金奧國際股份有限公司
KEYNE LTD

(formerly known as Nine Express Limited)
(Incorporated in Bermuda with limited liability)
Stock Code: 00009

ANNUAL REPORT
2021

CONTENTS

Corporate Information

Board of Directors

Executive Directors:

Ms. Qian Ling Ling *(Chairman)*
Mr. Zhang Li *(Chief Executive Officer)*
Mr. Xiang Junjie

Independent Non-executive Directors:

Mr. Tsui Pui Hung
Mr. Tang Ping Sum
Mr. Chiu Sin Nang, Kenny

Company Secretary

Mr. Chen Kenneth
(appointed on 5 November 2021)
Ms. Tsang Wing Man
(resigned on 5 November 2021)

Authorised Representatives

Ms. Qian Ling Ling
Mr. Zhang Li

Auditor

CL Partners CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors

Principal Bankers

Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
Dongguan Rural Commercial Bank Company Limited
Bank of China (Hong Kong) Limited

Audit Committee

Mr. Tang Ping Sum *(Chairman)*
Mr. Tsui Pui Hung
Mr. Chiu Sin Nang, Kenny

Remuneration Committee

Mr. Chiu Sin Nang, Kenny *(Chairman)*
Mr. Tang Ping Sum
Mr. Tsui Pui Hung

Nomination Committee

Mr. Tsui Pui Hung *(Chairman)*
Mr. Tang Ping Sum
Mr. Chiu Sin Nang, Kenny

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong

Room 4101, 41/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Company Website

www.keyneltd.com

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of KEYNE LTD (the "Company"), I am pleased to present you with the annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021 ("Year under Review").

The year 2021 marked an extraordinary year for the real estate industry in China. The COVID-19 pandemic continued to cloud the performance of the PRC economy. Adhering to the key principle of "houses are for living instead of speculation", the central government continued to perfect and tighten the regulation policies over China's real estate industry by taking various measures from introducing the policies of "Three Red Lines" and "two-centralised land supply" to strictly forbidding the application of business loans and consumption loans to finance the real estate market. After the outbreak of the Evergrande Group crisis, consumers adopted a more rational and cautious attitude towards property purchase. Nevertheless, as the real estate industry remained the ballast stone for the PRC economy, the real estate market continued to be the largest consumption market in China, playing an important role in driving steady economic growth and expanding domestic demand.

During the first half of 2021, with the successful containment of the COVID-19 pandemic and the strong recovery of the domestic economy, a number of residential products under the Xiangtan Project were launched, which achieved robust sales. During the second half of 2021, being affected by the regulation policies over the real estate industry implemented across the country and the outbreak of the EverGrand Group crisis, the sales of the Xiangtan Project slowed down. The Group adopted a more flexible and diverse marketing approach for the Xiangtan Project, under which the Group, on the one hand, explored the local customer base with rigid improvement demand and, on the other hand, proactively developed investment customers from Changsha, Hengyang and other surrounding cities, achieving remarkable results. In 2022, the extension section of Changsha metro Line 3 which is close to the Xiangtan Project will be completed and commence operation, and the construction of Changsha Pingtang General Airport (about 10 kilometers away from the Xiangtan Project) will be commenced. As Changsha-Zhuzhou-Xiangtan Integration is a major development plan of Hunan Province, efforts will be made to accelerate the implementation of such plan and the related supporting facilities will be put in place in phases. The Group believes that the Xiangtan Project is expected to record robust sales in 2022.

In 2021, the Group renewed the lease of two shops with lease expired for the Chengdu Huanghe Commercial City Project, and the annual rent received has basically returned to the pre-pandemic level. Due to its excellent geographical location and with its stable customer base, we are expected sustainable and stable cash flow from the Chengdu Huanghe Commercial City Project for the development of the Group in the subsequent development of the project.

Chairman's Statement

In 2021, against the backdrop of accelerated integration of the Greater Bay Area, the centralised heat supply project in Dongguan, which brings environmental protection benefits, social benefits and economic benefits, will significantly improve energy utilization efficiency, reduce the total coal consumption of the region and improve the quality of local atmospheric environment. The Group believes the Dongguan heat energy project will continue to maintain a stable development momentum.

Last but not least, I would like to express my heartfelt gratitude to the shareholders, investors and business partners of the Group for their great trust and support. In addition, I would like to take this opportunity to extend my sincere appreciation to members of the Board, management and all employees for their tireless efforts, excellent teamwork and contributions to the Group. Looking forward, the Group is confident about the prospect of the PRC economy and the positive and stable development trend of the real estate market in China. Upholding the principle of "high-quality growth", the Group will seek efficiency from management, enhance the quality level of refined operations and upgrade core capabilities in the principal business. Keeping doing the hard and right things, the Group endeavors to create maximum return for our shareholders.

Qian Ling Ling
Chairman

Management Discussion and Analysis

During the year of 2021, the Group focus on (i) property and hotel development (the "Xiangtan Project") in Xiangtan, Hunan Province, (ii) property rental (the "Chengdu Project") in Chengdu, Sichuan Province, and (iii) investment in centralised heat supply business.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2021, the Group recorded a revenue of approximately HK$18,327,000 (2020: HK$80,466,000). Property rental income increased to approximately HK$18,327,000 (2020: HK$15,698,000) to the total revenue, as a result of the rental income from the new tenants. There is no income from sales of properties (2020: HK$64,768,000) to the total revenue because area of detached villas will be finished construction by 2022.

Loss attributable to owners of the Company was approximately HK$537,362,000 (2020: HK$597,189,000). Basic loss per share was approximately HK15.06 cents (2020: HK16.73 cents). The Board does not recommend dividend payout for the year ended 31 December 2021 (2020: Nil). As at 31 December 2021, cash and cash equivalents were approximately HK$12,437,000 (2020: HK$9,687,000).

BUSINESS REVIEW

(i) Xiangtan Project

Situated in the Jiuhua Economic Zone of Xiangtan City, Hunan Province, the Xiangtan Project encompasses a land area of 559,696 square meters for the development of a five-star hotel and residential properties with ancillary commercial space, etc.

With the recent development and operation of the infrastructure works in the few years, for example, the Maglev train between the Changsha airport and the core areas of the Changsha city and operation of the Intercity Railway which run across the major cities in Hunan, that where the core cities, namely Changsha, Xiangtan and Zhuzhou, made into a convenient living circle to the surrounding areas.

The areas of detached villas are in pre-sold stage but not delivered to customers, will be finished construction by 2022. Also, the Group has pre-sold certain areas of high-rise commercial residential units during the reporting period. The Group is currently carrying out the greening, landscape design and road construction works in Phase II. The Group will deliver to customers, the detached villa units in 2022, and the pre-sold proceeds will expect to generate further cash flows and strengthen the financial position of the Group.

Management Discussion and Analysis

The Xiangtan Project currently focuses on the development, construction and sales of high-rise residential buildings, as well as the hotel's interior decoration and exterior landscape construction. Despite slowdown in construction progress due to the impact of the COVID-19 epidemic, the Xiangtan Project has still overcome difficulties and obtained pre-sale permits for fourteen high-rise commercial residential buildings with a saleable area of 191,210 square meters. Such residences received overwhelming market response and recorded a high sell-through rate after coming into the market.

The Xiangtan Project will speed up the development of high-rise residential buildings to successively launch all remaining high-rise residences in Phase II and accelerate the construction work of hotel, in the hope of launching relevant products into the market in 2022. The continual launches and high sell-through rate of high-rise residential products will further improve the financial position of the Group while effectively supplementing the cash flow of the project.

(ii) Chengdu Project

For the year ended 31 December 2021, the Group's five-storey shopping centre located in No. 19 Yongling Road, Jinniu District, Chengdu City, Sichuan Province, the PRC, held for commercial use, remained almost fully leased and occupied, become the main steady income driver for the Group. Revenue of approximately HK$18,327,000 (2020: HK$15,698,000) from property rental were recorded for the year ended 31 December 2021. The increase in rental income was mainly due to the new tenant with new business coming to the mall.

(iii) Centralised Heat Supply Business

As at 31 December 2021, an independent valuation was carried out to determine the recoverable amount of 49% equity interests in Ever-Grand Development Limited ("Ever-Grand"), for the purpose of assessment of an indication of asset impairment in complying with HKAS 36 "Impairment of Assets". The recoverable amount was determined at approximately HK$254,175,000 (2020: HK$257,112,000), which was approximately 6.8% (2020: 8.2%) to the Group's total assets of approximately HK$3,743,062,000 (2020: HK$3,128,554,000) at 31 December 2021.

Currently, the Group is supplying steam to around 25 (2020: 33) active customers in Humen Town through steam transmission pipelines of approximately 4.6km (2020: same). During the reporting period, the centralised heat supply business, generating revenue of approximately HK$47,120,000 (2020: HK$45,590,000) to Ever-Grand, representing an increase of 3.4% as compared with the last reporting period. However, in the ChangAn town, as a result of the continuous delay of the pipeline deployment plan rolled out in ChangAn town, coupled with the sustained delay of the public release from the local and central government of the Changan Binhai New Area's "Guangdong, Hong Kong, and Macau Greater Bay Area Development Plan Outline" and the Dawan District Plan, the business plan of the ChangAn town was further delayed and suspended with uncertainties.

Management Discussion and Analysis

The financial projections, in particular, the capital expenditures ("CAPEX") plan of Ever-Grand have been delayed from the period from 31 December 2021 to 31 December 2022, further delayed to the period from 31 December 2022 to 31 December 2025, thus the revenue projections for Ever-Grand have been delayed accordingly and the revenue projection decreased as compared the valuation for the year ended 31 December 2021 with valuation for the year ended 31 December 2020. The Management of the Ever-Grand Group have then revised the financial forecast of Ever-Grand as at 31 December 2022 in arriving at a more conservative estimate which better reflect the industry outlook. As a result of the decrease in revenue projection of Ever-Grand, the cost of goods sold, management expense, business tax and surcharge and staff expense in respect of Ever-Grand have been reduced accordingly.

IMPAIRMENT LOSSES AND FAIR VALUE LOSS

The Group has recorded the total impairment loss, decreased by approximately HK$165,197,000, or approximately 50.5%, from approximately HK$327,312,000 in 2020 to approximately HK$162,115,000 in 2021. Such decrease was primarily due to the decrease of impairment of Shanghai Jiaguan Tianqi Investment Centre (Limited Partnership), from approximately HK$213,059,000 in 2020 to approximately HK$685,000 in 2021.

The COVID-19 epidemic has adversely affected the global economic growth forecast, and the Group update the forecast data to reflect the relevant impact when conducting Xiangtan Jinao Swissotel Hotel and construction in progress impairment assessment. The Group recorded impairment loss of construction in progress and leasehold lands of Hunan Xiang Tan Project Phase I Hotel (湖南省湘潭項目一期酒店) of approximately HK$156,244,000 (2020: HK$76,423,000) during the year ended 31 December 2021. The Group also recorded fair value loss of Cheng Du Min Zu Plaza (四川省成都市民族廣場) and impairment loss of the 49% equity interest in Ever-Grand of approximately HK$14,103,000 (2020: HK$29,243,000), and HK$5,186,000 (2020: HK$37,830,000) in 2021.

FINANCING ACTIVITIES

Affected by the COVID-19 epidemic, the sales of the Group have dropped significantly than expected. Therefore, the Group has proactively discussed with creditors for the extension of existed debts.

The Group has recorded the finance cost, increased by approximately HK$105,983,000, or approximately 53.9%, from approximately HK$196,539,000 in 2020 to approximately HK$302,522,000 in 2021. The increase are mainly due to the significant increase of interest expenses of approximately HK$78,777,000 (2020: HK$ 38,007,000) from financial component of contract liabilities, the penalty interest expenses of Donghai International Holdings Limited of approximately HK$46,121,000 (2020: HK$24,970,000), and the penalty interest expenses of China Zhejiang Chouzhou Commercial Bank Jianye Branch (浙江稠州商行南京建鄴支行) of approximately HK$17,318,000 (2020: Nil).

Management Discussion and Analysis

On 30 June 2021, the Company, China Huarong International Holdings Limited (中國華融股份有限公司) and the Connected Guarantors, being the parties to the Listco Facility Agreement entered into the Listco Restructuring and Amendment Deed to restructure and amend the terms of the Listco Facility Agreement with principal US$42,000,000 (equivalent to HK$284,704,000). The loan is outstanding shall bear the interest rate of 9% per annum from 2 January 2021 until December 2022.

On 2 December 2020, the Company has obtained borrowings of principal amount of RMB250,000,000 (equivalent to HK$306,110,000) from China Zhejiang Chouzhou Commercial Bank Jianye Branch (浙江稠州商行南京建鄴支行). The repayment schedule of remaining debt with related interest are being negotiated with the bank to extend the repayment of the remain debt to 30 June 2023 with interest bearing at 9.5% per annum and will be payable by installments.

PROSPECTS

In 2021, the global economy maintained its recovery momentum amidst market fluctuations, and the production activities gradually restored to the pre-pandemic level. Driven by the active and prudent macro-control policies, the PRC economy continued to recover, with an increasingly stronger development momentum and a general development trend of healthy development and positive growth, making solid progress towards the establishment of a new development landscape.

On the real estate industry policy front, adhering to the key principle of "houses are for living instead of speculation", the central government continued to perfect and tighten the regulation policies over China's real estate industry by taking various measures from introducing the policies of "Three Red Lines" and "two-centralised land supply" to strictly forbidding the application of business loans and consumption loans to finance the real estate market. During the first half of the year, the local governments across the country implemented the strategy of "differentiated policies for various cities" and launched a series of regulation policies over the real estate industry including restriction in property purchase and credit grant. Entering into the second half of the year, we witnessed easing in the regulation policies over the real estate industry. In particular, after the outbreak of the Evergrande Group crisis, the central government and senior officials from the central bank issued several statements, calling for persistently steady and orderly release of credit grants for the real estate industry and maintaining stable and healthy development of the real estate market.

Management Discussion and Analysis

Looking a close look at the development of the PRC economy since the outbreak of the COVID-19 pandemic, although the real estate market failed to maintain the robust growth momentum since 2017, the construction of residential properties and urban-rural development remained the largest domestic demand and were also the largest consumption market in China, playing an important role in promoting steady growth, expanding domestic demand and building a strong domestic market. The Group believes that the real estate market in China will maintain the growth momentum in 2022. As a result, while continuing to consolidate the real estate development business which is the Group's core business, the Group will focus on property management, commerce management, hotel management, healthcare, elderly care, prefabricated construction and other areas as priority for development. In 2022, the Group will explore the real estate markets in Changsha and Xiangtan, step up the development of the existing Xiangtan Project and speed up sales pace, so as to accelerate cash collection and relieve capital pressure. In addition, on the land bank front, the Group will proactively seize opportunities to acquire lands and carry out acquisitions and mergers in the first and second-tier cities with better fundamentals, metropolitan areas and city clusters with great development potential, so as to ensure long-term sustainable development.

Being affected by the outbreak of COVID-19, most industries are faced with unprecedented impacts and challenges, while the healthcare industry bucked the trend with excellent performance due to its irreplaceable role in fighting against the epidemic, demonstrating its counter-cyclical investment attribute and distinct value. Against the aforesaid backdrop, the Group will leverage on its advantage in real estate development, explore the "real estate + healthcare" mode, and cooperate with international well-known healthcare institutions to introduce sophisticated community healthcare, medical mall, community elderly care and other operation modes from overseas, so as to create new profit growth drivers.

Looking forward to the development prospect of the PRC economy in 2022, the PRC economy will continue its recovery growth momentum. The success in hosting the Beijing Winter Olympics Games at the beginning of 2022 will substantially drive domestic consumption, promote sports and culture exchanges and increase the influence of China. The "20th National Congress" of the Communist Party of China to be convened in the second half of 2022 will provide political benefits and play a positive role in promoting the economic development. As opportunities and challenges coexist, the Group will take measures to overcome challenges and capture opportunities, and remain prudent and pragmatic, meanwhile actively exploring fresh concepts to strive for new development dimensions with high quality and profit growth.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's net current liabilities were approximately HK$1,016,251,000 (2020: HK$627,061,000), with current assets of approximately HK$2,920,689,000 (2020: HK$2,215,357,000) and current liabilities of approximately HK$3,936,940,000 (2020: HK$2,842,418,000), representing a current ratio of approximately 0.74 (2020: 0.78). As at 31 December 2021, the Group had cash and cash equivalents of approximately HK$12,437,000 (2020: HK$9,687,000).

CAPITAL STRUCTURE

As at 31 December 2021, the Group's total capital deficiency amounted to approximately HK$373,393,000 (31 December 2020: total equity of HK$126,529,000).

