sells a property and then leases it back from the owner to generate various income streams, such as rental and management fees. Under the sale and leaseback arrangement, the Group may also incur additional operating expenses, such as marketing and management fees, and may suffer losses, damages and liabilities if the Group fails to fulfil contract obligations stipulated in the sale and leaseback agreements. The gains arising from the sales and leaseback transactions were nil (2020: Nil) for the year ended 31 December 2021.

The income from subleasing those right-of-use assets was RMB14,190,000 for the year ended 31 December 2021 (2020: RMB9,160,000).

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

14. INVESTMENT PROPERTIES (Continued)

Certain of the Group's investment properties with fair value of approximately RMB2,045,426,000 as at 31 December 2021 (2020: RMB1,793,317,000) have been pledged to secure bank and other borrowings granted to the Group (note 30).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2021 using			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Commercial properties				
Under construction	–	–	395,700	395,700
Completed	–	–	1,856,400	1,856,400
Held under leases	–	–	19,700	19,700
Residential properties				
Under construction	–	–	165,700	165,700
Completed	–	–	45,700	45,700
	–	–	2,483,200	2,483,200

	Fair value measurement as at 31 December 2020 using			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Commercial properties				
Under construction	–	–	1,357,800	1,357,800
Completed	–	–	1,806,500	1,806,500
Held under leases	–	–	36,300	36,300
Residential properties				
Under construction	–	–	45,000	45,000
	–	–	3,245,600	3,245,600

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 31 December 2021	2020
Commercial properties completed	Income approach	Expected rental value (per square metre per month)	RMB45-198	RMB108-195
		Capitalisation rate	2.5-5.5%	2.5-5.5%
Commercial properties under construction	Comparison method	Comparable market value (per square metre)	RMB7,406-8,177	RMB10,000-11,873
Commercial properties held under leases	Income approach	Expected rental value (per square metre per month)	RMB111-183	RMB111-183
		Capitalisation rate	5.5-6.0%	5.5-6.0%
Residential properties completed	Income approach	Expected rental value (per square metre per month)	RMB63	–
		Capitalisation rate	3.25%	–
Residential properties under construction	Comparison method	Expected profit margin	2%	5%

The fair value of completed commercial properties is determined using the income approach by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference to the comparable sales transactions as available in the relevant market has also been considered.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalisation rate would result in a significant decrease (increase) in the fair value of the investment properties.

14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

The fair value of commercial properties under construction is determined using the comparison method, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the properties, assuming they were completed and, where appropriate, after deducting the following items:

- Estimated construction cost, marketing cost, management fees, finance cost and professional fees to be expensed to complete the properties that would be incurred by a market participant; and

- Estimated profit margin that a market participant would require to hold and develop the properties to completion.

The higher expected profit margin would result in the lower fair value of the investment properties under construction.

15. LEASES

The Group as a lessee

The Group has lease contracts for office buildings, motor vehicles and office equipment. Leases of office buildings generally have lease terms between 2 and 3 years. Motor vehicles and office equipment generally have lease terms of 12 months or less or are individually of low value.

(a) *Right-of-use assets*

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

	Office buildings	
	2021 RMB'000	2020 RMB'000
Carrying amount at beginning of the year	1,777	4,472
Additions	4,098	1,734
Depreciation charge during the year (note 6)	(3,437)	(4,429)
Carrying amount at end of the year	2,438	1,777

15. LEASES (Continued)

The Group as a lessee (Continued)

(b) *Lease liabilities*

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

	2021 RMB'000	2020 RMB'000
Carrying amount at beginning of the year	**86,795**	116,664
New leases	**4,098**	1,916
Accretion of interest recognised during the year	**2,649**	3,537
Payments	**(38,359)**	(35,322)
Carrying amount at end of the year	**55,183**	86,795
Analysed into:		
Current portion	**30,014**	32,277
Non-current portion	**25,169**	54,518

The maturity analysis of lease liabilities is disclosed in note 44 to the financial statements.

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

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**2,649**	3,537
Depreciation charge of right-of-use assets	**3,437**	4,429
Expense relating to short-term leases	**5,469**	1,393
Expense relating to leases of low-value assets	**434**	394
Total amount recognised in profit or loss	**11,989**	9,753

The total cash outflow for leases is disclosed in note 39(c) to the financial statements.

(d) *The Group as a lessor*

The Group leases its investment properties (note 14) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB60,225,000 (2020: RMB46,688,000), details of which are included in note 5 to the financial statements.

15. LEASES (Continued)

The Group as a lessee (Continued)

(d) The Group as a lessor **(Continued)**

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	51,275	60,860
After one year but within two years	24,357	50,700
After two years but within three years	9,127	30,870
After three years but within four years	6,631	22,157
After four years but within five years	4,014	16,561
After five years	3,287	5,438
	98,691	186,586

16. INTANGIBLE ASSETS

	2021 RMB'000	2020 RMB'000
Software		
At the beginning of the year:		
Cost	5,692	4,488
Accumulated amortisation	(3,526)	(2,522)
Net carrying amount	2,166	1,966
Carrying amount at the beginning of the year:	2,166	1,966
Additions	–	1,204
Amortisation provided during the year (note 6)	(845)	(1,004)
Carrying amount at the end of the year	1,321	2,166
At the end of the year:		
Cost	5,692	5,692
Accumulated amortisation	(4,371)	(3,526)
Net carrying amount	1,321	2,166

17. INVESTMENTS IN JOINT VENTURES

	2021 RMB'000	2020 RMB'000
Share of net assets	582,657	357,174
Financial guarantees provided to joint ventures	29,845	–
	612,502	357,174

The Group has guaranteed certain of the bank and other borrowings made to its joint ventures, details of which are set out in note 40. In the opinion of the directors, the financial guarantee services are unlikely to be compensated in the foreseeable future and are considered as part of the Group's net investments in the joint ventures.

The Group's receivable and payable balances with joint ventures are disclosed in note 41 to the financial statements.

(a) Particulars of the Group's material joint ventures is as follows:

Name of companies	Place and year of registration	Nominal value of registered share capital '000	Effective percentage of ownership interest indirectly attributable to the Company	Principal activities
上海上坤飛榮置業有限公司 Shanghai Sunkwan Feirong Property Co., Ltd. ("Sunkwan Feirong")	Shanghai, PRC 2016	RMB8,000	50%	Property development and property leasing
蘇州和都置業有限公司* Suzhou Hedu Property Co., Ltd. ("Suzhou Hedu")	Jiangsu, PRC 2018	RMB50,000	20%	Property development

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

17. INVESTMENTS IN JOINT VENTURES (Continued)

(b) Sunkwan Feirong, which is considered as a material joint venture of the Group for the years ended 31 December 2021 and 2020, co-develops a property development project with the other joint venture partner in Mainland China and the joint venture is accounted for using the equity method.

Suzhou Hedu, which is considered as material joint venture is of the Group for the year ended 31 December 2020, co-develop a property development project with the other joint venture partners in Mainland China and the joint venture is accounted for using the equity method.

The following table illustrates the financial information of Sunkwan Feirong, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	For the year ended 31 December	
	2021 Sunkwan Feirong RMB'000	2020 Sunkwan Feirong RMB'000
Cash and cash equivalents	2,873	7,226
Other current assets	349,125	1,922,482
Current assets	351,998	1,929,708
Non-current assets	2,761,137	2,424,968
Current liabilities	(1,426,766)	(2,869,318)
Non-current liabilities	(1,127,621)	(1,084,750)
Net asset	558,748	400,608
Reconciliation to the Group's interests in the joint ventures:		
Proportion of the Group's ownership	50%	50%
The Group's share of net assets of the joint ventures	279,374	200,304
Revenue	29,764	–
Expenses	(80,625)	(3,040)
Fair value gains on investment properties	261,872	405,541
Tax	(52,871)	(106,385)
Profit for the year	158,140	296,116
Total comprehensive income for the year	158,140	296,116

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17. INVESTMENTS IN JOINT VENTURES (Continued)

	For the year ended 31 December 2020 Suzhou Hedu RMB'000
Cash and cash equivalents	186,089
Other current assets	294,116
Current assets	480,205
Non-current assets	–
Current liabilities	(186,660)
Non-current liabilities	–
Net asset	293,545
Reconciliation to the Group's interests in the joint venture:	
Proportion of the Group's ownership	20%
The Group's share of net assets of the joint venture	58,709
Revenue	1,737,803
Expenses	(1,366,317)
Tax	(93,072)
Profit for the year	278,414
Total comprehensive income for the year	278,414

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

	2021 RMB'000	2020 RMB'000
Share of the joint ventures' losses	**(44,605)**	(42,775)
Share of the joint ventures' total comprehensive income	**(44,605)**	(42,775)
Aggregate carrying amount of the Group's investments in the joint ventures	**303,283**	98,161

The directors of the Company are of the opinion that no provision for impairment is necessary as at 31 December 2021 as the investments in joint ventures are considered fully recoverable (2020: Nil). The joint ventures have been accounted for using the equity method in these financial statements.

18. INVESTMENTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Share of net assets	**1,966,759**	1,584,016
Financial guarantees provided to associates	**5,458**	–
	1,972,217	1,584,016

The Group has guaranteed certain of the bank and other borrowings made to its associates, details of which are set out in note 40. In the opinion of the directors, the financial guarantee services are unlikely to be compensated in the foreseeable future and are considered as part of the Group's net investments in the associates.

The Group's receivable and payable balances with associates are disclosed in note 41 to the financial statements.

The associates of the Group are considered not individually material for the year ended 31 December 2021.

(a) Particulars of the Group's material associates are as follows:

Name of companies	Place and year of registration	Nominal value of registered share capital '000	Effective percentage of ownership interest indirectly attributable to the Company	Principal activities
蘇州高新光耀萬坤置地有限公司 Suzhou GaoXin GuangYao Property Co., Ltd. ("Suzhou GaoXin GuangYao")	Jiangsu, PRC 2017	RMB400,000	24.5%	Property development
慈溪市金桂置業有限公司 Cixi Jingui Property Co., Ltd. ("Cixi Jingui")	Zhejiang, PRC 2018	RMB50,000	16%	Property development

Pursuant to the articles of association of these companies, the other shareholder of these entities has enough voting power to control and operate these entities. Thus, these companies are accounted for as associates of the Group during the year.

18. INVESTMENTS IN ASSOCIATES (Continued)

(b) Cixi Jingui and Suzhou Gaoxin Guangyao, which are considered as material associates of the Group for the year ended 31 December 2020, co-develop a property development project with other associate partners in Mainland China, and the associates are accounted for using the equity method.

The following table illustrates the summarised financial information of Cixi Jingui and Suzhou Gaoxin Guangyao, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements for the year ended 31 December 2020:

	Cixi Jingui RMB'000	Suzhou Gaoxin Guangyao RMB'000
Cash and cash equivalents	214,195	38,828
Other current assets	272,171	629,837
Current assets	486,366	668,665
Non-current assets	699	123
Current liabilities	(276,182)	(183,226)
Non-current liabilities	–	–
Net asset	210,883	485,562
Reconciliation to the Group's interests in the associates:		
Proportion of the Group's ownership	16%	24.5%
The Group's share of net assets of the associates	33,741	118,963
Revenue	2,051,801	1,139,710
Expenses	(1,739,914)	(1,011,926)
Tax	(78,130)	(30,153)
Profit for the year	233,757	97,631
Total comprehensive income for the year	233,757	97,631

(c) The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2021 RMB'000	2020 RMB'000
Share of the associates' profits and losses	**(11,710)**	12,612
Share of the associates' total comprehensive income	**(11,710)**	12,612
Aggregate carrying amount of the Group's investments in the associates	**1,966,759**	1,431,312

The directors of the Company are of the opinion that no provision for impairment is necessary as at 31 December 2021 as the investments in associates are considered fully recoverable (2020: Nil). The associates have been accounted for using the equity method in these financial statements.

19. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Impairment of assets RMB'000	Accrued construction cost RMB'000	Unrealised revenue in contract liabilities RMB'000	Accrued LAT RMB'000	Lease liabilities RMB'000	Total RMB'000
At 31 December 2019 and 1 January 2020	7,629	827	69,234	137,677	638,541	29,166	883,074
Acquisition of a subsidiary	525	–	–	21,056	–	–	21,581
Deferred tax credited/(charged) to profit or loss during the year (note 10)	39,358	(238)	(49,621)	(69,076)	(169,184)	(7,467)	(256,228)
At 31 December 2020 and 1 January 2021	47,512	589	19,613	89,657	469,357	21,699	648,427
Acquisition of subsidiaries (note 37)	–	–	–	62,380	–	–	62,380
Disposal of subsidiaries (note 38)	–	–	–	(14,635)	–	–	(14,635)
Deferred tax credited/(charged) to profit or loss during the year (note 10)	164,167	322	40,270	135,191	(285,340)	(7,903)	46,707
At 31 December 2021	211,679	911	59,883	272,593	184,017	13,796	742,879

Deferred tax liabilities

	Fair value adjustments arising from financial assets at FVTPL RMB'000	Fair value adjustments arising from investment properties RMB'000	Fair value adjustments arising from properties under development RMB'000	Fair value adjustments arising from business combinations RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 31 December 2019 and 1 January 2020	2,152	196,599	–	53,139	2,048	253,938
Acquisition of a subsidiary	–	–	–	15,780	–	15,780
Deferred tax charged/(credited) to profit or loss during the year (note 10)	92	25,635	–	(6,028)	(628)	19,071
At 31 December 2020 and 1 January 2021	2,244	222,234	–	62,891	1,420	288,789
Acquisition of subsidiaries (note 37)	–	6,992	–	22,101	–	29,093
Transfer	–	(84,007)	84,007	–	–	–
Deferred tax charged/(credited) to profit or loss during the year (note 10)	(23)	12,112	–	17,004	158	(4,757)
At 31 December 2021	2,221	157,331	84,007	67,988	1,578	313,125

19. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax liabilities (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**616,919**	521,353
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(187,165)**	(161,715)
	429,754	359,638

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company and the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB114,966,000 (2020: RMB83,450,000).

Deferred tax assets have not been recognised in respect of the following items:

	2021 RMB'000	2020 RMB'000
Tax losses	**1,197,360**	991,136
Deductible temporary differences	**689,979**	735,403
	1,887,339	1,726,539

19. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax liabilities (Continued)

Tax losses not recognised will expire as follows:

	2021 RMB'000	2020 RMB'000
2021	–	51,596
2022	98,512	108,176
2023	235,748	235,748
2024	332,792	332,792
2025	262,824	262,824
2026	267,484	–
	1,197,360	991,136

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

20. PROPERTIES UNDER DEVELOPMENT

	2021 RMB'000	2020 RMB'000
At the beginning of the year	12,495,168	10,859,280
Additions	13,541,849	7,976,048
Acquisition of subsidiaries (note 37)	2,373,586	565,495
Disposal of subsidiaries (note 38)	(2,617,737)	–
Transferred from investment properties (note 14)	1,281,200	–
Transferred to completed properties held for sale (note 21)	(7,179,525)	(6,806,647)
Transferred to investment properties (note 14)	(160,143)	(47,202)
Impairment losses recognised (note 6)	(126,998)	(80,289)
Impairment losses transferred to completed properties held for sale (note 21)	132,121	28,483
At the end of the year	19,739,521	12,495,168

The Group's properties under development are situated on leasehold land in Mainland China.

Certain of the Group's properties under development with an aggregate carrying amount of approximately RMB11,672,587,000 (2020: RMB7,400,552,000) as at 31 December 2021 have been pledged to secure bank and other borrowings granted to the Group (note 30).

20. PROPERTIES UNDER DEVELOPMENT (Continued)

The movements in provision for impairment of properties under development are as follows:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	(111,925)	(60,119)
Impairment losses recognised (note 6)	(126,998)	(80,289)
Impairment losses transferred to completed properties held for sale (note 21)	132,121	28,483
At the end of the year	(106,802)	(111,925)

21. COMPLETED PROPERTIES HELD FOR SALE

	2021 RMB'000	2020 RMB'000
Carrying amount at the beginning of the year	1,562,937	1,051,766
Transferred from properties under development (note 20)	7,179,525	6,806,647
Disposal of subsidiaries (note 38)	(826,796)	–
Transferred to cost of properties sold (note 6)	(6,999,276)	(6,259,087)
Transferred to investment properties (note 14)	–	(7,906)
Impairment losses transferred from properties under development (note 20)	(132,121)	(28,483)
At the end of the year	784,269	1,562,937

Certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB87,027,000 as at 31 December 2021 (2020: RMB57,500,000), have been pledged to secure bank and other borrowings granted to the Group (note 30).

The movements in provision for impairment of completed properties held for sale are as follows:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	(20,977)	(31,484)
Impairment losses transferred from properties under development (note 20)	(132,121)	(28,483)
Disposal of subsidiaries	20,977	–
Impairment losses transferred to cost of properties sold	86,968	38,990
At the end of the year	(45,153)	(20,977)

The value of completed properties held for sale is assessed at the end of the year. An impairment exists when the carrying value exceeds its net realisable value which is calculated based on the expected/contract selling prices less costs to be incurred in selling the properties.

22. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**24,481**	26,488
Less: Impairment	**(602)**	(575)
	23,879	25,913

Trade receivables mainly represent rentals receivable from tenants. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the year, based on the invoice date, is as follows:

	2021 RMB'000	2020 RMB'000
Less than 1 year	**24,118**	26,402
Over 1 year	**363**	86
	24,481	26,488

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	**575**	801
Impairment losses recognised (note 6)	**27**	(226)
At the end of the year	**602**	575

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customers with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due and are not subject to enforcement activity.

22. TRADE RECEIVABLES (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

	Current	Past due Less than 1 month	Past due 1 to 6 months	Past due 6 months to 1 year	Past due Over 1 year	Total
Expected credit loss rate	0.3%	0.7%	3.0%	10.0%	25.0%	
Gross carrying amount (RMB'000)	13,403	1,255	6,908	2,552	363	24,481
Expected credit losses (RMB'000)	40	9	207	255	91	602

As at 31 December 2020

	Current	Past due Less than 1 month	Past due 1 to 6 months	Past due 6 months to 1 year	Past due Over 1 year	Total
Expected credit loss rate	0.3%	0.7%	3.0%	10.0%	25.0%	
Gross carrying amount (RMB'000)	15,550	1,360	7,014	2,220	344	26,488
Expected credit losses (RMB'000)	47	10	210	222	86	575

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Due from non-controlling shareholders of the subsidiaries	2,397,208	1,756,182
Prepaid taxes and other tax recoverable	712,948	431,567
Prepayments for construction cost	21,727	10,457
Outstanding consideration for disposal of associates	635,000	–
Prepayments for acquisition of land use rights	–	646,781
Deposits related to third parties' land use rights	–	59,529
Deposits for land auction	–	70,000
Other deposits	261,707	478,600
Others	5,488	23,165
	4,034,078	3,476,281
Less: Impairment	(3,038)	(1,779)
	4,031,040	3,474,502

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

The movements in provision for impairment of receivables are as follows:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	**1,779**	2,503
Impairment losses recognised/(reversed) (note 6)	**1,259**	(724)
At the end of the year	**3,038**	1,779

The internal credit rating of amounts due from non-controlling shareholders of the subsidiaries and other receivables was regarded as the grade of performing. The Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition. At the end of each reporting period, these receivables were categorised in stage 1 and the 12-month expected loss is calculated to be 0.1% by considering the default rates and adjusting for forward-looking macroeconomic data. The expected credit loss rate remained the same during the reporting period as there were no significant changes in historical loss rates or forecast economic conditions in the real estate industry.

24. CONTRACT COST ASSETS

	2021 RMB'000	2020 RMB'000
Contract costs arising from the sale of properties	**174,931**	51,497

Management expected that the contract acquisition costs, which represented primarily sales commission for obtaining property sales contracts, are recoverable. The Group has deferred the amounts paid and will charge them to profit or loss when the related revenue is recognised. As at 31 December 2021, the amounts charged to profit or loss were RMB103,475,000 (2020: RMB124,203,000), and there was no impairment loss.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Wealth management product	30,500	74,988
Fund investment	80,097	38,221
	110,597	113,209

The above wealth management product at 31 December 2021 was issued by a bank in Mainland China. It is classified as a financial asset at fair value through profit or loss as its contractual cash flows do not qualify for solely payments of principal and interest.

The above fund investment at 31 December 2021 was classified as a financial asset at fair value through profit or loss as it was held for trading.

26. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	4,483,099	5,333,488
Less: Restricted cash	1,471,491	1,768,413
Pledged deposits	64,828	199,881
Cash and cash equivalents	2,946,780	3,365,194

In accordance with relevant government requirements, certain property development companies of the Group are required to place in designated bank accounts a certain amount of pre-sale proceeds or self-owned capital as guarantee deposits for the constructions of the related properties. The restricted cash should mainly be used for payments for construction costs of the relevant properties when approval from related government authority is obtained. Such restricted cash will be released after the completion of construction of the related properties. As at 31 December 2021, such restricted cash of pre-sale proceeds amounted to RMB1,379,015,000 (2020: RMB952,189,000).

As at 31 December 2021, the restricted cash also included cash from borrowings that is restricted to use in the construction of properties amounting to RMB37,849,000 (2020: RMB4,487,000). As at 31 December 2021, the restricted cash included an amount of RMB29,627,000 (2020: RMB11,728,000) which was frozen by the People's Court due to lawsuits. As at 31 December 2021, restricted cash included time deposits amounting to RMB25,000,000 (2020: RMB800,000,000) would mature in more than three months when acquired by the Group and earn interest at the time deposit rates.

Bank deposits of RMB20,100,000 were pledged as security for bank and other borrowings as at 31 December 2021 (2020: RMB122,347,000) (note 30). Bank deposits of RMB44,728,000 were pledged as security for purchasers' mortgage loans, construction of projects and pledged to banks as collateral for issuance of bank acceptance notes at 31 December 2021 (2020: RMB77,534,000).

26. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS (Continued)

Cash and bank balances were denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
Cash and bank balances		
Denominated in RMB	4,422,775	5,272,050
Denominated in HK$	60,230	61,433
Denominated in US$	94	5
	4,483,099	5,333,488

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

The internal credit rating of restricted cash, pledged deposits and cash and cash equivalents was regarded as the grade of performing. The Group has assessed that the credit risk of the restricted cash, pledged deposits and cash and cash equivalents has not increased significantly since initial recognition and measured the impairment based on the 12-month expected credit losses, and has assessed that the expected credit losses are immaterial.

27. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the year, based on the invoice date, is as follows:

	2021 RMB'000	2020 RMB'000
Less than 1 year	2,059,070	1,691,174
Over 1 year	42,113	23,724
	2,101,183	1,714,898

Trade payables are unsecured and interest-free and are normally settled based on the progress of construction.

The fair values of trade and bills payables as at the end of the year approximated to their corresponding carrying amounts due to their relatively short maturity terms.

28. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Due to non-controlling shareholders of subsidiaries	**2,692,281**	1,113,387
Retention deposits related to construction	**203,089**	162,281
Payroll and welfare payable	**31,976**	64,975
Other tax and surcharges	**119,439**	81,699
Interest payable	**40,420**	32,813
Deposits related to sales of properties	**20,871**	11,032
Outstanding consideration for business combination	**–**	6,600
Maintenance fund	**993**	13,837
Advances from third parties related to land use rights	**–**	1,019,188
Others	**75,191**	65,786
	3,184,260	2,571,598

Other payables and amounts due to non-controlling shareholders of subsidiaries as at 31 December 2021 are unsecured, non-interest-bearing and repayable on demand, except for amounts due to non-controlling shareholders of subsidiaries of RMB418,000,000 as at 31 December 2021 which bear interest at fixed interest rates ranging from 12.5% to 15.0% per annum. The fair values of other payables at the end of the year approximated to their corresponding carrying amounts.

29. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	2021 RMB'000	2020 RMB'000
Contract liabilities	**13,741,819**	8,001,562

The Group receives payments from customers based on billing schedules as established in the property sales. Payments are usually received in advance of the performance under the contracts which are mainly from property development sales.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2021			31 December 2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	13.00	2022	200,000	–	2021	–
Other loans – secured	9.00-16. 50	2022	1,234,085	11.00-17.50	2021	1,568,525
Other loans – unsecured	–	2022	–	12.00	2021	43,400
Current portion of long term bank loans – secured	4.75-10.00	2022	1,118,750	5.88-8.53	2021	202,000
Current portion of long term other loans – secured	5.35-13.00	2022	594,500	12.00-16.50	2021	515,695
			3,147,335			2,329,620
Non-current						
Bank loans – secured	3.85-9.60	2023-2035	3,521,458	4.75-10.00	2022-2035	2,386,000
Other loans – secured	5.35-15.00	2023-2024	1,922,760	8.00-17.00	2022-2024	4,029,748
			5,444,218			6,415,748
			8,591,553			8,745,368

	2021 RMB'000	2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	1,318,750	202,000
In the second year	1,680,867	295,000
In the third to fifth years, inclusive	1,840,591	1,420,000
Beyond five years	–	671,000
	4,840,208	2,588,000
Other loans repayable:		
Within one year or on demand	1,828,585	2,127,620
In the second year	1,554,548	2,313,511
In the third to fifth years, inclusive	368,212	1,716,237
	3,751,345	6,157,368
	8,591,553	8,745,368

The Group's bank and other borrowings are denominated in RMB.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of reporting period as follows:

	Notes	2021 RMB'000	2020 RMB'000
Property, plant and equipment	13	131,474	134,251
Investment properties	14	2,045,426	1,793,317
Properties under development	20	11,672,587	7,400,552
Completed properties held for sale	21	87,027	57,500
Pledged deposits	26	20,100	122,347

Certain of the bank and other borrowings of up to RMB1,506,000,000 were guaranteed by the Company's non-controlling shareholders and independent third parties as at 31 December 2021 (2020: RMB2,020,000,000).

Ms. Zhu Jing has guaranteed certain of the bank and other borrowings up to RMB83,000,000 as at 31 December 2021(2020: Nil).

31. PROVISION FOR FINANCIAL GUARANTEE CONTRACTS

	2021 RMB'000	2020 RMB'000
At the beginning of the year	–	–
Fair value changes	–	–
Additions	35,303	–
At the end of the year	35,303	–

The financial guarantee contracts represent guarantees given to banks and other financial institutions in connection with borrowings made to the Group's joint ventures and associates, details of which are set out in note 42.

The Group does not provide financial guarantees except for limited circumstances. All guarantees are approved by the directors of the Group.

The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders (i.e., the banks) for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor (i.e., the joint ventures and associates). During the year ended 31 December 2021, an ECL allowance of RMB35,303,000 was provided as a result of guarantees provided to the joint ventures and associates (2020: nil).

32. SENIOR NOTES

	31 December 2021 Principal at original currency '000	31 December 2021 Contractual interest rate (%)	31 December 2021 Maturity	31 December 2021 RMB'000 (Unaudited)	31 December 2020 Principal at original currency '000	31 December 2020 Contractual interest rate (%)	31 December 2020 Maturity	31 December 2020 RMB'000 (Audited)
Senior notes due 2022 ("2022 Notes I")	US$185,000	12.75%	2022	1,242,210	–	–	–	–
Senior notes due 2022 ("2022 Notes II")	US$210,000	12.25%	2022	1,391,310	–	–	–	–
				2,633,520				–
Less: Current portion				(2,633,520)				–
Non-current portion				–				–

	31 December 2021 RMB'000 (Audited)	31 December 2020 RMB'000 (Audited)
The Group's senior notes were repayable as follows:		
Repayable within one year or on demand	2,633,520	–

2022 Notes I

On 22 January 2021, the Company issued the 2022 Notes at a coupon rate of 12.75% due within 2022 with an aggregate principal amount of US$185,000,000. The Company raised net proceeds of US$181,612,000 (after deduction of underwriting discounts and commissions and other expenses). At any time and from time to time prior to 21 January 2022, the Company may redeem the 2022 Notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

2022 Notes II

On 22 July 2021, the Company issued the 2022 Notes at a coupon rate of 12.25% due within 2022 with an aggregate principal amount of US$210,000,000. The Company raised net proceeds of US$204,566,000 (after deduction of underwriting discounts and commissions and other expenses). At any time and from time to time prior to 21 July 2022, the Company may redeem the 2022 Notes II at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

The 2022 Notes I and 2022 Notes II are guaranteed by certain of the Group's existing subsidiaries.

The fair values of the early redemption options of the 2022 Notes I and 2022 Notes II were not significant, and therefore, were not recognised by the Group on inception and at 31 December 2021.

33. SHARE CAPITAL

Shares

	2021 US$	2020 US$
Issued and fully paid:		
2,072,940,000 (2020: 2,072,940,000) ordinary shares of US$0.000001 each	2,073	2,073

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2020	1,500,000,000	11
Issuance of new shares	500,000,000	3
Issuance of new shares on an over-allotment option	72,940,000	–
At 31 December 2020 and 1 January 2021	2,072,940,000	14
At 31 December 2021	2,072,940,000	14

On 17 November 2020, upon its listing on the Hong Kong Stock Exchange, the Company issued 500,000,000 new ordinary shares with par value US$0.000001 each at HK$2.28 per share for a total cash consideration of HK$1,140,000,000 (equivalent to approximately RMB966,948,000). The respective share capital amount was approximately RMB3,288 and share premium arising from the issuance was approximately RMB925,962,000 net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountants' fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB40,983,000 were treated as a deduction against the share premium arising from the issuance.

On 10 December 2020, upon its listing on the Hong Kong Stock Exchange, the over-allotment option has been partially exercised and the Company allotted and issued 72,940,000 additional shares at HK$2.28 per share for a total cash consideration of HK$166,303,000 (equivalent to approximately RMB140,460,000). The respective share capital amount was approximately RMB478 and share premium arising from the issuance was approximately RMB137,375,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB3,085,000 were treated as a deduction against the share premium arising from the issuance.

34. SHARE-BASED PAYMENT

Restricted Share Units ("RSUs")

The Group adopted the RSU Scheme whereby the Group provided additional incentives to the Group's existing employees, directors (whether executive or non-executive, but excluding independent non-executive directors), consultants or officers of the Company or any of its subsidiaries ("RSU Eligible Persons") through the issuance of RSUs to the participants at the discretion of the Board of Directors. The RSUs vest over a requisite service period of 2 years and expire 10 years from the date of grant.

The expense arising from equity-settled share-based compensation for the year ended 31 December 2021 was RMB11,000,000 (31 December 2020: Nil).

The following table illustrates the number and the movements in RSUs granted to employees during the period:

	For the year ended 31 December	
	2021 Number	2020 Number
Outstanding at 1 January 2021	–	–
Granted during the period	16,568,000	–
Outstanding at 31 December 2021	16,568,000	–

During the current year, RSUs were granted on 27 January 2021 and 1 July 2021. The fair values of the RSUs determined at the date of grant based on the market value of the Company's shares were HK$2.316 and HK$2.550, respectively.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2021 are presented in the consolidated statement of changes in equity.

(a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

(b) Merger reserve

The merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Reorganisation.

(c) Capital reserve

The capital reserve represents any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid/(received) for acquisition of non-controlling interests/(disposal of non-controlling interests in subsidiaries). Details of the movements in the capital reserve are set out in the consolidated statement of changes in equity.

(d) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profit after tax, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	Percentage of effective equity interest held by non-controlling interests %	Profit/(loss) for the year allocated to non-controlling interests RMB'000	Accumulated balances of non-controlling interests RMB'000
31 December 2021			
Changzhou Qiansheng	**60**	**44,160**	**213,023**
Ningbo Yueyuan	**75**	**77,912**	**82,648**
Dongyang Kunyu	**62**	**73,773**	**174,048**
Sheshan Country Club*	**50**	**205,434**	**901,496**
31 December 2020			
Jinhua Jingkun	49	57,242	292,925
Cixi Hengkun	70	79,613	76,612
Sheshan Country Club*	50	266,149	696,062
Dongguan Herui	75	102,062	147,143

Note:

* On 18 June 2020, the Group announced the distribution of dividends to the non-controlling shareholder of Sheshan Country Club amounting to RMB1,124,007,000. On 28 June 2020, the Group and the non-controlling shareholder completed capital injections to Sheshan Country Club amounting to RMB740,000,000 and RMB740,000,000, respectively. The Group acquired 5% equity interests in Shanghai Xinyao and Shanghai Quankun on 30 November 2020, which jointly held 100% equity interests in Sheshan Country Club. Since then, the percentage of effective equity interest held by non-controlling interests changed from 55% to 50%.