BORROWING AND BANKING FACILITIES AND CHARGE ON GROUP ASSETS

As at 31 December 2021, the Group's outstanding borrowings were approximately HK$1,763,611,000 (2020: HK$1,715,989,000). The Group's bank borrowings of approximately HK$67,332,000 (2020: HK$116,091,000) were secured by the Group's leasehold lands (first priority change) and construction in progress (first priority change) with a net carrying amount of approximately HK$37,075,000 (2020: HK$44,083,000) and approximately HK$329,044,000 (2020: HK$396,084,000) respectively. The Group's bank borrowings of approximately HK$306,110,000 (2020: HK$297,974,000) were secured by the Group's investment properties with a net carrying amount of approximately HK$198,727,000 (2020: HK$207,390,000) and a property owned by a director of the Company.

The Group's borrowings from a former shareholder of approximately of HK$13,500,000 was assigned to a related party upon the execution of a deed of assignment, were unsecured.

The Group's borrowings from a Director of approximately HK$2,280,000 were unsecured.

The Group's other borrowings of approximately HK$135,170,000 (2020: HK$55,384,000) were unsecured. The Group's other borrowings of approximately HK$143,483,000 (2020: HK$147,307,000) were secured by share charge over the equity interest in Ever-Grand and certain properties for sales or under development executed by certain related parties. The Group's other borrowings of approximately of HK$284,704,000 (2020: HK$260,501,000) were secured by share charges given by KEYNE HOLDINGS LTD, the controlling shareholder of the Company and certain related parties, and equity pledges given by certain subsidiaries of the Company. The Group's other borrowings of approximately of HK$811,032,000 (2020: HK$825,232,000) were secured by certain properties under development, with a net carrying amount of approximately HK$1,724,651,000 (2020: HK$1,446,902,000). The gearing ratio based on borrowings over total equity as at 31 December 2021 was approximately -4.72 (2020: 13.56).

Management Discussion and Analysis

GOING CONCERN AND MITIGATION MEASURES

The Group had accumulated losses of approximately HK$3,082,883,000, the Group's current liabilities exceeded its current assets by approximately HK$1,016,251,000 and the Group's net liabilities amounted to approximately HK$373,393,000 as at 31 December 2021. As at the same date, the Group's total borrowing amounted to approximately HK$1,763,611,000, of which current borrowing amounted to approximately HK$1,744,180,000, while its cash and cash equivalents amounted to approximately HK$12,437,000, and restricted bank deposits amounted to approximately HK$33,648,000. In addition, as at 31 December 2021, the Group was in default in respect of principal amount of borrowing totaling approximately HK$1,612,661,000 due to the events of default of late or overdue payment of loan principal and interest during the year ended or as at 31 December 2021. The conditions, together with other matters described as below, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. However, the Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which include:

(i) The Group is negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future;

(ii) The Group will seek to accelerate the pre-sales of its properties under development including remaining units of property projects and saleable car parks. The properties from Xiangtan Project is expected to give further substantial sales in 2022. Overall, the Group expected to gradually launch a major project and the pre-sales permits were already obtained in 2021;

(iii) The Group will continue to take active measures to control administrative costs through various channels including human resources optimization and management remuneration adjustments and containment of capital expenditure; and

(iv) In light of the COVID-19 outbreak, the Group is closely monitoring the latest development and will continue to assess the impact of the epidemic, as well as any government's stimulus in response, on the Group's operations from time to time and adjust its sales and marketing strategy for its property sales to generate sufficient cashflows from its operations.

Accordingly, the Directors are satisfied that is appropriate to prepare the consolidated financial statements on a going concern basis.

Management Discussion and Analysis

The Group has been actively implementing the aforementioned measures in the past year. As a result of the efforts over such period, a number of financial data has once improved, including growth in property pre-sales and decrease of operating net cash flow. As the execution of the Group's business plan for 2022 has been lagged behind due to the COVID-19 epidemic, certain projects that were scheduled to reach pre-sale status in the second half 2021 have failed to release the new launch of properties due to delay in the pace of construction, this resulted in operating net cash flow position again in 2021 and ultimately caused a failure in achieving the business plan target of lowering the Group's borrowing.

Despite the above, the Group has ensured the construction progress of certain high-rise residences properties in the Xiangtan Project, which obtained the pre-sale permit as scheduled, as well as to speed up the sales of the remaining units in Xiangtan project, both of which ensured the Group to improve cashflows for 2021. The Group will actively implement the business plan in 2022, on one hand to adhere to the business plan to construct and launch sale of the property projects so as to increase the cash inflow, on the other hand to actively negotiate with financial institutions to renew and extend the bank loans and other borrowings, and to identifying opportunities to obtain new borrowings so as to improve the Group's debt structure.

EXPOSURE TO FOREIGN EXCHANGE

The Group's assets and liabilities are mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi. Income and expenses derived from the operations in the PRC were mainly denominated in Renminbi. There is no significant exposure to the fluctuation of foreign exchange rate, however, the Group will closely monitor the market and make appropriate adjustments and measures when necessary.

CONTINGENT LIABILITIES

Save for those disclosed in note 39 to the consolidated financial statements, there were no contingent liabilities that the Group is aware of.

EMPLOYEES AND REMUNERATION POLICIES

Staff costs for the year ended 31 December 2021 was approximately HK$18,950,000 (2020: HK$17,705,000). The Group had a workforce of 66 (2020: 75). Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 December 2021 (2020: Nil).

Corporate Governance Report

The Group is committed to establish and maintain good corporate governance practices and procedures. For the year ended 31 December 2021 (the "Year"), the Company complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This report describes the Company's corporate governance practices and explains its applications.

DIRECTORS' SECURITIES TRANSACTIONS

The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules was adopted by the Company. Specific enquiry of all Directors who were in office during the Year under Review was made and they have confirmed compliance with the Model Code during the financial year.

BOARD OF DIRECTORS

(I) Composition of the Board

The Board currently comprises 6 Directors, with 3 executive Directors and 3 independent non-executive Directors whose biographical details are set out in "Biographical Details of Directors" on pages 55 to 56. The Directors for the Year and up to the date of this report were as follows:

Executive Directors

Ms. Qian Ling Ling *(Chairman)*
Mr. Zhang Li *(Chief Executive Officer)*
Mr. Xiang Junjie

Independent Non-executive Directors
Mr. Tsui Pui Hung
Mr. Tang Ping Sum
Mr. Chiu Sin Nang, Kenny

The Board is comprised of experienced and high competence individuals and a balanced composition of executive and non-executive Directors.

Each Director has been appointed on the strength of his/her calibre, experience and stature, and his/her potential contribution to the growth and development of the Group and its businesses. The Directors had no financial, business, family or other material/relevant relationship with each other during the Year under Review.

Corporate Governance Report

(II) Operation of the Board

The Company is headed by the Board which takes decisions objectively in the interests of the Company. To provide effective supervision of and proper guidance to the management, the Board is required to consider and approve decisions in relation to the Group's long-term strategy, annual business plan and financial budget, major acquisition and disposal, dividend policy, appointment of Directors, remuneration policy, risk management and internal control. Apart from formal meetings, matters requiring Board approval were arranged by means of circulation of written resolutions and telephone conference/physical meeting.

A clear division of responsibilities is evident between the Board and the management. Decisions on important matters, such as the Group's strategic policies, major investment, funding decisions and major commitments relating to the Group's operations, are specifically reserved to the Board while decisions on the Group's general day-to-day operations are delegated to the management.

(III) Directors' training and continuous professional development

Newly appointed Directors have received briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Directors are kept informed of the Group's affairs and development in a timely manner so as to enable them to make an informed decision and to discharge their duties and responsibilities as Directors effectively.

The Company continuously provides updates and presentations to Directors on the latest developments relating to the Group's business and the legislative regulatory requirements to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group.

During the Year, the Directors have also participated the following:

Directors	Attending seminar(s) and/or conference(s) on regulations and updates and/or reading materials relating to business and operation of the Company, and legal and regulatory updates
Ms. Qian Ling Ling	✓
Mr. Zhang Li	✓
Mr. Xiang Junjie	✓
Mr. Tsui Pui Hung	✓
Mr. Tang Ping Sum	✓
Mr. Chiu Sin Nang, Kenny	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In order to have a clear division between the management of the Board and the day-to-day management of the business operation of the Group, the role of the chairman is separate from that of the chief executive officer. During the Year under Review, the chairman, Ms. Qian Ling Ling, focused on the overall corporate development and strategic direction of the Group and provides leadership for the Board and oversees the efficient functioning of the Board. The chief executive officer, Mr. Zhang Li, was responsible for all day-to-day corporate management matters as well as assisting the chairman in planning and developing the Group's strategies. Such division of responsibilities helps to reinforce their independence and to ensure a balance of power and authority.

NON-EXECUTIVE DIRECTORS

All non-executive Directors are appointed for a specific term of one year from the dates of their appointments which will be renewed automatically unless early terminated by either party with at least one month prior written notice. However, they are appointed subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the provisions of the bye-laws of the Company (the "Bye-laws").

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors independent.

REMUNERATION COMMITTEE

The remuneration committee (the "Remuneration Committee") consists of 3 independent non-executive Directors namely Mr. Chiu Sin Nang, Kenny, Mr. Tang Ping Sum and Mr. Tsui Pui Hung. Mr. Chiu Sin Nang, Kenny is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once a year. 1 meeting was held during the Year, during which the remuneration policy of the Company and the remuneration packages of the Directors and senior management of the Group were reviewed. None of the Directors participated in the determination of his/her own remuneration. Attendance of the members of the Remuneration Committee is set out in "Attendance Records at Meetings" on page 18.

According to the terms of reference of the Remuneration Committee, its major roles and functions, inter alias, include making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for establishing remuneration policy as well as reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

Corporate Governance Report

The emolument payable to Directors depends on their respective terms under the service contracts (if any), and as recommended by the Remuneration Committee.

Details of the remuneration paid to members of senior management of the Group (including the Directors) by band for the Year are set out below:

Remuneration band	**Number of senior management**
Below HK$1,000,000	2
HK$1,000,001 to HK$2,000,000	1

Details of the Directors' and chief executive's emoluments and five highest paid individuals are set out in note 9 to the consolidated financial statements.

NOMINATION COMMITTEE

The Company has set up a nomination committee (the "Nomination Committee") in compliance with the CG Code. The Nomination Committee consists of 3 independent non-executive Directors namely Mr. Tsui Pui Hung, Mr. Tang Ping Sum and Mr. Chiu Sin Nang, Kenny. Mr. Tsui Pui Hung is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once a year. 1 meeting was held during the Year, during which the retirement and re-election of Directors at the annual general meeting in 2021 was discussed; and the suitability of the structure, size and composition based on a range of diversity perspectives (including but not limited to gender, age, ethnicity, professional experience, skills, knowledge and length of service) of the Board with respect to the corporate strategy and future development of the Company were reviewed. Attendance of the members of the Nomination Committee is set out in "Attendance Records at Meetings" on page 18.

The Board has adopted a nomination policy (the "Nomination Policy") on 1 January 2019 for formalising the current nomination practice of the Company. The Nomination Policy sets out the selection criteria and nomination procedures for Nomination Committee and the Board in assessing the suitability of a proposed candidate is qualified for directorship. The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its effectiveness.

According to the terms of reference of the Nomination Committee, its major duties and functions, inter alias, include reviewing the structure, size and composition of the Board at least annually and make recommendations to the Board on the nomination and appointment or re-appointment of Directors and the succession planning of the Directors and assess the independence of independent non-executive Directors. The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") in relation to the nomination and appointment of new directors, which sets out: the selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural and educational background, industrial and professional experience, skills, knowledge and length of service.

The above measurements were also reviewed and adopted when the Nomination Committee reviewed the composition of the Board. After assessing the suitability of the Directors' skills and experience to the Company's business, the Nomination Committee confirmed that the existing Board was appropriately structured and no change was required.

AUDIT COMMITTEE

The Company has set up an audit committee (the "Audit Committee") consisting of 3 independent non-executive Directors namely Mr. Tang Ping Sum, Mr. Tsui Pui Hung and Mr. Chiu Sin Nang, Kenny. Mr. Tang Ping Sum is the chairman of the Audit Committee and he has appropriate professional qualifications or accounting or related financial management expertise. No member of the Audit Committee is a member of the former or existing auditors of the Company.

4 Audit Committee meetings were held during the Year. Members of the Audit Committee have reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2020, the unaudited interim results of the Company for the six months ended 30 June 2021, the internal control systems and risk management of the Group, proposed and recommendation to the Board for the change of auditor and the audit planning report of the Group for the Year. All work and findings of the Audit Committee has been reported to the Board. During the Year, no issue brought to the attention of the Board was of sufficiently important to require disclosure in this report. Attendance of the members is set out in "Attendance Records at Meetings" on page 18.

According to the existing terms of reference of the Audit Committee, its major roles and functions, inter alias, are to review the half-year and annual financial statements before submission to the Board and to review the Company's statement on risk management and internal control systems and effectiveness of the internal audit. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

On 29 March 2022, the Audit Committee reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed with the external auditors about the content of the auditor's report. The Group's consolidated financial statements for the Year have been reviewed and approved by the Audit Committee, and the Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The Audit Committee therefore recommended the Board's approval of the Group's consolidated financial statements for the Year.

Corporate Governance Report

ATTENDANCE RECORDS AT MEETINGS

There were four regular Board meetings and one annual general meeting held during the Year. Additional Board meetings are held when necessary. Due notice and Board papers are given to all Directors prior to a meeting in accordance with the Listing Rules and the CG Code. The attendance records of each Director at the various meetings of the Company during the Year are set out below. All business transacted at the below meetings has been duly documented and is maintained in accordance with applicable laws and regulations.

	Attendance/Number of meetings held during the Year				
	Annual general meeting	**Board meetings**	**Remuneration committee meeting**	**Nomination committee meeting**	**Audit committee meetings**
Number of meetings	1	8	1	1	4
Executive Directors					
Ms. Qian Ling Ling	1/1	8/8	N/A	N/A	N/A
Mr. Zhang Li	1/1	8/8	N/A	N/A	N/A
Mr. Xiang Junjie	1/1	8/8	N/A	N/A	N/A
Independent Non-Executive Directors					
Mr. Tang Ping Sum	1/1	8/8	1/1	1/1	4/4
Mr. Tsui Pui Hung	1/1	8/8	1/1	1/1	4/4
Mr. Chiu Sin Nang, Kenny	1/1	8/8	1/1	1/1	4/4

AUDITORS' REMUNERATION

The fee in relation to the audit services for the Year provided by CL Partners CPA Limited, the external auditor of the Company, amounted to HK$1,900,000.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the Year and of ensuring that the preparation of the consolidated financial statements of the Group is in accordance with the applicable standards and requirement.

COMPANY SECRETARY

Ms. Tsang Wing Man has resigned as the Company Secretary of the Company with effect from 5 November 2021. Following Ms. Tsang Wing Man's resignation, Mr. Chen Kenneth has been appointed as the Company Secretary with effect from 5 November 2021.

Mr. Chen Kenneth is the employee of the Company and he has confirmed that he had received no less than 15 hours of relevant professional training for the Year.

RISK MANAGEMENT AND INTERNAL CONTROL

Goals and Objectives

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. The Board acknowledged that the risk management and internal control 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.

Main features of the risk management and internal control systems

The Group's risk governance structure and the main responsibilities are summarised below:

Board

- evaluates and determines the nature and extent of significant risks it is willing to take in achieving in the Group's strategic objectives;

- ensures the implementation of an effective risk management and internal control systems;

- ensures the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions; and

- oversees the management in the design, implementation and monitoring of the risk management and internal control systems.

Management

- assists the Board to perform its responsibilities of risk management and internal control systems and ensure such review cover all material controls, including financial, operational and compliance controls;

- develops the internal control audit plan and effective control activities to mitigate risks;

- identifies major and significant risks which threaten the achievement of the strategic objectives; and

- summarises the results of such risk assessment, evaluation and mitigation of the major subsidiaries and associates in risk register.

Corporate Governance Report

Process used to identify, evaluate and manage significant risks

The Board and the senior management led by the chief executive officer of the Company (the "Responsible Management"), with the assistance of the Internal Control & Compliance Department, are responsible for designing implementing and monitoring of the risk management and internal control systems.

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk identification

- identifies significant risks through interviewing with the management and directors of major subsidiaries and associates. "CG Code Compliance and CG Report Disclosure Questionnaire" and "Risk Identification and Management Questionnaire" are used to document the risk identified by the management and directors of major subsidiaries and associates.

Risk assessment

- performs risk assessment on the key audit matters identified by the external auditor;
- assesses and evaluates significant risks identified by the subsidiaries and associates; and
- considers the range of potential consequences and how likely those consequences are to occur.