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following table illustrates the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

For the year ended 31 December 2021

	Changzhou Qiansheng RMB'000	Ningbo Yueyuan RMB'000	Dongyang Kunyu RMB'000	Sheshan Country Club RMB'000
Revenue	1,506,343	642,373	523,795	62,119
Total expenses	(1,408,157)	(503,548)	(364,502)	(61,109)
Income tax expense	(24,586)	(34,942)	(39,823)	409,858
Profit and total comprehensive income for the year	73,600	103,883	119,470	410,868
Current assets	1,467,005	282,321	1,118,550	4,673,338
Non-current assets	48,105	1,272	12,977	481,245
Current liabilities	(1,160,072)	(173,396)	(849,668)	(2,221,212)
Non-current liabilities	–	–	–	–
	355,038	110,197	281,859	2,933,371
Net cash flows (used in)/from operating activities	(160,046)	130,812	48,812	92,946
Net cash flows used in investing activities	–	–	–	(33)
Net cash flows used in financing activities	–	(140,000)	–	(85,767)
Net (decrease)/increase in cash and cash equivalents	(160,046)	(9,188)	48,812	7,146

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

For the year ended 31 December 2020

	Jinhua Jingkun RMB'000	Cixi Hengkun RMB'000	Sheshan Country Club RMB'000	Dongguan Herui RMB'000
Revenue	1,041,355	817,165	1,583,095	874,747
Total expenses	(875,833)	(665,411)	(845,907)	(693,173)
Income tax expense	(48,701)	(38,021)	(204,891)	(45,492)
Profit and total comprehensive income for the year	116,821	113,733	532,297	136,082
Current assets	807,061	228,366	5,880,207	764,917
Non-current assets	1,460	2,479	1,776,922	6,667
Current liabilities	(210,714)	(121,399)	(5,134,626)	(575,394)
Non-current liabilities	–	–	–	–
	597,807	109,446	2,522,503	196,190
Net cash flows (used in)/from operating activities	(61,661)	128,762	(72,994)	(7,941)
Net cash flows used in investing activities	–	–	(178,653)	–
Net cash flows from/(used in) financing activities	45,000	(128,000)	(52,347)	–
Net (decrease)/increase in cash and cash equivalents	(16,661)	762	(303,994)	(7,941)

37. BUSINESS COMBINATIONS

(a) Acquisition of Hangzhou Xiangjing

The Group held a 35% equity interest in Hangzhou Xiangjing which is engaged in property development and was accounted for as a joint venture previously. On 20 August 2021, the Group acquired an additional 65% equity interest in Hangzhou Xiangjing from unlisted companies, Shanghai Dajia Xiangding Enterprise Development Group Co., Ltd. and Zhejiang Jingdu Real Estate Group Co., Ltd.. The acquisition was satisfied by offsetting other receivables due from Shanghai Dajia Xiangding Enterprise Development Group Co., Ltd. and Zhejiang Jingdu Real Estate Group Co., Ltd. amounting to RMB173,136,000 and cash of RMB86,864,000. After the acquisition, Hangzhou Xiangjing became a wholly-owned subsidiary of the Group. The acquisition was part of the Group's strategy to expand its market share of property development and operation.

(b) Acquisition of Henan Chenbo

The Group held a 50% equity interest in Henan Chenbo which is engaged in property development and was accounted for as a joint venture previously. On 31 August 2021, the Group acquired an additional 10% equity interest in Henan Chenbo from an unlisted company, Ningbo Huixin Property Co., Ltd. at a cash consideration of RMB10,000. After the acquisition, the Group held 60% of voting rights in shareholders' meetings according to the contractual arrangement and articles of association with the then equity holders and could appoint 2 out of 3 directors in the board of directors, both of which give the Group the current ability to direct the relevant activities of Henan Chenbo. Accordingly, Henan Chenbo was accounted for as a subsidiary of the Group. The acquisition was part of the Group's strategy to expand its market share of property development and operation.

(c) Acquisition of Zhujie Xinyu

On 31 July 2021, the Group acquired a 90% equity interest in Zhuji Xinyu, which is engaged in property development by capital injection of RMB10,000,000. After the acquisition, the Group held 51% of voting rights in shareholders' meetings according to the contractual arrangement and articles of association with the then equity holders and could appoint 2 out of 3 directors in the board of directors, both of which give the Group the current ability to direct the relevant activities of Zhujie Xinyu. Accordingly, Zhujie Xinyu was accounted for as a subsidiary of the Group. The acquisition was part of the Group's strategy to expand its market share of property development and operation.

37. BUSINESS COMBINATIONS (Continued)

The fair values of the identifiable assets and liabilities of these companies as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 13)	594
Investment properties (note 14)	227,300
Deferred tax assets (note 19)	62,380
Properties under development (note 20)	2,373,586
Prepayments, other receivables and other assets	553,445
Due from related companies	132,945
Tax recoverable	70,607
Restricted cash	48,315
Cash and cash equivalents	323,630
Trade and bills payables	(49,724)
Other payables and accruals	(73,441)
Due to related companies	(114,873)
Tax payables	(2,676)
Contract liabilities	(3,127,107)
Deferred tax liabilities (note 19)	(29,093)
Total identifiable net assets at fair value	395,888
Capital injection by the Group	10,000
Non-controlling interests	(1,151)
Net assets acquired	404,737
Fair value of investments in the joint ventures held before business combinations	134,727
Satisfied by cash	96,874
Offset by other receivable	173,136

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash considerations	(96,874)
Cash and cash equivalents acquired	323,630
Net inflow of cash and cash equivalents included in cash flows from investing activities	226,756

38. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Cixi Xingkun Property Co., Ltd. ("Cixi Xingkun")

Pursuant to the share transfer agreement dated 28 April 2021, the Group disposed of its 34% equity interest in Cixi Xingkun to an independent third party, Shanghai Huoyue Enterprise Management Co., Ltd. for a consideration of RMB125,854,000. After the disposal, Cixi Xingkun ceased to be a subsidiary of the Group and the financial results of Cixi Xingkun would no longer be consolidated into the consolidated financial statements of the Group. The consideration was determined by reference to the fair value of the equity interest disposed of.

(b) Disposal of Hefei Jiakun Property Co., Ltd. ("Hefei Jiakun")

Pursuant to the share transfer agreement dated 11 June 2021, the Group disposed of its 100% equity interest in Hefei Jiakun to an independent third party, Shanghai Liangshen Enterprise Management Company Limited for a consideration of RMB319,930,000. After the disposal, Hefei Jiakun ceased to be a subsidiary of the Group and the financial results of Hefei Jiakun would no longer be consolidated into the consolidated financial statements of the Group. The consideration was determined by reference to the fair value of the equity interest disposed of.

(c) Disposal of Zhengzhou Huikun Property Co., Ltd. ("Zhengzhou Huikun")

Pursuant to the share transfer agreement dated 31 May 2021, the Group disposed of its 90% equity interest in Zhengzhou Huikun to an independent third party, Zhengzhou Shengkun Enterprise Management Co., Ltd. for a consideration of RMB350,000. After the disposal, Zhengzhou Huikun ceased to be a subsidiary of the Group and the financial results of Zhengzhou Huikun would no longer be consolidated into the consolidated financial statements of the Group. The consideration was determined by reference to the fair value of the equity interest disposed of.

(d) Disposal of Zhengzhou Lekun Property Co., Ltd. ("Zhengzhou Lekun")

Pursuant to the share transfer agreement dated 31 May 2021, the Group disposed of its 90% equity interest in Zhengzhou Lekun to an independent third party, Zhengzhou Shengkun Enterprise Management Co., Ltd. for a consideration of RMB420,000. After the disposal, Zhengzhou Lekun ceased to be a subsidiary of the Group and the financial results of Zhengzhou Lekun would no longer be consolidated into the consolidated financial statements of the Group. The consideration was determined by reference to the fair value of the equity interest disposed of.