Risk response

- evaluates and prioritises the risk identified by the major subsidiaries and associates from perspective of the Group level as a whole; and
- updates the risk register by the Responsible Management.

Risk monitoring and reporting

- performs ongoing communication of monitoring results to the Board which enables it to assess control of the Group and the effectiveness of risk management;
- presents the risk questionnaires completed by the management of selected subsidiaries and associates, risk register and Internal Control Audit Plan to the Board; and
- delivers the fact-findings report with recommendations on the review and testing of internal controls on certain operating cycles and areas performed by the internal control department to the Audit Committee and the Board.

INTERNAL AUDIT FUNCTION

The Group's risk management and internal control framework is consistent with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework. The Group's internal audit function is performed by the Responsible Management who reports to the Audit Committee and the Board on a regular basis. The Responsible Management, with the assistance of internal control department, performs risk assessment process, review the Group's internal audit function and executes the internal audit plan, including performing testing of control on selected cycles in accordance with agreed upon procedures determined by the Responsible Management, for the Year.

Based on the information submitted by the Responsible Management, the Board conducted an annual review on the effectiveness of the Group's risk management and internal control systems for the Year. The Board concluded that the risk management and internal control systems of the Group are adequate and effective in all material respects during the Year under Review.

INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is fully aware of its obligations under the new Part XIVA of the Securities and Futures Ordinance, Chapter 571 and the Listing Rules. The Board has adopted a policy which contains the guidelines to the Directors, officers and relevant employees of the Company to ensure that the inside information of the Company is to be disseminated to public in an equal and timely manner in accordance with the applicable laws and regulations.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the Year.

COMMUNICATION WITH SHAREHOLDERS

The Company recognises the importance in engaging in regular, effective and fair communication with its shareholders and is committed to conveying important and relevant information to the shareholders on a timely basis.

The Company strives to ensure that information is made publicly available in a prompt and timely disseminated manner. Disclosure of information is made through announcements on the Stock Exchange, the Company's annual and interim reports, press releases, as well as the Company website (http://www.keyneltd.com).

Corporate Governance Report

SHAREHOLDERS' RIGHTS

(i) Convening a special general meeting by shareholders

Pursuant to Bye-law 58, 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 general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special 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 (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of section 74(3) of the Companies Act of Bermuda.

(ii) Putting forward proposals at general meetings

A Shareholder shall make a written requisition to the Board or the company secretary of the Company at the head office address of the Company, specifying his/her/its shareholding information, his/her/its contact details and the proposal he/she/it intends to put forward at the general meeting regarding any specified transaction/business with supporting documents.

(iii) Putting forward enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's head office in Hong Kong at Room 4101, 41/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy") with effect from 1 January 2019. The Dividend Policy aims to maintain sufficient reserve for future development to create stable and sustainable returns to shareholders.

According to the Dividend Policy, the declaration of dividend and the amount of dividend are subject to, including but not limit to, the following factors: (1) financial performance of the Group; (2) retained earnings and distributable reserves of the Group; (3) expected working capital requirements, capital expenditure requirements and future development plan of the Group; (4) liquidity position of the Group; (5) any restriction under the Companies Act of Bermuda, any applicable laws, rules and regulations and the Articles of Association of the Company; and (6) any other factors the Board may consider appropriate.

The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deem fit and necessary.

Environmental, Social and Governance Report

INTRODUCTION

KEYNE LTD (the "Company" together with its subsidiaries, hereinafter referred to as the "Group" or "we" or "us") is pleased to present the Environmental, Social and Governance (the "ESG") Report for the year ended 31 December 2021 with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by the Stock Exchange.

As the most important leading role of the Group, the Board has taken a proactive approach to manage ESG issues and has incorporated environmental, social and governance elements into its long-term business strategic planning.

The Group has strengthened its ESG governance by setting clear sustainable development vision. Relevant emission reduction targets and corresponding strategies have been established and incorporated into the Group's operations. The Board regularly monitors and reviews the effectiveness of management approach, including reviewing the Group's ESG performance and adjusting corresponding action plans.

SCOPE AND REPORTING PERIOD

The principal activities of the Group include rental of property, property and hotel development, and investment in centralised heat supply. This ESG report covers the Group's overall performance in two subject areas, namely, environmental and social aspects of the business operations in the headquarters office in Causeway Bay, Hong Kong; property development in Hunan, Mainland China; property rentals in Chengdu, Mainland China; and the centralised heat supply and distribution project in Dongguan, Mainland China from 1 January 2021 to 31 December 2021, unless otherwise stated. In this ESG report, the total floor area coverage for the Group was 3,893 m^2.

Environmental, Social and Governance Report

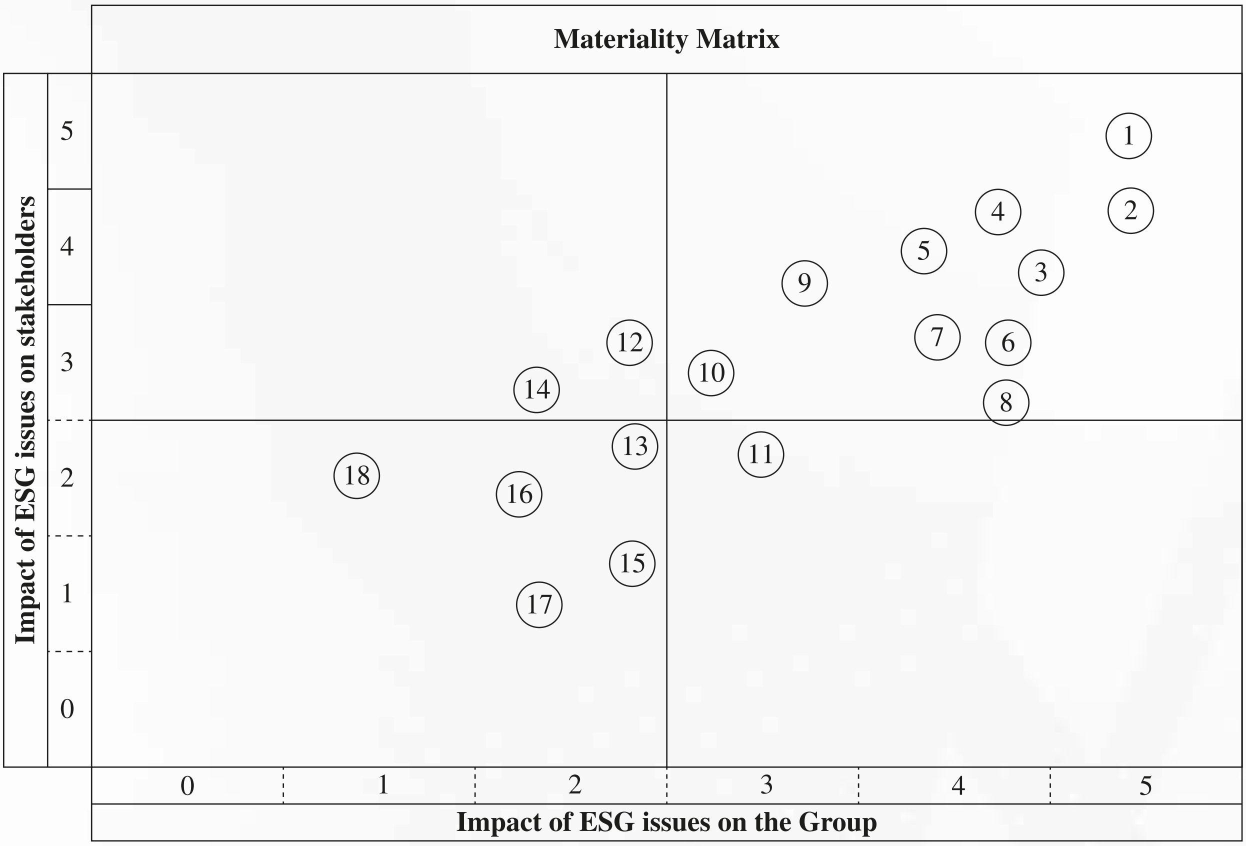
STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders including investors, shareholders and employees have been involved in regular engagement sessions as shown in the table below to discuss and to review areas of attention which will help the business meet its potential growth and be prepared for future challenges.

Stakeholders	Engagement Channels
Government and regulatory agencies	• Publication of notices, circulars, interim and annual reports • Policy consultation
Shareholders	• Annual General Meeting • Special General Meeting • Email, telephone communication and corporate website • Publication of notices, circulars, interim and annual reports
Potential Investors	• Meetings • Conferences • Email, telephone communication and corporate website
Employees	• Meetings • Employee survey • Staff activities
Suppliers	• Meetings • On-site visits

The Group identifies issues for disclosure in the Report through internal and external materiality assessments. The Group collects feedback from the stakeholders through their respective communication channels regarding their major concerns on ESG issues. The Board further considers the impact of each identified ESG issue to the Group's operations, as well as the availability of the Group's resources, to determine the importance of each ESG issue, the result of which is displayed in the following materiality matrix.

Environmental, Social and Governance Report



1. Safety and quality of products and services
2. Customer satisfaction
3. Land use, pollution and restoration
4. Environmental compliance
5. Environmental friendliness on products or service purchased
6. Business ethics
7. Customers' privacy and confidentiality
8. Staff occupational health and safety
9. Employment practices
10. Diversity and equal opportunities
11. Anti-discrimination
12. Staff development and training
13. Child labour and forced labour
14. Anti-corruption training for management and employees
15. Contributions to the society
16. Communication and connection with local community
17. Responsible supply chain management
18. Environmental friendliness on products or services purchased

We determine the extent of disclosure in this Report according to the importance of the issues to the business and the stakeholders.

Environmental, Social and Governance Report

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at ir@keyneltd.com.

ENVIRONMENTAL ASPECTS

The Group is committed to sustainable development and delivery of high quality services in a manner that minimizes the impact of our business activities to the environment. The Group pursues to utilise energy efficiently and as the major means to monitor our greenhouse gas ("GHG") emission. In order to continuously improve our energy performance and lower our carbon footprint, we are committed to:

- Prioritise procuring environmental-friendly construction materials and engaging business partners that are committed to reduce their carbon footprint;
- Promoting the use of office equipment with higher energy efficiency;
- Providing continuous education and training on environmental protection to employees; and
- Paying great attention to the latest developments in environmental protection and occupational hygiene and safety issues.

A1. Emissions

Types of emission produced by the Group in the reporting period were mainly attributed to the usage of petrol, electricity, water, paper and business air travel. Our business does not involve the consumption of packaging materials, and does not contribute to the production of air, water, and land pollutants that are subject to the regulation of national laws and regulations.

A1.1 Air emissions

The air emissions produced by the Group are mainly attributed to the usage of vehicles owned by the Group for business purpose.

The types of air emissions generated from our Group are shown in the table below:

Air Emissions*	Units	2021	2020
Nitrogen oxide (NOx)	kilogram	14.85	Note
Sulphur oxide (SOx)	kilogram	0.38	0.44
Particle matter (PM)	kilogram	1.09	Note

* The calculation method of the corresponding air emissions and the emission factors used in the calculation are based on Appendix 27 of the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

Note: Nitrogen oxides and particulate matter emissions were not reported due to lack of data.

Environmental, Social and Governance Report

A1.2 Greenhouse gas emissions

Due to the business nature of the Group, the greenhouse gas emissions were mainly from indirect greenhouse gas emissions (Scope 2), which were mainly resulted from the use of electricity for operations of the Group. To a limited extent, the Group also produced direct greenhouse gas emissions (Scope 1) from the consumption of unleaded petrol by vehicles owned by the Group.

The Group's total greenhouse gas emissions and intensity are shown in the table below:

Greenhouse gas emissions	Emission sources	Units	2021	2020
Scope 1				
Direct Emissions	Fuels consumed by Company Owned Fleet	tCO_2e	68.89	81.77
Scope 2				
Indirect Emissions	Purchased electricity	tCO_2e	198.61	310.47
Scope 3				
Other Indirect Emissions	Paper consumption	tCO_2e	5.42	3.91
	Freshwater consumption	tCO_2e	2.69	13.35
	Business air travel	tCO_2e	6.90	18.72
Total GHG emissions		tCO_2e	282.51	428.22
Total GHG emissions per floor area		tCO_2e/m^2	0.07	0.11

* The calculation method of the corresponding GHG emissions and the emission factors used in the calculation are based on Appendix 27 of the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

** Combined margin emission factor (average) of 0.62 tonnes of CO_2e/MWh (2020: 0.88 tonnes of CO_2e/MWh) was used for purchased electricity in Mainland China.

There were 282.51 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation in the reporting period (2020: 428.22 tonnes). The annual emission intensity was 0.07 tonnes of CO_2e/m^2 (2020: 0.11 tonnes of CO_2e/m^2).

A total of 25,905 litres of fuels (2020: 30,226.04 litres) was used for Group-owned vehicles in the reporting period, contributing to 68.89 tonnes (2020: 81.77 tonnes) of carbon dioxide equivalent greenhouse gases.

Environmental, Social and Governance Report

The electricity consumption by the Group was 322,703.8 kWh (2020: 352,274 kWh), with an energy intensity of 82.89 kWh/m^2 (2020: 82.46 kWh/m^2). It contributes to a total of 198.61 tonnes (2020: 310.47 tonnes) of carbon dioxide equivalent emission. The Group saves energy by:

- installing thermostat in air conditioners to allow flexible adjustment to temperature according to needs;
- keeping room temperature at 24-26^{o}C;
- turning off lightings when leaving office;
- switching off computers and other electronic devices when leaving office; and
- setting printers into energy-saving mode.

The Group recognises its operation contributes to considerable amount of greenhouse gases emission and strives to realize its corporate vision of sustainable development. The Group follows the low-carbon development goals of China's 14th Five-Year Plan, and targets to reduce the Group's greenhouse gas emissions by 5% by 2026 through the use of energy efficient fuels and fuel-saving vehicles whenever possible.

A1.3 Waste Management

The Group generates no hazardous waste in its operation. Non-hazardous waste from the Group's operation are mainly office paper and other general office waste that is not subject to any particular waste management approach and disposed of via municipal services. A total of 1.13 tonnes (2020: 0.813 tonnes) of paper has been used for daily office operations such as documents printing and deliverables packaging.

The Group practices paper saving initiatives, such as promoting e-filing, pre-setting printer to double-sided printing, posting reminders on printers to encourage double-sided printing, and allocating collection area for used paper and envelopes so that they can be reused whenever possible. Recycling bins for wastepaper are also provided to facilitate paper recycling.

The Group continues to record and assess its paper usage for setting a paper use efficiency target in the future.

Apart from the above initiatives to reduce paper waste, the Group also looks for opportunities to utilise resources and reduce waste. For example, the Group centralises stationary supply in an allocated area so that resources can be utilised effectively and reused when possible. Moreover, office pantries are provided with durable and reusable dishes and tableware. Employees are encouraged to use reusable tableware and avoid disposable tableware when having meals.

The Group does not consume a significant amount of packaging materials due to its nature of business.

A2. Use of Resources

A2.1 Energy Consumption

The amount of energy consumption of the Group is shown in the table below:

Energy consumption	Units	2021	2020
Non-renewable fuel consumed	kWh	252,051.5	292,931.2
Electricity consumed	kWh	322,703.8	352,274.0
Total energy consumption	kWh	574,755.3	645,205.2
Total energy consumption per floor area	kWh/m^2	147.64	165.73

* The calculation method of the corresponding energy consumptions and the emission factors used in the calculation are based on Appendix 27 of the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

The Group purchased electricity to support all of its business operations. Consumption of non-renewable fuel is attributable to the Group's usage of its vehicle fleet.

The Group's business operation strictly abide by the laws and regulations of the the People's Republic of China (the "PRC"), including but not limited to 《中華人民共和國節約能源法》 and other applicable laws and regulations. We are committed to improving the efficiency of energy use, advocating conservation of resources, and improving the efficiency of energy and resource consumption. The Group targets to reduce its electricity consumption by 5% by 2026 through the use of energy efficient equipment and educating employees to adopt energy saving measures, such as switching off all non-essential items during non-office hours, whenever possible.

A2.2 Water Consumption

The offices for Hunan and the centralised heat supply project consumed 17,385.88 m^3 (2020: 32,817 m^3) of freshwater in the reporting period with a water intensity of 4.47 m^3/m^2 (2020: 8.43 m^3/m^2). The consumption of its headquarters office is managed by the office building's Management Office, respective data is not available for calculation. However, it is noteworthy that freshwater consumption of the headquarters office is insignificant.

The Group has not encountered any issue in sourcing sufficient quantity and quality of water for business operations. The Group is generally satisfied with the water efficiency of its business operation, and will strive to further increase its water efficiency by targeting to reduce its water consumption by 5% by 2026 through educating employees about various water conservation practices.