(e) Disposal of Hangzhou Kunyin Property Co., Ltd. ("Hangzhou Kunyin")

Pursuant to the share transfer agreement dated 28 January 2021, the Group disposed of its 51% equity interest in Hangzhou Kunyin to an independent third party, Zhejiang Aojin Real Estate Co., Ltd. for a consideration of nil. The Group held a 49% equity interest of Hangzhou Kunyin which has been accounted for as an associate of the Group since then. The consideration was determined by reference to the paid in capital (nil) on the date of disposal.

38. DISPOSAL OF SUBSIDIARIES (Continued)

(f) Disposal of Shanghai Kaiyue Property Co., Ltd. ("Shanghai Kaiyue")

Pursuant to the share transfer agreement dated 14 May 2021, the Group disposed of its 33% and 33% equity interests in Shanghai Kaiyue to independent third parties, Shanghai Dongyue Industry Co., Ltd. and Yixin Yuehai Real Estate Development Co., Ltd. for considerations of nil and nil, respectively. The Group held a 34% equity interest of Shanghai Kaiyue which has been accounted for as a joint venture of the Group since then. The consideration was determined by reference to the paid-in capital (nil) on the date of disposal.

(g) Disposal of Hangzhou Xinyao Property Co., Ltd. ("Hangzhou Xinyao")

Pursuant to the share transfer agreement dated 11 November 2021, the Group disposed of its 100% equity interests in Hangzhou Xinyao to a joint venture, Wuxi Heying Enterprise Management Co., Ltd. for a consideration of nil. The Group held a 15% effective equity interest of Hangzhou Xinyao which has been accounted for as a subsidiary of a joint venture of the Group since then. The consideration was determined by reference to the paid in capital (nil) on the date of disposal.

(h) Disposal of Wuhan Kunyi Property Co., Ltd. ("Wuhan Kunyi")

Pursuant to the share transfer agreement dated 14 September 2021, the Group disposed of its 51% equity interests in Wuhan Kunyi to an independent third party, Shanghai Shili Enterprise Management Co., Ltd. for a consideration of nil. The Group held a 51% equity interest of Wuhan Kunyi which has been accounted for as a joint venture of the Group since then. The consideration was determined by reference to the fair value on the date of disposal.

(i) Disposal of Shanghai Xinkunjiankang Management Co., Ltd. ("Shanghai Xinkunjiankang")

Pursuant to the share transfer agreement dated 14 September 2021, the Group disposed of its 49% equity interests in Shanghai Xinkunjiankang to an independent third party, Shanghai Shili Enterprise Management Co., Ltd. for a consideration of nil. The Group held a 51% equity interest of Shanghai Xinkunjiankang which has been accounted for as a joint venture of the Group since then. The consideration was determined by reference to the fair value on the date of disposal.

(j) Disposal of Shanghai Wanyue Property Co., Ltd. ("Shanghai Wanyue")

Pursuant to the share transfer agreement dated 9 November 2021, the Group disposed of its 100% equity interest in Shanghai Wanyue to an independent third party, Shanghai Yuyi Trading Company Limited for a consideration of RMB14,577,000 in total. After the disposal, Shanghai Wanyue will cease to be a subsidiary of the Group and the financial results of Shanghai Wanyue will no longer be consolidated into the consolidated financial statements of the Group. The consideration was determined by reference to the fair value of the equity interest disposed of on the date of disposal.

38. DISPOSAL OF SUBSIDIARIES (Continued)

The carrying values of the assets and liabilities on the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Cash and cash equivalents	80,773
Restricted cash	45,574
Properties under development	2,617,737
Prepayments, other receivables and other assets	1,263,038
Tax recoverable	55,256
Deferred taxes assets	14,635
Completed properties held for sale	826,796
Investments in joint ventures	30,913
Property, plant and equipment	314
Contract cost assets	5,625
Trade and bills payables	(118,920)
Contract liabilities	(567,796)
Interest-bearing bank and other borrowings	(1,198,100)
Tax payable	(2,481)
Other payables and accruals	(1,696,185)
Due to related companies	(658,742)
Non-controlling interests	(260,199)
	438,238
Gain on disposal of subsidiaries (note 6)	27,169
Satisfied by cash	465,407
Cash consideration	465,407
Cash and cash equivalents disposed of	(80,773)
Net inflow of cash and cash equivalents in respect of the disposal	384,634

An analysis of the net inflow of cash and cash equivalents in respect of the disposal is as follows:

	RMB'000
Cash consideration	465,407
Cash and cash equivalents disposed of	(80,773)
Net inflow of cash and cash equivalents in respect of the disposal	384,634

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets of RMB1,449,000 (2020: RMB1,734,000) and non-cash additions to lease liabilities of RMB1,449,000 (2020: RMB5,115,000) for the year ended 31 December 2021 in respect of lease arrangements for buildings and offices.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Senior notes RMB'000	Due to related companies RMB'000	Lease liabilities RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2020	6,766,257	–	631,642	116,664	7,514,563
Cash flows from/(used in) financing activities	2,001,302	–	(91,923)	(31,785)	1,877,594
Cash flows used in non-financing activities	–	–	(594)	–	(594)
New operating lease	–	–	–	5,115	5,115
Accrual of interest	(22,191)	–	–	(3,199)	(25,390)
At 31 December 2020	8,745,368	–	539,125	86,795	9,371,288
Cash flows from/(used in) financing activities	1,044,285	2,598,095	45,664	(35,710)	3,652,334
Decrease in trade-related amounts due to related companies	–	–	(3,816)	–	(3,816)
Exchange gains	–	35,425	–	–	35,425
Acquisition of subsidiaries	–	–	114,873	–	114,873
Disposal of subsidiaries	(1,198,100)	–	–	–	(1,198,100)
New operating lease	–	–	–	1,449	1,449
Accrual of interest	–	–	–	2,649	2,649
At 31 December 2021	8,591,553	2,633,520	695,846	55,183	11,976,102

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 RMB'000	2020 RMB'000
Within operating activities	2,649	3,537
Within financing activities	35,710	31,785
	38,359	35,322

40. CONTINGENT LIABILITIES

At the end of the year, contingent liabilities not provided for in the consolidated financial statements were as follows:

	Notes	2021 RMB'000	2020 RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	(1)	**7,855,867**	6,325,012
Guarantees given to banks in connection with facilities granted to related companies	(2)	**4,952,850**	3,698,325

(1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in the case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, and upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within half a year to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in the case of default on payments, the net realisable value of the related properties would be sufficient for repaying the outstanding mortgage loans together with any accrued interest and penalty, and therefore, no provision has been made in connection with the guarantees.

(2) The Group provided guarantees to banks and other institutions in connection with financial facilities granted to the related companies. As of 31 December 2021, an allowance of RMB35,303,000 (31 December 2020: Nil) was provided for as a result of the guarantees provided to the related companies.

Except as disclosed above, during the year and up to the end of the year, neither the Group nor the Company was involved in any litigation, arbitration or administrative proceedings, claims or disputes which had a material adverse effect on the Group's financial condition or results of operation.

41. COMMITMENTS

The Group had the following capital commitments at the end of the year:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Property development activities	3,997,118	1,313,888
Acquisition of land use rights	–	1,385,709
Capital contribution for investments in joint ventures and associates	398,665	95,484
	4,395,783	2,795,081

42. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

	2021 RMB'000	2020 RMB'000
Advances from related companies:		
Joint ventures	1,268,914	24,448
Associates	495,873	326,775
Companies controlled by the Controlling Shareholder	–	861,310
	1,764,787	1,212,533
Repayment of advances from related companies:		
Joint ventures	1,418,913	3,845
Associates	300,210	391,584
Companies controlled by the Controlling Shareholder	–	909,027
	1,719,123	1,304,456

42. RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

	2021 RMB'000	2020 RMB'000
Advances to related companies:		
Joint ventures	5,692,762	2,423,490
Associates	1,309,681	431,812
Companies controlled by the Controlling Shareholder	–	53,740
	7,002,443	2,909,042
Repayment of advances to related companies:		
Joint ventures	3,322,331	2,220,848
Associates	877,378	974,120
Companies controlled by the Controlling Shareholder	–	314,650
	4,199,709	3,509,618

	2021 RMB'000	2020 RMB'000
Property management services from companies controlled by the Controlling Shareholder (note)	22,076	17,772
Finance costs from a company controlled by the Controlling Shareholder (note)	–	370
Office building rental services from a joint venture (note)	4,852	–
Consulting services to joint ventures and associates (note)	8,551	38,132
Miscellaneous purchases from a company controlled by the Controlling Shareholder (note)	–	30,436
Construction services from a company controlled by the Controlling Shareholder (note)	–	3,963

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the companies involved.

42. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties

	2021 RMB'000	2020 RMB'000
Guarantees provided to related parties:		
Joint ventures	**3,558,350**	3,805,625
Associates	**1,394,500**	240,000

Ms. Zhu Jing, the chairman and an executive director of the board of directors, has guaranteed certain of the bank and other borrowings up to RMB83,000,000 as at 31 December 2021(2020: nil).

(c) Outstanding balances with related parties

	2021 RMB'000	2020 RMB'000
Due from related companies:		
Non-trade-related:		
Joint ventures	**4,297,760**	1,156,796
Associates	**611,351**	185,162
	4,909,111	1,341,958
Due to related companies:		
Trade-related:		
Companies controlled by the Controlling Shareholder	**17,920**	21,737
Due to related companies:		
Non-trade-related:		
Joint ventures	**303,807**	50,559
Associates	**374,119**	466,829
	677,926	517,388

Balances with the above related parties were unsecured, non-interest-bearing and repayable on demand.

42. RELATED PARTY TRANSACTIONS (Continued)

(d) Compensation of key management personnel of the Group

	2021 RMB'000	2020 RMB'000
Short-term employee benefits	12,991	14,855
Equity-settled share option expense	7,929	–
Pension scheme contributions	943	417
Total compensation paid to key management personnel	21,863	15,272

Further details of directors' emoluments are included in note 8 to the financial statements.

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the year are as follows:

31 December 2021

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
Trade receivables (note 22)	23,879	–	23,879
Financial assets included in prepayments, other receivables and other assets	3,037,696	–	3,037,696
Due from related companies (note 42)	4,909,111	–	4,909,111
Financial assets at fair value through profit or loss (note 25)	–	110,597	110,597
Restricted cash (note 26)	1,471,491	–	1,471,491
Pledged deposits (note 26)	64,828	–	64,828
Cash and cash equivalents (note 26)	2,946,780	–	2,946,780
	12,453,785	110,597	12,564,382

43. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

31 December 2021 (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables (note 27)	**2,101,183**
Due to related companies (note 42)	**695,846**
Financial liabilities included in other payables and accruals	**2,807,892**
Interest-bearing bank and other borrowings (note 30)	**8,591,553**
Provision for financial guarantee contracts (note 31)	**35,303**
Senior notes (note 32)	**2,633,520**
Lease liabilities	**55,183**
	16,920,480

31 December 2020

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
Trade receivables (note 22)	25,913	–	25,913
Financial assets included in prepayments, other receivables and other assets	1,779,347	–	1,779,347
Due from related companies (note 42)	1,341,958	–	1,341,958
Financial assets at fair value through profit or loss (note 25)	–	113,209	113,209
Restricted cash (note 26)	1,768,413	–	1,768,413
Pledged deposits (note 26)	199,881	–	199,881
Cash and cash equivalents (note 26)	3,365,194	–	3,365,194
	8,480,706	113,209	8,593,915

43. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

31 December 2020 (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables (note 27)	1,714,898
Due to related companies (note 42)	539,125
Financial liabilities included in other payables and accruals	1,218,587
Interest-bearing bank and other borrowings (note 30)	8,745,368
Lease liabilities	86,795
	12,304,773

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at the end of the year, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	31 December 2021 RMB'000	31 December 2020 RMB'000	31 December 2021 RMB'000	31 December 2020 RMB'000
Financial assets				
Financial assets at FVTPL (note 25)	110,597	113,209	110,597	113,209
Financial liabilities				
Interest-bearing bank and other borrowings (note 30)	8,591,553	8,745,368	8,626,829	8,745,102
Provision for financial guarantee contracts (note 30)	34,080	–	34,080	–
Senior notes	2,633,520	–	1,507,056	–
Lease liabilities	55,183	86,795	55,183	86,795
	11,314,336	8,832,163	10,223,148	8,831,897

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, amounts due from related companies, an amount due from a shareholder, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

For the fair values of the financial assets at FVTPL, management has estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value measurement of the financial assets at FVTPL is categorised within level 3 of the fair value hierarchy.

The fair values of interest-bearing bank and other borrowings and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2021 were assessed to be insignificant.

For the fair values of other financial liabilities, management has estimated by discounting the expected future cash flows using expected return rates for the underlying assets in order to estimate the cash outflow amounts to settle the liabilities. The fair value measurement of the financial liabilities is categorised within level 3 of the fair value hierarchy.

The Group's corporate finance team headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for annual financial reporting.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets at FVTPL – Fund investment	Market multiple	Price to book ratio	31 December 2021: 0.92-1.27	5% increase/decrease in price to book ratio would result in increase/ decrease in fair value by RMB1,058,000/ RMB1,058,000
			31 December 2020: 1.38-1.52	5% increase/decrease in price to book ratio would result in increase/ decrease in fair value by RMB1,818,000/ RMB1,818,000
Provision for financial guarantee contracts	Expected credit loss model	Recovery rate	2021: 35.70%-40.00%	1% increase/decrease in recovery rate would result in a decrease/ increase in fair value by RMB173,000/ RMB173,000
		Discount rate	2021: 1.78%-3.44%	1% increase/decrease in discount rate would result in a decrease/ increase in fair value by RMB6,000/RMB6,000

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Financial assets at FVTPL

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2021	**30,500**	**56,786**	**23,311**	**110,597**
As at 31 December 2020	74,988	–	38,221	113,209

The movements in fair value measurements within Level 3 during the year are as follows:

	Fund investment RMB'000	Contingent consideration RMB'000	Total RMB'000
Carrying amount at 1 January 2020	52,202	3,326	55,528
Additions	–	–	
Disposal/settlement	(14,260)	(3,326)	(17,586)
Net gain from a fair value adjustment	279	–	279
Carrying amount at 31 December 2020 and 1 January 2021	38,221	–	38,221
Disposal/settlement	**(14,944)**	**–**	**(14,944)**
Net gain from a fair value adjustment	**34**	**–**	**34**
Carrying amount at 31 December 2021	**23,311**	**–**	**23,311**

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

Provision for financial guarantee contracts

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2021	–	–	34,080	34,080
As at 31 December 2020	–	–	–	–

Liabilities for which fair values are disclosed:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	8,626,289	–	8,626,289
Senior notes	1,507,056	–	–	1,507,056
Lease liabilities	–	55,183	–	55,183
	1,507,056	8,681,472	–	10,188,528

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed: **(Continued)**

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	8,745,102	–	8,745,102
Senior notes	–	–	–	–
Lease liabilities	–	86,795	–	86,795
	–	8,831,897	–	8,831,897

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank equivalents, restricted cash, pledged deposits, other receivables, trade payables and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as lease liabilities, interest-bearing bank and other borrowings, senior notes, provision for financial guarantee contracts, financial assets at FVTPL, amounts due to related companies and amounts due from related companies. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings as set out in note 30. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

If the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables held constant, the profit before tax of the Group, through the impact on floating and fixed rate borrowings, would have decreased/increased by approximately RMB9,066,000 at 31 December 2021 (2020: RMB6,729,000).

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from transactions by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$, US$ and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

	Increase/ (decrease) in US$ or HK$/RMB rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2021			
If the RMB weakens against HK$	**5**	**3,012**	**3,012**
If the RMB strengthens against HK$	**(5)**	**(3,012)**	**(3,012)**
If the RMB weakens against US$	**5**	**(131,676)**	**(131,676)**
If the RMB strengthens against US$	**(5)**	**131,676**	**131,676**
2020			
If the RMB weakens against HK$	5	3,071	3,071
If the RMB strengthens against HK$	(5)	(3,071)	(3,071)

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group divides financial instruments on the basis of shared credit risk characteristics, such as the instrument type and credit risk ratings, for the purpose of determining significant increases in credit risk and calculation of impairment. To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the Group's counterparties. The credit period granted to the customers is generally three to six months and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews regularly the recoverable amount of trade receivables 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.