Environmental, Social and Governance Report

A3. The Environment and Natural Resources

As the Group engaged in the property and hotel development business, our operation potentially generates a significant amount of noise and dust during the construction period due to the use of machineries and heavy vehicles that can cause pollution and other damage to the environment.

The Group believes that corporate development should not come at the expense of the environment and natural resources, therefore the Group recognises the responsibility in minimising the negative environmental impacts of our business operations as an ongoing commitment to good corporate citizenship. The Group and has implemented different measures to reduce noise levels, including the installation of acoustic barriers, inspect and maintain all equipment before use to ensure compliance of permitted noise level, and only undertake construction works during permitted hours and days, to ensure that workers and the surrounding neighbourhood will not be disturbed.

To minimise the adverse impact to the environment, the Group has adopted the energy and resources saving measures as mentioned in "A1. Emissions" and "A2. Use of resources" in response to the potential impacts on the environment and natural resources. The Group remains conscious of the potential impact its operations on the environment, and adopts preventive measures to reduce the relevant environmental damage while ensuring compliance with relevant laws and regulations.

A4. Climate Change

Climate change is one of the most crucial issues of the past decade. The Group has been closely monitoring the risk and capturing the opportunities from climate change. Investments will be allocated and prioritised to address the main climate related risk, which will enable our Group to smoothly transition and thrive in a low-carbon economy. The Group identified that the following climate risks might have potential impacts on the Group's business:

Physical risk

Acute physical risk may arise from climate change, which are event-driven and includes, but not limited to, storms, floods, and fire. These events may cause delay in, or even the suspension of the construction of properties and the operation of the centralized heat supply business.

To mitigate the relevant risks, the Group has established contingency measures that encompasses a variety of weather-related events to minimise the impact to its business operation brought on by climate-related risk. Moreover, we maintain comprehensive insurance coverage for assets that are prone to damage by extreme weather conditions to reduce the financial loss suffered by the Group.

Transition risk

At the United Nations General Assembly in 2020, President Xi Jinping announced that the PRC will strive to achieve carbon neutrality by 2060. Attributed to such commitment, it is anticipated that more stringent policies and initiatives are likely to be implemented by the government to meet the net-zero carbon emission ambition, thus higher operating costs may be incurred by the Group to replace tools and equipment with models of higher efficiency to ensure future compliance with the regulations.

In addition to closely monitoring the carbon footprints of the Group's business operations and exploring alternative ways to reduce our impact on the environment, the Group continues to stay abreast of the latest policies and regulations relevant to climate change and environmental protection, and ensure its compliance with them to avoid non-compliance fines in order to safeguard the Group's operational and financial stability, as well as reputation.

SOCIAL ASPECTS

B1. Employment

The Group complies with all applicable employment and labour laws of the the PRC and Hong Kong. Employees are entitled to double pay, bonus, mandatory provident fund, pension, medical insurance, life insurance, dental insurance, unemployment insurance, work-related injury insurance and maternity insurance. Various types of paid leave are also offered including annual leave, sick leave, maternity leave, paternity leave, and compassionate leave. The employment contract also set up mediation and arbitration procedures to settle any disputes.

The Group possesses a Remuneration Committee, which is responsible for Director's remuneration review. For general staff and the management, salary is reviewed on a yearly basis taking reference to the market trend, employee's qualification, experience and performance.

Environmental, Social and Governance Report

As at 31 December 2021, the Group had a total number of 76 (2020: 79) employees from Hong Kong and different provinces in Mainland China. The total workforce categorised by (i) gender, (ii) age group, (iii) geographical region and (iv) employment type are shown below.

Employee's Age Distribution	18-25	26-35	36-45	46-55	56 and above
2021	13%	53%	13%	13%	8%
2020	15%	53%	15%	11%	6%

Employee's Gender Distribution	Male	Female
2021	58%	42%
2020	54%	46%

Employee's Geographical Distribution	Mainland China	Hong Kong
2021	78%	22%
2020	77%	23%

Employment Type Distribution	Full-time	Part-time
2021	97%	3%
2020	99%	1%

For the year ended 31 December 2021, the Group's overall employee turnover rate was approximately 20% (2020: 26%). The employee turnover rates by (i) gender, (ii) age group (iii) geographical region are shown below.

Annual Turnover Rate (By Age Group)	18-25	26-35	36-45	46-55	56 and above
2021	50%	13%	30%	20%	0%
2020	45%	38%	50%	67%	20%

Annual Turnover Rate (By Gender)	Male	Female
2021	20%	19%
2020	30%	17%

Annual Turnover Rate (By Geographical Region)	Mainland China	Hong Kong
2021	17%	29%
2020	42%	17%

B2. Health and Safety

The Group commits to ensuring a safe and healthy working environment for employees and to inspire and strengthens workforce regardless of their age, gender and ethnic backgrounds.

The Group abides by all national regulations on labor protection, including provisions on the prevention and control of occupational diseases and the special provisions on female labor protection. Occupational health and safety guidelines established by the Group highlighted potential hazards in office and provided precautionary measures to avoid them. Regular briefing, reminders, inspection and maintenance refresh employees of the safety measures and avoid injury caused by equipment. Employees regularly participate in fire safety seminars and fire evacuation drills organised by the management office.

Employees who handle special equipment in the centralised heat supply project, are required to obtain safety management certificates issued by the Bureau of Quality and Technology Supervision of Dongguan City through examinations.

In response to the ongoing outbreak of the Covid-19 pandemic, the Group has continued to implement, health and safety precautionary measures in all business premises to ensure the health of our employees and workers. The Group operated strictly in accordance with the crowd control and social distancing rules issued by respective local governments, and proactively implement additional disinfection steps to maintain a safe and hygienic environment.

In each of the past three years, including the current reporting year, the Group was not aware of any work-related fatalities, lost days due to work injury and any violations of Hong Kong and PRC health and safety laws and regulations.

B3. Development and Training

The Group strives to raise the awareness of occupational safety and health at work and protect employees from occupational hazards. The centralised heat supply operation and property development operation launched health and safety training courses focusing on prevention of accidents in the workplace, prevention and control of epidemic infectious diseases, first aid for accidents and natural disasters, and improvement in mental health and wellbeing.

Moreover, the Group provides a wide variety of training for its employees to equip themselves with work-related skills. Induction programs are provided for newly recruited employees while on-the-job training is provided to all employees in the Group. All directors of the Group had participated in continuous professional development related training programmes and seminars, to ensure that they understand business operations of the Group, directors' responsibilities and obligations under the Listing Rules and other regulatory requirements.

For the year ended 31 December 2021, approximately 59.2% (2020: 48.1%) of the employees of the Group participated in training of different types. The percentage of employees trained and the average training hours completed per employee are shown below:

Percentage of Employees trained (By Gender)	Male	Female
2021	60%	40%
2020	58%	42%

Percentage of Employees trained (By Employment Category)	Senior Management	Middle Management	Supervisor	General Staff
2021	6%	25%	0%	69%
2020	12%	26%	0%	62%

For the year ended 31 December 2021, the average training hours per employee are approximately 26.23 hours (2020: 20.82 hours). The breakdowns of the average training hours completed per employee by gender and employee category are as follows:

Average Training Hours (By Gender)	Male	Female
2021	26.18	26.30
2020	19.89	21.39

Average Training Hours (By Employment Category)	Senior Management	Middle Management	Supervisor	General Staff
2021	12.00%	41.67%	0%	18.40%
2020	7.20%	35.00%	0%	25.04%

B4. Labour standards

In line with the local employment laws including the Employment Ordinance of Hong Kong, Labour Law of the PRC (《中華人民共和國勞動法》), as well as other applicable labour laws and regulations, the Group prohibits the employment of child labour or any other form of forced and illegal labour. For the year ended 31 December 2021, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations.

The Group strictly abides by the relevant labour regulations in PRC and Hong Kong regarding working hours and holidays to ensure the physical and mental health of all employees.

To avoid illegal employment of child and forced labour, all resumes, original identification cards and original certificates are checked by the Human Resources Department during interview. If any employee suspect a colleague might be child or forced labour, the employee should report to the Head of Human Resources, who will investigate the case in accordance to the Group's policies and procedures. Once the Group discovers any case which fails to conform to the relevant labour laws and regulations, the relevant employment contract will be immediately terminated and handled in accordance to the relevant national laws and regulations.

Equal opportunity

The Group puts effort in ensuring equal opportunities are given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits.

The employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws in the PRC and Hong Kong. To eliminate workspace discrimination, if employees are treated unfairly or feel discriminated against by action or speech, employees can report directly to the management. The management will investigate the reported case and take corresponding stringent disciplinary actions after verification. Employees can also report directly to the Equal Opportunities Commission.

B5. Supply chain management

The Group possesses a just and structured procurement procedure. Suppliers are screened by email, telephone communication and meetings. Management meeting is conducted to review and select qualified suppliers based on the product price, quality and supplier's reliability.

Supplier performance is regularly evaluated to ensure supply chain quality. In addition to reviewing factors such as brand and product quality, suppliers' environmental and social responsibility performance is also one of our considerations when evaluating suppliers. In an effort to become a more environmentally responsible corporation, we practice green procurement through the adoption of sustainable and responsible selection criteria whenever applicable.

Whistleblowing policy and system established by the Audit Committee, allowing employees, customers or suppliers to raise concerns on any improprieties related to the Group.

For the year ended 31 December 2021, the Group has a total of 20 and 1 supplier(s) located in the Mainland China and Hong Kong, respectively.

Environmental, Social and Governance Report

B6. Product responsibility

Product and service complaints

The Group strives to provide high quality product and service to the public, it received no complaints in the reporting period.

Intellectual property rights and confidentiality

Employees are responsible to protect the Group's intellectual property including trademarks, patents, copyrights, industrial designs and inventions, and trade secrets, as agreed in their employment contracts with the Group. All intellectual property belong to the Group, and no one is allowed to copy, imitate, transfer, extract, or distribute without written authorization. The Group monitors to ensure that intellectual property rights are not being infringed upon.

Confidentiality and Privacy Protection

Confidential information include all knowledge of the Group affairs, secrets or information of the Group. This includes but not limited to affairs, secrets and information relating to the scope of business, personnel, operation, policies, strategies, clientele, contracts and financial position. All employees acknowledge and warrant not to disclose the above information, within and after the period of employment, by signing the employee's contract. Employees violating the confidentiality-related regulations can be dismissed. Guidelines for safety use of information and confidentiality are also included in the staff handbook.

B7. Anti-corruption

The Group commits to managing all business without undue influence and has regarded honesty, integrity, and fairness as its core values. All Directors and employees are required to strictly follow all applicable laws on prohibiting corruption and bribery of the PRC and Hong Kong and the Group's policy to prevent potential bribery, extortion, fraud and money laundering. Gifts or entertainment from persons dealing with the Group are not allowed unless it is in the normal course of company business or approved by the Board. All conflict of interest shall be avoided and declared to the management or Directors when it exists.

To strengthen understanding of relevant applicable laws and regulations, the Board received trainings on material topics, such as anti-corruption and bribery, corporate governance, and connected and notifiable transactions. 6 directors of the Group have completed the relevant trainings, with an average training time of approximately 1 hour.

The Group has a whistleblowing policy concerning faults in financial reporting, misconduct and corruption. The audit committee has the overall responsibility for the policy and has delegated day-today responsibility of overseeing and implementing such policy to the Internal Control Director. If any employee believes reasonably and in good faith that malpractice exists in the workplace, he/she should report the concerns by email to the Internal Control Director. When confident suspicious case is received, the Internal Control Director performs a preliminary review before discussing the case with the audit committee, who decides whether a formal investigation should be launched. All reports are treated confidentially and the Group makes every effort to keep the employee's identity confidential.

The Group was not involved in any cases of violations related to corruption during the year ended 31 December 2021, nor was involved in any corruption litigation cases related to the Group and the employees.

B8. Community investment

The Group focuses on contributing in environmental protection, and encourages staff to participate in voluntary and community services. In 2021, our Hunan office was awarded the honorary title of "湘潭市關心下一代愛心助學先進集體" in recognition of our support and contribution towards improving the education quality of the region over the years.

Moreover, the Group implemented the Red Packets Recycling Programme 2021 where staff were encouraged to recycle used or unused red packets for recycling in an effort to promote environmental awareness in the workspace.

Report of the Directors

The Directors have pleasure in presenting to the shareholders the Company's annual report together with the audited consolidated financial statements for the year ended 31 December 2021 (the "Year").

PRINCIPAL ACTIVITES AND BUSINESS REVIEW

The Company is an investment holding company. The Group is principally engaged in property rental and property and hotel development in the PRC as well as centralised heat supply.

Segment analysis of the Group for the Year is set out in note 5 to the consolidated financial statements. A list of the Company's subsidiaries, together with their places of incorporation, form of legal entity, principal activities and particulars of their issued shares/registered share capital, are set out in note 16 to the consolidated financial statements.

A review of business of the Group during the Year and its future development, and an analysis of the Group's performance during the Year using financial key performance indicators as required under Schedule 5 of the Companies Ordinance are set out in the "Chairman's Statement" on page 3 to 4 and the "Management Discussion and Analysis" on pages 5 to 12 of this annual report and the analysis of the key relationships of the Group with its stakeholders are set out in the "Environmental, Social and Governance Report" on pages 23 to 37 of this annual report. The above discussions constitute part of this report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out in the PRC and Hong Kong while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in the PRC, Hong Kong and Bermuda. During the Year and up to the date of this report, we have complied, in all material respects, with all the relevant laws and regulations in the PRC, Hong Kong and Bermuda.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of Environmental Policies and performance are set out in the "Environmental, Social and Governance Report" on pages 23 to 37 in this annual report.

KEY RISK FACTORS

There are strategic risks, operation risks, financial risks, legal risks, compliance risks and market risks in the development process of the Company identified and assessed on an on-going basis, of which:

1. Strategic risks are mainly attributable to the domestic and overseas macro-economies, overall trend of industrial structures and the scientific and sustainable standards of comparable strategies of the Company;

2. Operation risks are mainly attributable to the supervision and control procedures of each business segments involved in the daily operation and management process of the Company;

3. Financial risks are mainly attributable to the supervision and control procedures of financial system including overall fund raising activities of the Company, investment management and revenue audit;

4. Legal risks are mainly attributable to the domestic and overseas policies and the changing regulations and the internal contract management capability of the Company and related legal litigations;

5. Compliance risks are mainly attributable to failure of the Company to act in accordance with the applicable laws and regulations, which causes legal and financial impact on the Company; and

6. Market risks are mainly attributable to the business workflow including marketing management of the Company, market demand and supply and business partnership.

FINANCIAL RESULTS

The financial results of the Group for the Year are set out in the consolidated statement of profit or loss on page 60 of the consolidated financial statements.

The Directors do not recommend the payment of a dividend for the Year.

PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY

Details of the movements in the property, plant and equipment, and investment properties of the Group during the Year are set out in notes 13 and 15 to the consolidated financial statements, respectively.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 180 of this annual report.

Report of the Directors

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 30 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 31 to the consolidated financial statements, and in the consolidated statement of changes in equity on page 64, respectively.

BORROWINGS

Particulars of the borrowings of the Group as at 31 December 2021 are set out in note 28 to the consolidated financial statements.

CAPITALISED BORROWING COSTS

Borrowing costs capitalised by the Group during the year amounted to approximately HK$11,301,000 (2020: HK$3,484,000).

MAJOR PROPERTIES

Major properties of the Group as at 31 December 2021 are set out on page 179 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2021, the reserve of the Company available for distribution to the shareholders amounted to Nil. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTOR AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Ms. Qian Ling Ling *(Chairman)*
Mr. Zhang Li *(Chief Executive Officer)*
Mr. Xiang Junjie

Independent non-executive Directors:

Mr. Tsui Pui Hung
Mr. Tang Ping Sum
Mr. Chiu Sin Nang, Kenny

In accordance with Bye-laws 87(1) and 87(2), Ms. Qian Ling Ling and Mr. Tsui Pui Hung shall retire from office by rotation at the forthcoming annual general meeting, and being eligible, offer themselves for re-election as executive/independent non-executive Director (as the case may be).

The term of office of each of the independent non-executive Directors is for an initial term of one year and renewable automatically for successive terms of one year. Either the independent non-executive Director or the Company may terminate the appointment by giving to the other party at least one month's prior notice in writing. All of the independent non-executive Directors are subject to retirement by rotation in accordance with the Bye-laws.

Each of the executive Directors has entered into a service contract with the Company for an initial term of one year and all of which shall continue thereafter unless and until terminated by either party by giving to the other party not less than three months' prior written notice.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are set out on pages 55 to 56.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

Report of the Directors

LONG POSITIONS

Ordinary shares of HK$0.01 each of the Company

Name of Director	Capacity	Number of ordinary share held	Approximate percentage of the issued share capital of the Company
Mr. Zhang Li	Beneficial owner	14,655,625(L)	0.41%(L)

Notes:

1. The letter "L" denotes the person's long position in such shares.

2. The percentage is calculated on the basis of 3,568,790,629 shares in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executive of the Company have any interests or short positions in the existing shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be 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 in which they are deemed or taken to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company or which are required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") on 2 September 2013. The major terms of the Scheme are as follows:

1. The purpose of the Scheme is to attract and retain talented personnel for future development of the Group; to provide incentive to encourage Participants (as defined below) to perform their best in achieving the goals of the Group and allow the Participants to enjoy the results of the Group attained through their efforts and contributions.

2. The eligible grantees of the Scheme are (i) any employee or officer (whether full time or part time, and including any executive director) of any member of the Group; (ii) or any non-executive director (including independent non-executive director) of any member of the Group; (iii) any supplier of goods or services to any member of the Group; (iv) any customer of any member of the Group; (v) any holder of any securities or securities convertible into any securities issued by any member of the Group; (vi) any person or entity that provides advisory, consultancy or professional services to any member of the Group or any director or employee of any such entity; and (vii) any other group or classes of participants from time to time determined by the Directors as having contributed to the development and growth of the Group.

3. The subscription price determined by the Board will be at least the highest of (i) the closing price of the Company's share as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

4. The maximum number of shares which may be granted under the Scheme must not exceed 10% of the total number of Company's shares in issue as at the date of approval of the Scheme unless approved from its shareholders and which must not in aggregate exceed 30% of the total number of the share issued from time to time.

5. The total number of shares issued and to be issued upon exercise of the share options (the "Options") granted (including exercised, cancelled and outstanding Options) to each Participant, within the 12-month period immediately preceding the proposed date of grant, shall not exceed 1% of the total number of Company's share in issue. Any further grant shall be subject to the shareholders' approval of the Company with such Participant and his/her associates abstaining from voting.

6. The offer of a grant of the Options may be accepted within 28 days from the date of offer, HK$1 is payable by each of the Participants to the Company on acceptance of the Options as consideration for the grant.

7. There is no minimum period for which the Options must be held before the Options can be exercised unless otherwise determined by the Board.

8. The exercise period of the Options must be less than ten years from the date of grant.

9. The Scheme shall be valid and effective until 2 September 2023.

Report of the Directors

Details of the share options granted under the Scheme to certain Eligible Participants of the Company to subscribe for the shares in the Company are as follows:

	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding as at 1.1.2021	Granted during the Year	Exercised during the Year	Cancelled/ Lapsed during the Year	Outstanding as at 31.12.2021	Approximate percentage of the issued share capital of the Company %[5]
Employees	23.01.2018	23.01.2018 to 22.01.2028	0.362	24,711,625 [1]	–	–	–	24,711,625	0.69
				24,711,625	–	–	–	24,711,625	0.69

Notes:

1. The closing price of the Company's shares immediately before the date on which the share options were granted was HK$0.355.

2. The total number of the Company's share available for issue under the Scheme was 98,846,500 which represented approximately 2.77% of the issued share capital of the Company as at the date of this report.

3. As at 31 December 2021, the number of issued shares of the Company, which is 3,568,790,629 shares, has been used for the calculation of approximate percentage shareholding in the Company.

Details of movements in the Company's share options during the Year are set out in note 33 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company or subsisting during the year ended 31 December 2021.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the Year.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2021, the register of substantial shareholders and other person's maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed in "Directors'and chief executive interests and short positions in shares, underlying shares and debentures of the Company", the following persons notified the Company of their relevant interests in the ordinary shares and underlying shares of the Company:

Report of the Directors

LONG POSITIONS

Ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity	Number of ordinary held/ Number of underlying shares held under equity interest	Approximate percentage of the issued share capital of the Company *(Note 8)*
Zhu Boheng *(Note 1)*	Interest of controlled corporation	2,073,549,197(L)	58.10%(L)
KEYNE HOLDINGS LTD *(Note 1)*	Beneficial owner	2,073,549,197(L)	58.10%(L)
Cheng Cong *(Note 2)*	Interest of controlled corporation	221,544,000(L)	6.21%(L)
Asia Glory International Development Limited *(Note 2)*	Beneficial owner	221,544,000(L)	6.21%(L)
Cheng Ngok Fai *(Note 3)*	Interest of controlled corporation	205,175,000(L)	5.75%(L)
Connected-World Group Limited *(Note 3)*	Beneficial owner	205,175,000(L)	5.75%(L)
Jovial Paradise Limited ("JP") *(Note 4, 5, 6 & 7)*	Person having a security interest in shares	173,121,000(L)	4.85%(L)
	Beneficial owner	70,796,663(L)	1.98%(L)
	Interest of controlled corporation	2,073,549,197(L)	58.10%(L)
Unicorn Star Properties Limited ("USP") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Soaring Sky Worldwide Limited ("SSW") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
InfraRed NF China Real Estate Fund III L.P. ("INFCREF") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
InfraRed NF China Investors III Limited ("INFCI") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
InfraRed NF China Holdings Limited ("INFCH") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
InfraRed Partners LLP ("IP") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Charles II Realisation LLP ("CIIR") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Vervain Consolidated Investments Limited ("VCI") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Vervain China Development Holdings Limited ("VCDH") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)

Report of the Directors

Name of shareholder	Capacity	Number of ordinary held/ Number of underlying shares held under equity interest	Approximate percentage of the issued share capital of the Company *(Note 8)*
Vervain Enterprises Limited ("VE") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Crosby Investment Holdings Inc. ("CIH") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Chen Wai Wai Vivien *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Firewave Management Limited ("FM") *(Note 6)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Crown Investments Limited ("CI") *(Note 6)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Metro China Holdings Pte Ltd ("MCH") *(Note 6)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Metro Holdings Limited ("MH") *(Note 6)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Ong Jenn (Wang Zhen) *(Note 6)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Ong Sek Hian (Wang Shixian) *(Note 6)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
China Huarong International Holdings Limited ("CHIH") *(Note 7)*	Person having a security interest in shares	2,010,501,197(L)	56.34%(L)
Huarong Real Estate Co., Ltd ("HREC") *(Note 7)*	Interest of controlled corporation	2,010,501,197(L)	56.34%(L)
中國華融資產管理股份有限公司 *(Note 7)*	Interest of controlled corporation	2,010,501,197(L)	56.34%(L)

Report of the Directors

Notes:

1. Mr. Zhu Boheng, being the sole shareholder of KEYNE HOLDINGS LTD ("Keyne Holdings"), is deemed to be interested in the shares in which Keyne Holdings is interested.

2. Mr. Cheng Cong, being the sole shareholder of Asia Glory International Development Limited, is deemed to be interested in the shares in which Asia Glory International Development Limited is interested.

3. Mr. Cheng Ngok Fai, being the sole shareholder of Connected-World Group Limited ("Connected-World"), is deemed to be interested in the shares in which Connected-World is interested.

4. Based on the forms of disclosure in interest filed by JP dated 4 January 2021, JP beneficially owns 70,796,663 shares and is interested in 173,121,000 shares in the capacity of being a person having a security interest in these shares and is deemed to be interested in 2,073,549,197 shares in which Keyne Holdings is interested.

5. Based on the form of disclosure of interest filed by (a) Chen Wai Wai Vivien dated 4 January 2021 and (b) IP dated 4 January 2021, (i) JP is owned as to 56.23% by USP, which, in turn, is owned as to 78.26% by SSW; (ii) SSW is wholly-owned by INFCREF, which is managed by INFCI as its general partner; (iii) INFCI is wholly-owned by INFCH, which, in turn, is owned as to 50% by IP and 50% by VCI; (iv) the substantial shareholder or directors of IP are accustomed to act in accordance with the directors of CIIR; (v) VCI is wholly-owned by VCDH, which, in turn, is wholly-owned by VE; and (vi) VE is wholly-owned by CIH, which, in turn, is wholly-owned by Chen Wai Wai Vivien. Therefore, each of USP, SSW, INFCREF, INFCI, INFCH, IP, CIIR, VCI, VCDH, VE, CIH and Chen Wai Wai Vivien is interested in the shares in which JP is interested under the SFO.

6. Based on the forms of disclosure of interest filed by (a) Ong Jenn (Wang Zhen) dated 4 January 2021 and (b) Ong Sek Hian (Wang Shixian) dated 4 January 2021, (i) JP is owned as to 43.77% by FM, which, in turn, is wholly-owned by CI; (ii) CI is wholly-owned by MCH, which, in turn, is wholly-owned by MH; and (iii) MH is owned as to 35.4% by Ong Jen (Wang Zhen) and 35.4% by Ong Sek Hian (Wang Shixian). Therefore, each of FM, CI, MCH, MH, Ong Jenn (Wang Zhen) and Ong Sek Hian (Wang Shixian) is interested in the shares in which JP is interested under the SFO.

7. Based on the form of disclosure of interest filed by 中國華融資產管理股份有限公司 (transliterated in English as China Huarong Asset Management Company Limited, "CHAMC") dated 6 December 2018, CHIH is owned as to approximately 88.10% by HREC, which, in turn, is wholly-owned by CHAMC. Each of CHAMC and HREC is therefore deemed to be interested in the shares in which CHIH is interested under the SFO.

8. These percentages are calculated on the basis of 3,568,790,629 shares in issue as of 31 December 2021.

9. The letter "L" denotes the person's long position in such shares and the underlying shares.

Save as disclosed above, as at 31 December 2021, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the Year.

DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENTS, OR CONTRACTS

(i) On 27 March 2018 and 9 April 2019, Chengdu Zhongfa Real Estate Development Co. Ltd* (成都中發黃河實業有限公司) ("Chengdu Zhongfa"), an indirect wholly-owned subsidiary of the Company, entered into the collateral agreements (collectively, the "Collateral Agreements") in favour of a PRC bank to pledge the piece and parcel of land and the properties erected thereon (the "Chengdu Property") owned by Chengdu Zhongfa in Chengdu, Sichuan Province, the PRC, as collaterals for the repayment obligations of Yangzhou Ya Tai Zhi Ye Company Limited* (揚州亞太置業有限公司) ("Yangzhou Ya Tai") under an entrusted loan agreement entered into among Yangzhou Ya Tai and the PRC bank (the "Entrusted Loan Agreement") for the entrusted loan of RMB500,000,000 (the "Entrusted Loan") for a term of three years commencing from the date of drawdown.

As at the date of each of the Collateral Agreements, Yangzhou Ya Tai, was indirectly owned as to 30% by Ms. Qian Ling Ling ("Ms. Qian"), an executive Director and chairman of the Board, and as to 70% by Mr. Zhu Boheng ("Mr. Zhu"), son of Ms. Qian and a controlling shareholder of the Company. Being an associate of Ms. Qian and Mr. Zhu, Yangzhou Ya Tai is a connected person of the Company. As such, the provision of financial assistance to Yangzhou Ya Tai constituted a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

In December 2020, Yangzhou Ya Tai has repaid the Entrusted Loan in full and therefore the Bank has released the pledge on the Chengdu Property under the collateral agreement.

In November 2020, the PRC bank has granted a revolving loan of approximately RMB517 million to Chengdu Zhongfa for the sole use of the Group.

(ii) On 30 June 2021 (after trading hours), Hunan Jinhua Oriental Hotel Company Limited* (湖南九華東方酒店有限公司) ("Hunan Project Company A") and Hunan Jiuhua International New City Development Construction Company Limited*(湖南九華國際新城開發建設有限公司) ("Hunan Project Company B"), indirect wholly-owned subsidiaries of the Company (collectively, the "Hunan Project Companies"), executed the corporate guarantee agreements (collectively, the "Corporate Guarantee Agreements") to provide the corporate guarantees (collectively, the "Corporate Guarantees") and the property mortgage (the "Property Mortgage"), in favour of China Huarong International Holdings Limited (中國華融國際控股有限公司) (the "Lender") to secure or guarantee all the repayment obligations of Ever Harmony Enterprises Limited (永鴻企業有限公司) ("Yonghong") under the revised loan facility entered into among Yonghong and the Lender (the "Amended YH Facility Agreements").

* *For identification purpose only*

Report of the Directors

Pursuant to the Corporate Guarantee Agreements, Hunan Project Companies conditionally agreed to guarantee the repayment obligations of Yonghong under the Amended YH Facility Agreements for the revised loan facility in the principal amount of up to US$34,900,000, for up to three years after the end of the term (i.e. 24 months from 29 December 2020) or the extended term (i.e. 36 months from 29 December 2020) thereof, including the principal, all interest, penalty interest, compound interest, liquidated damages, damages, handling fees and any costs and expenses arising from realizing the debt and all economic losses.

Pursuant to the Property Mortgage, Hunan Project Company B conditionally agreed to provide the several pieces and parcels of land owned by Hunan Project Company B in Xiangtan, Hunan Province, the PRC, and the properties thereon (the "Mortgaged Properties") were pledged as security to secure all the repayment obligations of Yonghong under the Amended YH Facility Agreements.

The provision of Corporate Guarantees and Mortgaged Properties to secure all the repayment obligations of Yonghong under the respective Corporate Guarantee Agreements and the Property Mortgage (collectively, the "Security Documents") constituted financial assistance provided by the Group to Yonghong. As one of the applicable percentage ratios in respect of the Security Documents is more than 25%, the provision of financial assistance constituted a major transaction on the part of the Company under the Listing Rules. In addition, the asset ratio for the provision of financial assistance under the Security Documents exceeded 8%, the provision of financial assistance constituted advances to an entity under Rule 13.13 of the Listing Rules and is subject to the announcement requirement under the Listing Rules.

As at the date of the Security Documents, Yonghong is a company owned as to 30% by Ms. Qian, and as to 70% by Mr. Zhu. Being an associate of Ms. Qian and Mr. Zhu, Yonghong is a connected person of the Company. As such, Yonghong is a connected person of the Company and the provision of financial assistance to Yonghong pursuant to the Security Documents constituted a non-exempted connected transaction on the part of the Company under Chapter 14A of the Listing Rules and the Security Documents are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As additional time was required for the Company to prepare and finalise the information to be included in the circular containing, among other matters, further details of the Security Documents, the recommendation of the independent board committee to the independent shareholders, the letter of advice from the independent financial adviser to the independent board committee and the independent shareholders, the financial information of the Group and a notice to convene a special general meeting (the "Circular"), the Company published announcements on 24 August 2021, 30 September 2021 and 30 November 2021 regarding the delay of despatch of the Circular.

On 28 January 2022, the Company announced that, as agreed and confirmed by the Lender, the Group was no longer required to provide the Corporate Guarantees and Mortgaged Properties to secure all the repayment obligations of Yonghong under the Amended YH Facility Agreements. Other alternative credit enhancement would be further negotiated among the parties. As a result, this transaction has been terminated.

For details, please refer to the announcements of the Company dated 30 June 2021, 24 August 2021, 30 September 2021, 30 November 2021 and 28 January 2022.

Pursuant to the Corporate Guarantee Agreements and Collateral Agreements, the Chairman Ms. Qian Ling Ling ("Ms. Qian") issued borrowing with interest bearing 5% per annum at July 2021, and Dec 2021.

Save as disclosed above and in note 38 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for the agreements disclosed in the section headed "Director's Interest in Transactions, Arrangements, or Contracts", no contract of significance has been entered into between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

EMOLUMENT POLICY

The Group remunerates its employees including the Directors, based on their performances, experiences and the prevailing market rate. Other employee benefits include insurance, medical cover and subsidised training programme. Emoluments of the Directors are determined after taking into consideration of their expertise and job specifications.

The Company has adopted a share option scheme as an incentive to Directors, employees and other eligible participants, details of the scheme is set out in note 33 to the consolidated financial statements.

RETIREMENT SCHEMES

The Group operates a defined contribution Mandatory Provident Fund Scheme for employees in Hong Kong. The Group's employees in the PRC, participate in a defined contribution central pension scheme operated by the local municipal government. As at 31 December 2021, there was no forfeited contribution receivable for reduction of future contribution (2020: Nil). Particulars of these schemes are set out in note 9 to the consolidated financial statements.

Report of the Directors

PRE-EMPTIVE RIGHTS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors has an interest in any business constituting a competing business to the Group during the Year and up to the date of this report.

PERMITTED INDEMITY PROVISION

The Bye-laws provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

The Company has maintained Directors' and officers' liabilities insurance in respect of legal actions against its Directors, directors of subsidiaries and senior management arising out of corporate activities throughout the Year under Review. The level of the coverage is reviewed annually. Throughout the Year, no claim had been made against the Directors and the officers of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 73.7% and 91.3%, respectively, of the Group's total revenue for the Year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 14.8% and 28.2%, respectively, of the Group's total purchases for the Year.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the knowledge of the Board, the Company has maintained a sufficient public float throughout the Year under Review.