Management makes periodic collective assessments for financial assets included in prepayments and other receivables, amounts due from related companies and an amount due from a shareholder as well as individual assessments on the recoverability of other receivables, amounts due from related companies and an amount due from a shareholder based on historical settlement records and past experience. The Group classified financial assets included in prepayments and other receivables and amounts due from related companies in Stage 1 and continuously monitored their credit risk. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of financial assets included in prepayments and other receivables, amounts due from related companies and an amount due from a shareholder.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month ECLs		Lifetime ECLs		
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	23,879	23,879
Financial assets included in prepayments, other receivables and other assets					
– Normal**	3,037,696	–	–	–	3,037,696
Due from related companies	4,909,111	–	–	–	4,909,111
Restricted cash	1,471,491	–	–	–	1,471,491
Pledged deposits	64,828	–	–	–	64,828
Cash and cash equivalents	2,946,780	–	–	–	2,946,780
	12,429,906	–	–	23,879	12,453,785

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

Maximum exposure and year-end staging **(Continued)**

As at 31 December 2020

	12-month ECLs		Lifetime ECLs		
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	25,913	25,913
Financial assets included in prepayments, other receivables and other assets					
– Normal**	1,779,347	–	–	–	1,779,347
Due from related companies	1,341,958	–	–	–	1,341,958
Restricted cash	1,768,413	–	–	–	1,768,413
Pledged deposits	199,881	–	–	–	199,881
Cash and cash equivalents	3,365,194	–	–	–	3,365,194
	8,454,793	–	–	25,913	8,480,706

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the expected credit losses is disclosed in note 22 to the financial statements. There is no significant concentration of credit risk.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of lease liabilities and interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the year, based on contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
31 December 2021					
Trade and bills payables	2,101,183	–	–	–	2,101,183
Other payables and accruals	2,807,892	–	–	–	2,807,892
Due to related companies	971,144	–	–	–	971,144
Senior notes	75,193	1,336,705	1,420,904	–	2,832,802
Lease liabilities	–	669	31,881	28,368	60,918
Interest-bearing bank and other borrowings	–	660,058	3,207,603	6,417,620	10,285,281
	5,955,412	1,997,432	4,660,388	6,445,988	19,059,220
31 December 2020					
Trade and bills payables	1,714,898	–	–	–	1,714,898
Other payables and accruals	1,218,587	–	–	–	1,218,587
Due to related companies	539,125	–	–	–	539,125
Lease liabilities	–	927	32,660	58,262	91,849
Interest-bearing bank and other borrowings	–	765,515	2,469,575	7,892,456	11,127,546
	3,472,610	766,442	2,502,235	7,950,718	14,692,005

Please refer to note 2.1 for analysis of going concern basis of preparation.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, trade payables, other payables and accruals, amounts due to related companies, lease liabilities, provision for financial guarantee contracts, senior notes and interest-bearing bank and other borrowings, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the years were as follows:

	2021 RMB'000	2020 RMB'000
Trade and bills payables	**2,101,183**	1,714,898
Other payables and accruals (note 28)	**3,184,260**	2,571,598
Due to related companies (note 42)	**971,144**	539,125
Lease liabilities (note 15(b))	**55,183**	86,795
Senior notes (note 32)	**2,633,520**	–
Provision for financial guarantee contracts	**34,080**	–
Interest-bearing bank and other borrowings (note 30)	**8,591,553**	8,745,368
Less: Cash and bank balances	**(4,483,099)**	(5,333,488)
Net debt	**13,087,824**	8,324,296
Equity attributable to owners of the parent	**2,501,223**	2,279,497
Capital and net debt	**15,589,047**	10,603,793
Gearing ratio	**84%**	79%

46. EVENT AFTER THE REPORTING PERIOD

On 3 January 2022, 21 January 2022 and 24 January 2022, the Company issued the senior notes listed on the Stock Exchange with an aggregate principal amount of US$160.2 million due 2023, which bear interest at a rate of 13.5% per annum, payable in arrears on 3 July 2022 and 2 January 2023. For more details, please refer to the announcements of the Company dated 29 December 2021, 3 January 2022, 4 January 2022, 20 January 2022, 21 January 2022 and 24 January 2022.

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	51,682	51,363
Total non-current assets	51,682	51,363
CURRENT ASSETS		
Cash and cash equivalents	60,411	44,327
Due from subsidiaries	3,340,463	1,013,771
Total current assets	3,400,874	1,058,098
CURRENT LIABILITIES		
Other payables and accruals	5,552	3,069
Senior notes	2,633,520	–
Due to subsidiaries	661	342
Total current liabilities	2,639,733	3,411
NET CURRENT ASSETS	761,141	1,054,687
TOTAL ASSETS LESS CURRENT LIABILITIES	812,823	1,106,050
Net assets	812,823	1,106,050
EQUITY		
Share capital	14	14
Reserves (note)	812,809	1,106,036
Total equity	812,823	1,106,050

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital reserve RMB'000	Employee share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2020 and 31 December 2019	1,063,334	51,021	–	(8,319)	1,106,036
Total comprehensive loss for the year	–	–	–	(264,896)	(264,896)
Dividends and distributions	(39,331)	–	–	–	(39,331)
Share-based compensation expenses	–	–	11,000	–	11,000
Balance at 31 December 2021	1,024,003	51,021	11,000	(273,215)	812,809

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2022.

Financial Summary

1 KEY DATA OF INCOME STATEMENT

	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
REVENUE	1,201,102	6,847,436	7,535,159	8,190,576	**8,340,071**
Cost of sales	(829,815)	(3,321,645)	(4,464,234)	(6,396,196)	**(7,167,914)**
GROSS PROFIT	371,287	3,525,791	3,070,925	1,794,380	**1,172,157**
Finance income	9,712	15,884	15,804	17,313	**83,849**
Other income and gains	5,285	7,546	11,242	8,320	**96,891**
Selling and distribution expenses	(78,482)	(161,220)	(213,653)	(240,058)	**(267,339)**
Administrative expenses	(130,918)	(241,341)	(250,741)	(277,508)	**(323,303)**
Impairment losses on financial assets	(1,575)	(1,152)	(390)	950	**(1,286)**
Other expenses	(1,507)	(3,259)	(3,159)	(7,181)	**(13,523)**
Fair value gains on investment properties	254,227	159,818	175,812	102,537	**48,448**
Fair value (losses)/gains on financial assets at fair value through profit or loss	4,166	2,557	1,883	368	**(74,220)**
Finance costs	(220,063)	(281,311)	(261,734)	(301,971)	**(322,520)**
Share of profits and losses of:					
Joint ventures	5,730	(6,206)	15,753	160,965	**34,465**
Associates	(80)	(3,965)	(8,237)	73,933	**(11,710)**
PROFIT BEFORE TAX	217,782	3,013,142	2,553,505	1,332,048	**421,909**
Income tax expense	(183,204)	(2,340,234)	(1,876,616)	(446,886)	**161,597**
PROFIT FOR THE YEAR	34,578	672,908	676,889	885,162	**583,506**
Profit attributable to:					
Owners of the parent	49,971	154,553	219,532	356,064	**250,057**
Non-controlling interests	(15,393)	518,355	457,357	529,098	**333,449**

2 KEY DATA OF FINANCIAL POSITION

	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Total non-current assets	2,973,031	3,571,218	4,104,257	5,855,807	**5,826,434**
Total current assets	12,137,591	16,316,794	20,776,740	24,665,806	**34,549,112**
Total assets	15,110,622	19,888,012	24,880,997	30,521,613	**40,375,546**
Total non-current liabilities	3,074,823	4,664,361	2,768,878	6,631,981	**5,656,552**
Total current liabilities	11,397,996	13,408,873	19,349,447	17,607,063	**26,866,888**
Total liabilities	14,472,819	18,073,234	22,118,325	24,239,044	**32,523,440**
Total equity	637,803	1,814,778	2,762,672	6,282,569	**7,852,106**
Equity attributable to owners of the parent	627,694	614,091	860,030	2,279,497	**2,501,223**
Non-controlling interests	10,109	1,200,687	1,902,642	4,003,072	**5,350,883**

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上坤地產集團有限公司
SUNKWAN PROPERTIES GROUP LIMITED