CONTINUING OBLIGATIONS UNDER CHAPTER 13 OF THE LISTING RULES

1. As disclosed in the announcement made by the Company on 18 December 2017 (the "2017 Announcement"), the Company as borrower entered into the facility agreement (the "Facility Agreement") with China Huarong International Holdings Limited (中國華融國際控股有限公司) as lender (the "Lender"), pursuant to which the Lender agreed to make available a loan facility of up to US$42,000,000 (the "Commitment") to the Company. Pursuant to the Facility Agreement, if KEYNE HOLDINGS LTD, being the substantial shareholder of the Company and the guarantor to the Facility Agreement, ceases to be the single largest shareholder of the Company or Ms. Qian, being the executive Director and Chairman of the Company and one of the guarantors to the Facility Agreement, ceases to be a Director: 1. the Company shall promptly notify the Lender upon becoming aware of the event; 2. the Lender shall not be obliged to fund a utilisation; and 3. if the Lender so requires, the Lender shall, by notice to the Company, cancel the Commitment and declare all outstanding loans under the Facility Agreement, together with accrued interest, and all other amounts accrued under the Finance Documents (as defined in the 2017 Announcement) immediately due and payable, whereupon the Commitment shall be cancelled and all such outstanding loans and amounts shall become immediately due and payable. On 30 June 2021, the parties to the facility agreement entered into the Listco Restructing and Amendment Deed to restructure and amend the terms of Listco Facility Agreement. As at 31 December 2021, the aggregate outstanding loan owned to the Lender amounted to approximately US$36,510,000 and being extended to 17 December 2022.

   According to the Facility Agreement, as security for the obligations of the Company under the Facility Agreement, KEYNE HOLDINGS LTD, as the controlling shareholder of the Company, is required to execute the share charge, pursuant to which KEYNE HOLDINGS LTD has agreed to charge to the Lender by way of first fixed charge as beneficial owner of 2,010,501,197 ordinary shares of the Company owned by it.

2. As disclosed in the announcement made by the Company on 27 November 2018 (the "2018 Announcement"), the Company entered into the subscription agreement (the "Subscription Agreement") with Donghai International Financial Holdings Company Limited (東海國際金融控股有限公司) ("Donghai Financial") as the subscriber, and Mr. Peter Zhu, Ms. Qian, Mr. Zhu, and Shanghai Jin Da Di Investment Company Limited* (上海金大地投資有限公司) as guarantors, pursuant to which the Company has agreed to issue the Series 1 Notes and Series 2 Notes (As defined in the 2018 Announcement) in the aggregate principal amount of US$20,000,000 in favour of Donghai Financial (the "Notes"). The Notes shall mature on the date falling 364 days from the closing date of the Series 1 Notes and Series 2 Notes respectively pursuant to the terms of the Subscription Agreement and the conditions to the Notes (the "Note Conditions").

* *For identification purpose only*

Report of the Directors

As at the date of the 2018 Announcement, Mr. Zhu owns 100% of the issued share capital of KEYNE HOLDINGS LTD, which in turn holds approximately 60.20% of the total issued share capital of the Company. As such, Mr. Zhu is the controlling shareholder of the Company pursuant to the Listing Rules.

Pursuant to the Subscription Agreement and the conditions to the Notes, the Notes are, and they will become, immediately due and repayable, upon the occurrence of any of the following events, among others: 1. if Mr. Zhu ceases to be the largest shareholder of the Company, directly or indirectly holding not less than 51% of the issued share capital of the Company, at any time; 2. save as previously disclosed, if Mr. Zhu incurs, creates or permits to subsist or has outstanding any Financial Indebtedness (as defined in the 2018 Announcement) or enters into any agreement or arrangement whereby it is entitled to incur, create or permit to subsist any Financial Indebtedness (as defined in the 2018 Announcement) without Donghai Financial's prior written consent; 3. if Mr. Zhu enters into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any of his material assets or material part of his business without Donghai Financial's prior written consent; 4. save as previously disclosed, if Mr. Zhu creates or permits to subsist any Security Interest (as defined in the 2018 Announcement) over any shares in the Company he legally and/or beneficially holds; or 5. if Mr. Zhu sells, transfers or otherwise disposes of any shares in the Company he legally and/or beneficially holds on terms where it is or may be leased to or re-acquired or acquired by him or any of his related entities, or enters into any other preferential arrangement having a similar effect.

AUDITOR

CL Partners CPA Limited ("CL Partners") was appointed as the auditor of the Company with effect from 22 November 2021, to fill the vacancy following the resignation of Grant Thornton Hong Kong Limited and to hold office until the conclusion of the forthcoming annual general meeting of the Company ("AGM").

The Consolidated Financial Statements for the Year have been audited by CL Partners who will retire and, being eligible, offer themselves for re-appointment at the AGM. Having approved by the Board upon the Audit Committee's recommendation, a resolution for the re-appointment of CL Partners as the auditor for the ensuing year will be put to the AGM for the Shareholder's approval.

On behalf of the Board

Zhang Li
Director

Hong Kong, 29 March 2022

Biographical Details of Directors

EXECUTIVE DIRECTORS

Ms. QIAN Ling Ling, aged 57, is the Chairman of the Board and an executive Director. She has over 12 years of experience in hotel and commercial real estate management in the People's Republic of China (the "PRC"). Ms. Qian completed a three-year part-time course at Jiangsu Provincial Cadres College* (江蘇省省級機關幹部業餘大學) (now known as Jiangsu Provincial Management Cadres College* (江蘇省省級機關管理幹部學院)), the PRC, majoring in secretarial matters in December 1988. Prior to joining the Company, Ms. Qian has been a supervisor of Jiangsu Goldenland Real Estate Development Company Limited* (江蘇金大地房地產開發有限責任公司) since October 2007 and is responsible for the management of hotel and commercial real estate.

Ms. Qian is currently the deputy chairman of Shanghai Yuxing Charity Foundation* (上海宇興愛心慈善基金會), the vice president of Nanjing Jianye Hexi CBD Chamber of Commerce* (南京建鄴河西CBD商會) and the vice president of Jiangsu Chinese Overseas Friendship Association* (江蘇海外聯誼會).

Mr. ZHANG Li, aged 33, is the Chief Executive Officer and an executive Director. He has over 7 years of experience in financial management in the PRC. Mr. Zhang graduated from Hunan University of Commerce (湖南商學院), the PRC, with a bachelor's degree in finance in June 2010. He obtained a master's degree in science, specialising in quantitative finance, from DePaul University, the USA in March 2013. Mr. Zhang has passed the fund practitioner qualification examination* (基金從業人員資格考試) of the Asset Management Association of China (中國證券投資基金業協會). Prior to joining the Company, Mr. Zhang had worked as an investment manager in BOC Expresspay Company Limited (中銀通支付商務有限公司) and was responsible for equity investment and project analysis between July 2013 and September 2015. From March 2016, Mr. Zhang has been a senior investment manager in the securities investment department of Shanghai Huahu Golden Equity Investment Fund Management Company Limited* (上海華滬金瑞股權投資基金管理有限公司).

Mr. XIANG Junjie, aged 38, is an executive Director. He has over 12 years of experience in enterprise management in the PRC. Mr. Xiang graduated with a Bachelor's Degree in Electronic Commerce from the Department of Electronic Commerce at South China University of Technology, the PRC in July 2008. Prior to joining the Company, Mr. Xiang had been the chief executive officer of Dongguan Dejin Energy Technology Limited* (東莞市德晉能源科技有限公司) since 1 January 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TSUI Pui Hung, Walter, aged 47, is an independent non-executive Director, the chairman of Nomination Committee and a member of each Audit Committee and Remuneration Committee. He is a practicing solicitor of the High Court of Hong Kong. Mr. Tsui holds the degrees of a Master in Laws from University of London, a Bachelor of Laws (with Honours) from Manchester Metropolitan University, a Bachelor of Science (with Honours) from the Chinese University of Hong Kong, a Postgraduate Certificate in Laws from University of Hong Kong and a Diploma in Translation from the Chinese University of Hong Kong. Mr. Tsui has years of management experience and is familiar with internal control issues and regulatory rules of listed companies. He was an independent non-executive director of Easy Repay Finance & Investment Limited (formerly known as Unlimited Creativity Holdings Limited) (Stock Code: 8079) from 12 June 2007 to 30 June 2014.

* *For identification purpose only*

Biographical Details of Directors

Mr. TANG Ping Sum, aged 65, is an independent non-executive Director, the chairman of Audit Committee and a member of each Remuneration and Nomination Committee. He obtained a bachelor degree of commerce from University of Western Australia in December 1981 and a master degree of applied finance from Macquarie University, Australia in April 1992. He is a certified practicing accountant of Australia and was a fellow member of the Hong Kong Institute of Certified Public Accountants until 2007. Mr. Tang has over 18 years' experiences in the securities industry in Hong Kong.

From March 2003 to December 2006, Mr. Tang was an independent non-executive director of Cosmopolitan International Holdings Limited (Stock Code: 120), a company listed on the Stock Exchange. He was an independent non-executive director of Elife Holdings Limited (formerly known as Sino Resources Group Limited) (Stock Code: 223), a company listed on the Stock Exchange, from 30 April 2009 to 31 December 2010; and a non-executive director of Univision Engineering Limited (AIM code: UVEL), a company listed on the Alternative Investment Market of the London Stock Exchange, from December 2005 to December 2011. He was an independent non-executive director of China Investment Development Limited (Stock Code: 204), a company listed on the Stock Exchange, from 6 April 2011 to 1 February 2014.

Mr. CHIU Sin Nang, Kenny, aged 60, is an independent non-executive Director, the chairman of Remuneration Committee and a member of each Audit Committee and Nomination Committee. He has over 30 years of experience in accounting. He has held various senior accounting and finance positions in sectors of property investment and development, information technology development business.

Mr. Chiu is a fellow member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia. He received a Master of Accountancy degree from The Chinese University of Hong Kong in December, 2006, a Bachelor of Laws degree from the Peking University, the PRC in July 1998, a degree of Master of Commerce in Accounting from The University of New South Wales, Australia in May 1989, a Bachelor of Administrative Studies degree and a Bachelor of Arts (Economics) degree from the York University, Canada in June 1986 and June 1985 respectively. He is an executive director of Kin Shing Holdings Limited (Stock Code: 1630) and is an independent non-executive director of Kingston Financial Group Limited (Stock Code: 1031), Sincere Watch (Hong Kong) Limited (Stock Code: 444), Affluent Partners Holdings Limited (Stock Code: 1466) and Coolpad Group Limited (Stock Code: 2369), all companies listed on the Stock Exchange.

Independent Auditor's Report

TO THE MEMBERS OF KEYNE LTD
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of KEYNE LTD (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 60 to 178, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the multiple uncertainties relating to going concern described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple uncertainties relating to going concern

As described in note 3.2 to the consolidated financial statements, the Group had accumulated losses of approximately HK$3,082,883,000, current liabilities exceeded its current assets by approximately HK$1,016,251,000 and net liabilities amounted to approximately HK$373,393,000 as at 31 December 2021. As at the same date, the Group's total borrowings amounted to approximately HK$1,763,611,000, of which current borrowings amounted to approximately HK$1,744,180,000, while its cash and cash equivalents amounted to approximately HK$12,437,000, and restricted bank deposits amounted to approximately HK$33,648,000. In addition, as at 31 December 2021, the Group was in default in respect of principal amount of borrowings totaling approximately HK$1,612,661,000 due to the events of default of late or overdue payment of loan principal and interest during the year ended or as at 31 December 2021. These conditions, together with other matters described in note 3.2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

Independent Auditor's Report

Basis for Disclaimer of Opinion *(Continued)*

Multiple uncertainties relating to going concern *(Continued)*

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which are set out in note 3.2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests; (ii) the successful obtaining of additional new sources of financing as and when needed; (iii) the successful accelerating of the pre-sales and sales of properties under development and completed properties; (iv) the controlling costs and containing capital expenditure so as to generate adequate net cash inflows; (v) the successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand for immediate repayment of the borrowings in default, including those with cross-default terms; and (vi) successfully managing the impact of the COVID-19 outbreak, as well as any government's stimulus in response, on the Group's operations from time to time and adjusting its sales and marketing strategy for its property sales to generate sufficient cash flows from its operations. Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

Other Matters

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed a disclaimer of opinion on those consolidated financial statements on 30 March 2021.

Responsibilities of Directors and Those Charged with Governance 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent Auditor's Report

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and to issue an auditor's report. We report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

CL Partners CPA Limited
Certified Public Accountants
Lee Wai Chi
Practising Certificate Number: P07830

Hong Kong
29 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	6	**18,327**	80,466
Cost of sales		**(2,547)**	(66,797)
Gross profit		**15,780**	13,669
Other income and gains	6	**1,581**	10,104
Fair value loss on investment properties	15	**(14,103)**	(29,243)
Impairment loss on investments in associates	17	**(5,871)**	(250,889)
Reversal of expected credit loss ("ECL") on rental receivables	19	**–**	907
Impairment loss on construction in progress	13	**(156,244)**	(68,769)
Impairment loss on right-of-use assets	14	**–**	(7,654)
Administrative expenses		**(73,933)**	(69,915)
Selling and marketing expenses		**(15,905)**	(7,469)
Operating loss		**(248,695)**	(409,259)
Finance income	7	**412**	266
Finance costs	7	**(302,522)**	(196,539)
Finance costs – net	7	**(302,110)**	(196,273)
Share of results of associates	17	**2,049**	2,957
Loss before taxation	8	**(548,756)**	(602,575)
Income tax credit	10	**11,394**	5,386
Loss for the year attributable to owners of the Company		**(537,362)**	(597,189)
Loss per share attributable to owners of the Company			
Basic	12	**HK(15.06) cents**	HK(16.73) cents
Diluted	12	**HK(15.06) cents**	HK(16.73) cents

Details of dividend are disclosed in note 11 to the consolidated financial statements.

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Loss for the year attributable to owners of the Company	**(537,362)**	(597,189)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**37,250**	25,566
Share of other comprehensive income of associates accounted for using the equity method	**190**	515
Other comprehensive income for the year, net of tax	**37,440**	26,081
Total comprehensive expense for the year attributable to owners of the Company	**(499,922)**	(571,108)

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**329,865**	397,281
Right-of-use assets	14	**38,105**	49,346
Investment properties	15	**198,727**	207,390
Investments in associates	17	**254,175**	257,790
Deposits, prepayments and other receivables	20	**1,501**	1,390
Total non-current assets		**822,373**	913,197
Current assets			
Properties for sale or under development and other contract costs	18	**2,447,299**	1,770,026
Rental receivables	19	**7,355**	8,101
Deposits, prepayments and other receivables	20	**413,289**	350,176
Tax recoverable		**6,661**	–
Pledged deposits in a financial institution	21	**–**	36,567
Restricted bank deposits	22	**33,648**	40,800
Cash and cash equivalents	23	**12,437**	9,687
Total current assets		**2,920,689**	2,215,357
LIABILITIES			
Current liabilities			
Trade payables	24	**338,366**	57,540
Other payables, accruals and deposits received	25	**712,669**	649,858
Lease liabilities	26	**1,096**	4,915
Contract liabilities	27	**1,132,026**	404,962
Amount due to an associate	17	**8,603**	7,663
Borrowings	28	**1,744,180**	1,714,914
Tax payables		**–**	2,566
Total current liabilities		**3,936,940**	2,842,418
Net current liabilities		**(1,016,251)**	(627,061)
Total assets less current liabilities		**(193,878)**	286,136

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Lease liabilities	26	–	619
Deposits received	25	**3,171**	2,598
Borrowings	28	**19,431**	1,075
Deferred tax liabilities	29	**156,913**	155,315
Total non-current liabilities		**179,515**	159,607
Net (liabilities) assets		**(373,393)**	126,529
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	30	**35,688**	35,688
Reserves		**(409,081)**	90,841
Total (deficit) equity		**(373,393)**	126,529

Approved by the Board of Directors on 29 March 2022 and are signed on its behalf by:

Qian Ling Ling
Director

Zhang Li
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Issued share capital HK$'000 (note 30)	Share premium HK$'000 (note 32(b)(i))	Contributed surplus HK$'000 (note 32(b)(ii))	Exchange reserve HK$'000 (note 32(b)(iii))	Special reserve HK$'000 (note 32(b)(iv))	Share options reserve HK$'000 (note 32(b)(v))	Other reserve HK$'000 (note 32(b)(vi))	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2020	35,688	2,174,200	459,047	(45,088)	17,926	4,362	(166)	(1,948,332)	697,637
Loss for the year	–	–	–	–	–	–	–	(597,189)	(597,189)
Other comprehensive income:									
Exchange differences arising on translation of foreign operations	–	–	–	25,566	–	–	–	–	25,566
Share of other comprehensive income of associates accounted for using the equity method	–	–	–	–	–	–	515	–	515
	–	–	–	25,566	–	–	515	–	26,081
Total comprehensive income (expense) for the year	–	–	–	25,566			515	(597,189)	(571,108)
Balance at 31 December 2020 and 1 January 2021	**35,688**	**2,174,200**	**459,047**	**(19,522)**	**17,926**	**4,362**	**349**	**(2,545,521)**	**126,529**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(537,362)**	**(537,362)**
Other comprehensive income:									
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**37,250**	**–**	**–**	**–**	**–**	**37,250**
Share of other comprehensive income of associates accounted for using the equity method	**–**	**–**	**–**	**–**	**–**	**–**	**190**	**–**	**190**
	–	**–**	**–**	**37,250**	**–**	**–**	**190**	**–**	**37,440**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**37,250**	**–**	**–**	**190**	**(537,362)**	**(499,922)**
Balance at 31 December 2021	**35,688**	**2,174,200**	**459,047**	**17,728**	**17,926**	**4,362**	**539**	**(3,082,883)**	**(373,393)**

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 **HK$'000**	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(548,756)**	(602,575)
Adjustments for:		
Finance income	**(412)**	(266)
Finance costs	**302,316**	199,946
Depreciation		
– Owned assets	**413**	610
– Right-of-use assets	**5,177**	5,628
Fair value loss on investment properties	**14,103**	29,243
Impairment loss on investments in associates	**5,871**	250,889
Impairment loss on construction in progress	**156,244**	68,769
Impairment loss on right-of-use assets	**–**	7,654
Reversal of ECL on rental receivables	**–**	(907)
Net gain on written off of amount due to a contractor	**–**	(1,685)
Share of results of associates	**(2,049)**	(2,957)
Operating cash flows before movements in working capital:	**(67,093)**	(45,651)
Increase in properties for sale or under development and other contract costs	**(662,584)**	(119,556)
Decrease in rental receivables	**952**	484
Increase in deposits, prepayments and other receivables	**(52,690)**	(564,697)
Increase in trade payables	**286,722**	264,209
Increase in other payables, accruals and deposits received	**66,808**	109,859
Increase in contract liabilities	**628,397**	248,715
Cash generated from (used in) operations	**200,512**	(106,637)
Income taxes paid	**(68)**	–
Net cash from (used in) operating activities	**200,444**	(106,637)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in capital contribution to associates	–	(8)
Purchase of property, plant and equipment	**(69,307)**	(27,800)
Decrease (increase) in pledged deposits	**36,981**	(33,742)
Decrease (increase) in restricted bank deposits	**8,138**	(27,403)
Interest received	**248**	104
Net cash used in investing activities	**(23,940)**	(88,849)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from an associate	–	6,748
Proceeds from borrowings	**98,077**	675,117
Repayment of borrowings	**(93,009)**	(427,286)
Payment of lease liabilities	**(5,370)**	(5,445)
Interest paid on lease liabilities	**(340)**	(763)
Interest paid on borrowings	**(200,808)**	(23,237)
Net cash (use in) from financing activities	**(201,450)**	225,134
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(24,946)**	29,648
Cash and cash equivalents at beginning of year	**9,687**	2,683
Effect of foreign exchange rate changes, net	**27,696**	(22,644)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**12,437**	9,687

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1. CORPORATE INFORMATION

KEYNE LTD (the "Company") was incorporated in Bermuda on 9 May 2001 as an exempted company with limited liability and its issued shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company's registered office address is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office and principal place of business of the Company in Hong Kong is located at Room 4101, 41st Floor, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company's ultimate holding company is KEYNE HOLDINGS LTD ("KEYNE HOLDINGS"), a company incorporated in the Cayman Islands.

The Company acts as an investment holding company. The principal activities of the Company and its subsidiaries (collectively, the "Group") consist of rental of property, property and hotel development, and investment in centralised heat supply.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

In addition, the Group applied the decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realised value of inventories.

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

New and amendments to HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 April 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 Effective for annual periods beginning on or after a date to be determined

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)"

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". 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.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values at the end of each reporting period.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basis of preparation of consolidated financial statements *(Continued)*

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

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

The principal accounting policies are set out in note 3.3.

3.2 Going concern basis

As at 31 December 2021, the Group had accumulated losses of approximately HK$3,082,883,000 (2020: HK$2,545,521,000), the Group's current liabilities exceeded its current assets by approximately HK$1,016,251,000 (2020: HK$627,061,000) and the Group's net liabilities amounted to approximately HK$373,393,000 (2020: net assets of HK$126,529,000). As at the same date, the Group's total borrowings amounted to approximately HK$1,763,611,000 (2020: HK$1,715,989,000), of which current borrowings amounted to approximately HK$1,744,180,000 (2020: HK$1,714,914,000), while its cash and cash equivalents amounted to approximately HK$12,437,000 (2020: HK$9,687,000), and restricted bank deposits amounted to approximately HK$33,648,000 (2020: HK$40,800,000).

As at 31 December 2021, certain borrowings whose principal amounts of approximately HK$143,483,000 and interest payable amounts of approximately HK$72,978,000, relating to borrowings with a total principal amounts of approximately HK$1,612,661,000 ("Overdue Borrowings") were overdue. The aggregate principal amount of the aforementioned borrowings of approximately HK$1,612,661,000 would be immediately repayable if requested by the lenders. This amount included borrowings of approximately HK$514,387,000 with original contractual repayment dates beyond 31 December 2022 have been reclassified as current liabilities as at 31 December 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Going concern basis *(Continued)*

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

(i) The Group is negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future;

(ii) The Group will seek to accelerate the pre-sales of its properties under development including remaining units of property projects and saleable car parks. The properties from property and hotel development ("Xiangtan Project") in Xiangtan is expected to give further substantial sales in 2022. Overall, the Group expected to gradually launch a major project and the pre-sales permits were already obtained in 2021;

(iii) The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustments and containment of capital expenditures; and

(iv) In light of the COVID-19 outbreak, the Group is closely monitoring the latest development and will continue to assess the impact of the epidemic, as well as any government's stimulus in response, on the Group's operations from time to time and adjust its sales and marketing strategy for its property sales to generate sufficient cash flows from its operations.

The Executive Directors, have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of twelve months from 31 December 2021. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2021. Accordingly, the Executive Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Group is in active negotiation with all the lenders in respect of the Overdue Borrowings for renewal and extension of the relevant borrowings and the Directors are confident that agreements will be reached in due course.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Going concern basis *(Continued)*

Because of the aforementioned actions taken, management is confident that the lenders of the borrowings in respect of which there were delays in principal and interest repayments will not enforce their rights of requesting for immediate repayment.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

(i) Successful negotiations with the lenders for the renewal of or extension for repayments beyond year 2022 for those borrowings that (a) are scheduled for repayment (either based on the original agreements or the existing arrangements) in year 2022; (b) were overdue as at 31 December 2021 because of the Group's failure to repay either the loan principal or the interests on or before the scheduled repayment dates; and (c) became or might become overdue in year 2022;

(ii) Successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in default, including those with cross-default terms.

(iii) Successful obtaining of additional new sources of financing as and when needed;

(iv) Successful accelerating of the pre-sales and sales of properties under development and completed properties; and controlling costs and containing capital expenditures so as to generate adequate net cash inflows; and

(v) Successfully managing the impact of the COVID-19 outbreak, as well as any government's stimulus in response, on the Group's operations from time to time and adjusting its sales and marketing strategy for its property sales to generate sufficient cash flows from its operations.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies

Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have the current ability to direct the relevant activities at the time that decisions need to be made including voting patterns at previous shareholders' meetings.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Investments in associates

An associate is an entity over which the Group has 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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Investments in associates (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that is not related to the Group.

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- 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 a point in time when the customer obtains control of the distinct good or service.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Revenue from contracts with customers (Continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised 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 assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Revenue from contracts with customers (Continued)

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its property and hotel development business. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised 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 assets relate. The asset is subject to impairment review.

Revenue from sale of properties

Sale of properties is recognised at a point in time when control of the completed properties is delivered to buyers. The Group receives deposit from buyers when they sign the sale and purchase agreement. The deposits received from the contracts prior to meeting the above criteria for revenue recognition are recognised as contract liabilities.

Leases

Definition of a lease

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of carparks that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Low value assets comprise an office equipment, a staff's quarter located in the People's Republic of China ("PRC") and a staff's vehicle.Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee *(Continued)*

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee *(Continued)*

Lease liabilities *(Continued)*

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

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

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

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

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees. Such adjustments are recognized if the amount is considered material.

Lease modification

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight line method, at the following rates per annum:

Furniture and fixtures	20%
Leasehold improvements	Over the shorter of the lease terms or 20%
Motor vehicles	10%-25%
Plant, machinery and equipment	10%-33$^1/_3$%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Property, plant and equipment *(Continued)*

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including investment properties under development for such purposes.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Impairment losses on property, plant and equipment, right-of-use assets and contract costs

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

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

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Impairment losses on property, plant and equipment, right-of-use assets and contract costs *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Properties for sale or under development

Properties under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost for model in accordance with the accounting policies of right-of-use assets, properties for sale or under development are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties under development are transferred to properties for sale upon completion.

Foreign currencies

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Borrowing costs

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

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. For properties held for development for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group's intended sale.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income and gains".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

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

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

Share-based payment

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Share-based payment *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees *(Continued)*

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets *(Continued)*

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

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

For rental receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. The ECL on rental receivables are assessed individually based on the Group's past experience of collecting payments, observable changes in economic conditions that correlate with default on receivables, and/or adjusted for forward-looking factors.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk *(Continued)*

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

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

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

(ii) Definition of default

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(iii) Credit-impaired financial assets

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

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

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

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

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

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Derecognition of financial assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to an associate and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Taxation

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Taxation *(Continued)*

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

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

PRC land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for PRC Enterprise Income tax ("EIT") purposes.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Provisions

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4.1 Critical judgments in applying accounting policies

The followings are the critical judgments, apart from those involving estimations, that Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) 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 judgment that has the most significant effect on the amounts recognised in the conolidated financial statements. The assessment of the going concern assumption involves making a judgment 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 individually or collectively may cast significant doubt upon the going concern assumption are set out in note 3.2 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

4.1 Critical judgments in applying accounting policies *(Continued)*

(b) Classification of investment

Determining whether an investment in another entity should be classified as an investment in an associate requires judgment. Management considers all aspects of the relationship between the investor and the investee in order to determine whether the Group has significant influence over the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Management has performed an assessment and considered the current accounting treatments for its associates to be appropriate.

Ever-Grand Development Limited ("Ever-Grand") and Shanghai Jiaguan Tianqi Investment Centre (Limited Partnership) ("Shanghai Jiaguan"/the "Partnership") are accounted for as associates since the Group has significant influence on but no control or joint control over these entities. As the majority of the Directors of Ever-Grand are nominated by the respective major shareholders, the Group does not control or joint control over Ever-Grand.

For Shanghai Jiaguan, the Group has participated in policy-making processes through its voting right that contributes to significant influence on the Partnership.

(c) Provision of contingent withholding EIT

As described in notes 17 and 39 to the consolidated financial statements, the Group acquired 49% equity interest in Ever-Grand and its PRC subsidiaries during 2016, but had not yet reported the relevant transaction to the PRC tax authorities. The relevant PRC tax laws and regulations would enable the PRC tax authorities to impose a penalty of 50% to 3 times of the unpaid EIT.

After consulting PRC legal counsel, the Directors are of the opinion that the Group has already substantially withheld the EIT and made adequate provision for the non-withheld portion, thereby containing the risk of penalty to reasonably low level.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

4.1 Critical judgments in applying accounting policies *(Continued)*

(c) Provision of contingent withholding EIT (Continued)

The Directors conclude that it is not probable that the Group will be required to pay the penalty and no provision in relation to any penalty is necessary as at 31 December 2021 and 2020. As a result, the Directors classify the potential penalty as contingent liabilities and disclose as such in note 39.

(d) Legal title of properties under development

As stated in note 18 to the consolidated financial statements, as at 31 December 2021, the Group fails to develop a parcel of land in accordance with the prescribed period of time stipulated in land grant agreements, the vendor of the land (the "Land Vendor") can issue an order to confiscate the land whilst imposing certain penalties to the Group. Due to incomplete resident relocation compensation process caused by the government, the governing agent of the relevant land has not yet launched the idle land investigation process. Based on the Group's PRC legal counsel, the Directors are of the opinion that the risk of the relevant land being classified as idle land and/or subject to penalty by the relevant government agent is relatively low. The Directors consider no penalty provision in respect of land is required to be recognised as at 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

4.2 Key sources of estimation uncertainty

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

(a) *Fair value of investment properties*

The fair value was based on valuation of investment properties conducted by an independent professionally qualified valuer (the "Valuer"). In determining the fair values of the Group's investment properties, the Valuer applied a direct comparison approach which involves, inter-alia, significant unobservable inputs and significant judgements. Details of the judgment and assumptions have been disclosed in note 40.

The carrying amount of investment properties as at 31 December 2021 is HK$198,727,000 (2020: HK$207,390,000).

(b) *Useful life and depreciation of property, plant and equipment*

Management determines the estimated useful life, and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful life of property, plant and equipment of similar nature and functions and with reference to the industry practices. It may also change significantly as a result of technical innovations and competitor actions in response to industry cycles.

Management will increase the depreciation charges where useful life are less than previously estimated life, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The carrying amount of property, plant and equipment as at 31 December 2021 is HK$329,865,000 (2020: HK$397,281,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

4.2 Key sources of estimation uncertainty *(Continued)*

(c) *Impairment of property, plant and equipment and right-of-use assets*

The Group assesses annually whether property, plant and equipment and right-of-use assets have any indication of impairment. The recoverable amounts, if required, are determined based on value-in-use calculations or market valuations. These calculations require the use of judgment and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and affecting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of profit or loss.

Impairment loss of property, plant and equipment and right-of-use assets amounted to HK$156,244,000 (2020: HK$68,769,000) and Nil (2020: HK$7,654,000) respectively, is made for the year ended 31 December 2021.

(d) *Net realisable value of properties for sale or under development*

The Group writes down properties for sale or under development to their net realisable value based on assessment of the realisability of these properties.

Net realisable value for properties for sale or under development takes into account cost to completion based on management's experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties for sale or under development to net realisable value.

Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value of properties for sale or under development is adjusted in the period in which such estimate is changed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

4.2 Key sources of estimation uncertainty *(Continued)*

(d) Net realisable value of properties for sale or under development (Continued)

No write down of properties for sale or under development is made for the year ended 31 December 2021 (2020: Nil).

(e) Impairment of investments in associates

At the end of each reporting period, the Group reviews internal and external sources of information to identify indicators that the Group's investments in associates may be impaired.

The recoverable amounts of the investments in associates are the higher of value-in-use and fair value less costs of disposal. In determining value-in-use, an entity estimates either: (a) its share of the present value of the estimated future cash flows expected to be generated by the associates and proceeds on disposal, or (b) the present value of estimated future cash flows expected to arise from dividends to be received and proceeds on disposal. Any impairment loss is recognised by writing down the investments in associates.

Impairment loss of HK$5,871,000 (2020: HK$250,889,000) for investments in associates is made for the year ended 31 December 2021.

(f) Income taxes (including LAT)

The Group is subject to income taxes mainly in statutory jurisdictions of Hong Kong and the PRC. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

During the year ended 31 December 2021, income tax of HK$11,394,000 (2020: HK$5,386,000) was credited to profit or loss based on the estimated loss from the Group's operations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. SEGMENT INFORMATION

For management purposes, the Group is organised into three business units – (i) Property rental, (ii) Property and hotel development and (iii) Centralised heat supply.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit (loss), which is a measure of adjusted profit (loss) before taxation. The profit (loss) before taxation is measured consistently with the Group's profit (loss) before taxation except that finance income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude restricted bank deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a Group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a Group basis.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2021

	Property rental HK$'000	Property and hotel development HK$'000	Centralised heat supply HK$'000	Total HK$'000
Segment revenue:				
External revenue from contracts with customers by timing of revenue recognition				
– Point in time	–	–	–	–
External revenue from other sources	18,327	–	–	18,327
Total revenue	18,327	–	–	18,327
Segment results	(17,855)	(192,743)	(3,149)	(213,747)
Unallocated corporate expenses				(32,899)
Finance income				412
Finance costs				(302,522)
Loss before taxation				(548,756)
Income tax credit				11,394
Loss for the year				(537,362)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. SEGMENT INFORMATION *(Continued)*

As at 31 December 2021

	Property rental HK$'000	Property and hotel development HK$'000	Centralised heat supply HK$'000	Unallocated HK$'000	Total HK$'000
Assets and liabilities:					
Segment assets	207,819	3,224,541	–	56,527	3,488,887
Investments in associates	–	–	254,175	–	254,175
Segment liabilities	80,899	2,833,513	–	1,202,043	4,116,455
Other segment information:					
Capital expenditure					
– Owned assets	–	69,293	–	13	69,306
Depreciation					
– Owned assets	107	102	–	204	413
– Right-of-use assets	1,319	–	–	3,393	4,712
Fair value loss on investment properties	14,103	–	–	–	14,103
Impairment loss on investments in associates	685	–	5,186	–	5,871
Impairment loss on construction in progress	–	156,244	–	–	156,244
Share of results of associates	–	–	2,049	–	2,049

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2020

	Property rental HK$'000	Property and hotel development HK$'000	Centralised heat supply HK$'000	Total HK$'000
Segment revenue:				
External revenue from contracts with customers by timing of revenue recognition				
– Point in time	–	64,768	–	64,768
External revenue from other sources	15,698	–	–	15,698
Total revenue	15,698	64,768	–	80,466
Segment results	(235,214)	(116,931)	(34,889)	(387,034)
Unallocated corporate expenses				(19,268)
Finance income				266
Finance costs				(196,539)
Loss before taxation				(602,575)
Income tax credit				5,386
Loss for the year				(597,189)

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

5. SEGMENT INFORMATION *(Continued)*

As at 31 December 2020

	Property rental HK$'000	Property and hotel development HK$'000	Centralised heat supply HK$'000	Unallocated HK$'000	Total HK$'000
Assets and liabilities:					
Segment assets	218,024	2,595,898	–	56,842	2,870,764
Investments in associates	678	–	257,112	–	257,790
Segment liabilities	352,101	1,855,732	–	794,192	3,002,025
Other segment information:					
Capital expenditure					
– Owned assets	–	27,773	–	27	27,800
Depreciation					
– Owned assets	243	112	–	255	610
– Right-of-use assets	1,737	–	–	3,393	5,130
Fair value loss on investment properties	29,243	–	–	–	29,243
Impairment loss on investments in associates	213,059	–	37,830	–	250,889
Impairment loss on construction in progress	–	68,769	–	–	68,769
Impairment loss on right-of-use assets	–	7,654	–	–	7,654
Share of results of associates	–	–	2,957	–	2,957

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. SEGMENT INFORMATION *(Continued)*

(a) Geographical information

2021

	Hong Kong HK$'000	**Mainland China HK$'000**	**Total HK$'000**
Revenue	**–**	**18,327**	**18,327**
Non-current assets (other than financial instruments)	**1,088**	**819,784**	**820,872**
Capital expenditure	**13**	**69,293**	**69,306**

2020

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Revenue	–	80,466	80,466
Non-current assets (other than financial instruments)	4,209	907,598	911,807
Capital expenditure	27	27,773	27,800

(b) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2021 HK$'000	2020 HK$'000
Customer A	**13,498**	12,620
Customer B	**1,982**	N/A[1]
	15,480	12,620

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of sales of properties and rental income received and receivable from its investment properties less value-added tax during the year.

	Note	**2021** **HK$'000**	2020 HK$'000
Revenue from contracts with customers			
Sales of properties		**–**	64,768
Revenue from other sources			
Property rental income		**18,327**	15,698
		18,327	80,466
Other income and gains			
Government grants – Employment Support Scheme subsidies	(i)	**–**	605
Net foreign exchange gain		**–**	7,388
Others		**1,581**	2,111
		1,581	10,104

Note:

(i) During the year ended 31 December 2020, the Group received funding support amounting to approximately HK$605,000 from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government (2021: Nil). The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7. FINANCE COSTS – NET

	2021 HK$'000	2020 HK$'000
Finance costs:		
Interest on bank borrowings wholly repayable within five years	**52,061**	12,868
Interest on other borrowings	**182,439**	151,792
Interest on lease liabilities	**340**	763
Significant financing component of contract liabilities	**78,777**	38,007
Foreign exchange difference, net	**206**	(3,407)
	313,823	200,023
Less: amounts capitalised on qualifying assets	**(11,301)**	(3,484)
Total finance costs	**302,522**	196,539
Finance income:		
Interest income on short-term bank deposits	**(248)**	(104)
Interest income from financial assets measured at amortised cost	**(164)**	(162)
Total finance income	**(412)**	(266)
Finance costs – net	**302,110**	196,273

Borrowing costs of the loans used to finance the property development projects of the Group have been capitalised at a capitalisation rate of 8.00% (2020: 8.55%) during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

8. Loss before taxation

	Notes	2021 HK$'000	2020 HK$'000
Loss before taxation has been arrived at after charging:			
Directors' remuneration (note 9(a))		**3,848**	3,585
Other staff costs:			
Wages and salaries		**14,471**	13,678
Retirement benefit schemes contributions	(iii)	**631**	442
Total staff costs		**18,950**	17,705
Depreciation of property, plant and equipment (note 13)		**413**	610
Depreciation of right-of-use assets (note 14)	(ii)	**4,712**	5,130
Total depreciation		**5,125**	5,740
Auditors' remuneration		**1,800**	1,890
Compensation to a construction contractor (note 25)		**15,006**	30,829
Short-term lease payment		**97**	49
Leases of low value items		**279**	327
Cost of properties sold (note 18)	(i)	**–**	64,267
and after crediting:			
Gross rental income from investment properties		**18,327**	15,698
Less: Direct operating expenses from investment properties that generated rental income during the year	(i)	**(2,547)**	(2,530)
		15,780	13,168

Notes:

(i) The cost of properties sold and direct operating expenses from investment properties that generated rental income during the year are included in "cost of sales" of the consolidated statement of profit or loss.

(ii) The depreciation of a right-of-use asset of approximately HK$465,000 (2020: HK$498,000) are included in "wages and salaries" as the right-of-use asset is a staff quarter provided by the Group to its employees.

(iii) No forfeited contribution under a Mandatory Provident Fund retirement benefit scheme ("the MPF scheme") is available to reduce the contribution payable in future years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

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

(a) Directors' and chief executive's emoluments

	2021 HK$'000	2020 HK$'000
Fees	**312**	312
Other emoluments:		
Salaries and allowances	**3,485**	3,255
Retirement benefit schemes contributions	**51**	18
	3,848	3,585

2021

	Fees HK$'000	**Salaries and allowances HK$'000**	**Retirement benefit schemes contributions HK$'000**	**Total HK$'000**
Executive Directors:				
Mr. Xiang Junjie	–	600	18	618
Ms. Qian Ling Ling	–	1,505	–	1,505
Mr. Zhang Li	–	1,380	33	1,413
	–	3,485	51	3,536
Independent Non-Executive Directors:				
Mr. Tsui Pui Hung	120	–	–	120
Mr. Tang Ping Sum	96	–	–	96
Mr. Chiu Sin Nang, Kenny	96	–	–	96
	312	–	–	312
	312	3,485	51	3,848

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

2020

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Executive Directors:				
Mr. Xiang Junjie	–	600	18	618
Ms. Qian Ling Ling	–	1,155	–	1,155
Mr. Zhang Li	–	1,500	–	1,500
	–	3,255	18	3,273
Independent Non-Executive Directors:				
Mr. Tsui Pui Hung	120	–	–	120
Mr. Tang Ping Sum	96	–	–	96
Mr. Chiu Sin Nang, Kenny	96	–	–	96
	312	–	–	312
	312	3,255	18	3,585

Ms. Qian Ling Ling, a director of the Company, waived her emoluments of HK$470,000 during the year ended 31 December 2020 (2021: Nil).

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2020: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(Continued)

(b) Emoluments of five-highest paid individuals

In 2021, the five individuals whose emoluments were the highest in the Group included two (2020: two) directors whose emoluments are reflected in the analysis presented in note 9(a). The emoluments payable to the remaining three (2020: three) individuals during the year are as follows:

	2021 HK$'000	2020 HK$'000
Salaries and allowances	**3,047**	3,145
Pension costs – defined contribution plans	**103**	115
	3,150	3,260

The emoluments of the three (2020: three) individuals with the highest emoluments are within the following bands:

	2021	2020
Emolument bands (in HK dollar)		
Nil to HK$1,000,000	**2**	–
HK$1,000,001 – HK$1,500,000	**1**	3

10. INCOME TAX CREDIT

	2021 HK$'000	2020 HK$'000
Current tax – PRC		
(Credit) charge for the year	**(8,795)**	953
Deferred tax (note 29)	**(2,599)**	(6,339)
Total income tax credit	**(11,394)**	(5,386)

The applicable tax rate for the Group's operations in Mainland China is 25% for both years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Notes to the Consolidated Financial Statements

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10. INCOME TAX CREDIT *(Continued)*

A reconciliation of the income tax credit applicable to loss before taxation at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax credit is as follows:

	2021 HK$'000	2020 HK$'000
Loss before taxation	**(548,756)**	(602,575)
Tax at the statutory tax rates	**(129,509)**	(142,790)
Tax effect of expenses not deductible for tax purpose	**92,735**	126,413
Tax effect of income not taxable for tax purpose	**(2)**	–
Tax effect of tax losses not recognised	**25,768**	11,556
Share of results of associates	**(338)**	(488)
Utilisation of deductible temporary difference previously not recognised	**(48)**	(77)
Total income tax credit	**(11,394)**	(5,386)

The weighted average effective tax rate was 23.6% (2020: 23.7%).

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11. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

12. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share attributable to owners of the Company is based on the following:

	2021 **HK$'000**	2020 HK$'000
Loss for the year attributable to owners of the Company	**(537,362)**	(597,189)

Number of shares (in thousand)	**2021**	2020
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,568,791**	3,568,791

	2021	2020
Loss per share attributable to owners of the Company		
Basic	**HK(15.06) cents**	HK(16.73) cents

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the years ended 31 December 2021 and 2020, the Company had one category of dilutive potential ordinary shares, being the share options.

The computation of diluted loss per share does not assume the exercise of the Company's share options for both years because the exercise price of those share options would result in a decrease in loss per share.

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13. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Total HK$'000
At 1 January 2020						
Cost	697,204	1,296	5,392	14,310	2,751	720,953
Accumulated depreciation	–	(1,230)	(5,087)	(13,273)	(2,478)	(22,068)
Accumulated impairment loss	(292,378)	–	–	–	–	(292,378)
Net carrying amount	404,826	66	305	1,037	273	406,507
Year ended 31 December 2020						
Opening net carrying amount	404,826	66	305	1,037	273	406,507
Additions	35,478	–	15	–	53	35,546
Depreciation	–	(29)	(180)	(283)	(118)	(610)
Impairment loss	(68,769)	–	–	–	–	(68,769)
Exchange realignment	24,549	–	–	52	6	24,607
Closing carrying amount	396,084	37	140	806	214	397,281
At 31 December 2020						
Cost	780,817	1,328	5,616	14,602	2,857	805,220
Accumulated depreciation	–	(1,291)	(5,476)	(13,796)	(2,643)	(23,206)
Accumulated impairment loss	(384,733)					(384,733)
Net carrying amount	396,084	37	140	806	214	397,281
Year ended 31 December 2021						
Opening net carrying amount	**396,084**	**37**	**140**	**806**	**214**	**397,281**
Additions	**77,589**	**–**	**–**	**–**	**20**	**77,609**
Depreciation	**–**	**(25)**	**(135)**	**(158)**	**(95)**	**(413)**
Impairment loss	**(156,244)**	**–**	**–**	**–**	**–**	**(156,244)**
Exchange realignment	**11,615**	**3**	**–**	**19**	**(5)**	**11,632**
Closing carrying amount	**329,044**	**15**	**5**	**667**	**134**	**329,865**
At 31 December 2021						
Cost	**808,129**	**1,342**	**5,707**	**14,730**	**2,900**	**832,808**
Accumulated depreciation	**–**	**(1,327)**	**(5,702)**	**(14,063)**	**(2,766)**	**(23,858)**
Accumulated impairment loss	**(479,085)**	**–**	**–**	**–**	**–**	**(479,085)**
Net carrying amount	**329,044**	**15**	**5**	**667**	**134**	**329,865**

Notes to the Consolidated Financial Statements

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13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expense of HK$413,000 (2020: HK$610,000) in "administrative expenses" has been charged.

Construction in progress as at 31 December 2021 and 2020 mainly comprised hotel units being constructed in the PRC, which were pledged to secure borrowings granted to the Group (note 28).

For the purpose of the impairment test, the recoverable amounts of the hotel have been determined based on fair value less costs of disposal calculations using market approach (2020: discounted cash flow projections).

As at 31 December 2021, under market approach, several comparable hotels were adopted for direct comparison. The Group has engaged an independent professionally qualified valuer, Valplus Consulting Limited, to assist in the determination of the fair value less costs of disposal of the hotel based on the direct comparison method.

As at 31 December 2020, the discounted cash flow projections are based on financial estimates approved by management covering a twenty-year period and discount rates which reflect specific risks relating to the hotel units. Cash flows beyond the twenty-year period are extrapolated using estimated long term growth rates of 2%, with reference to certain external data. The Group has engaged an independent professionally qualified valuer, RHL Appraisal Limited, to assist in the determination of the fair value less costs of disposal of the hotel units based on the cash flow projections using discount rate of 9.5% determined by reference to weighted average cost of capital reflecting the specific risks of the hotel units (including, inter alia, its stage of development and other relevant factors), with reference to certain external data.

The Group considers the direct comparison method of market approach (2020: discounted cash flow method) to be an appropriate and acceptable valuation method as the development of the hotel is planned to be completed in 2022 such that market comparable could be identified for the determination of the recoverable amounts.

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13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Assumptions were used in the fair value less costs of disposal calculations of the hotel.

As at 31 December 2021, the valuation was based on direct comparison approach which largely involves recent comparable prices with further adjustment for unobservable inputs (e.g. location, condition and asking price).

As at 31 December 2020, the following describes key assumptions on which management has based its discounted cash flow projections to undertake impairment testing of the hotel units.

Estimated operating profits – The basis used to determine the estimated operating profits includes the daily room rate, occupancy percentages, growth rates of daily room rate and related cost, and forecast taking into account location of the hotel units, major tourism spot nearby, transportation and market developments for the hotel sectors, less of outstanding costs as the key assumptions.

Discount rate – The discount rate used is after tax and reflects specific risks relating to the hotel units.

The fair value measurements of the hotel units as at 31 December 2021 and 2020 fall within Level 3 of the fair value measurement hierarchy. During the years ended 31 December 2021 and 2020, there were no transfers into or out of Level 3 for such fair value measurement.

Due to the further delay in the opening of the hotel units, the recoverable amount of the hotel units is less than their carrying amount, impairment loss of HK$156,244,000 and Nil on construction in progress and right-of-use assets in relation to the hotel units respectively were recognised during the year ended 31 December 2021 (2020: HK$68,769,000 and HK$7,654,000 respectively).

Although the carrying amounts of the construction in progress and the right-of-use assets in relation to the hotel units have been reduced to their estimated recoverable amounts of HK$329,044,000 and HK$37,075,000 (note 14) respectively (2020: carrying amount of HK$396,084,000 and HK$44,083,000 (note 14) respectively), any adverse change in the key assumptions used to determine the recoverable amounts would result in further impairment losses.

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14. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Leased properties HK$'000	Total HK$'000
As at 31 December 2021			
Carrying amount	**37,075**	**1,030**	**38,105**
As at 31 December 2020			
Carrying amount	44,083	5,263	49,346
For the year ended 31 December 2021			
Depreciation charge	**–**	**5,177**	**5,177**
Capitalised in construction in progress	**8,303**	**–**	**8,303**
For the year ended 31 December 2020			
Depreciation charge	–	5,628	5,628
Capitalised in construction in progress	7,746	–	7,746
Impairment loss	7,654	–	7,654

	2021 HK$'000	2020 HK$'000
Expenses relating to short-term leases	**97**	49
Expense relating to leases of low value assets, excluding short-term leases of low value assets	**279**	327
Total cash outflow for leases	**6,086**	6,584
Additions to right-of-use assets	**930**	–

The right-of-use assets are depreciated on a straight line basis over the shorter of its estimated useful life and the lease term.

For both years, the Group leases various leasehold lands, offices and staff quarters for its operations. Lease contracts are entered into for fixed term of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

14. RIGHT-OF-USE ASSETS *(Continued)*

The Group regularly entered into short-term leases for certain staff quarters and carparks. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense.

Details of the lease maturity analysis of lease liabilities are set out in note 26.

Leasehold lands represent prepayments in relation to leases of land in the PRC. The movements in their net carrying amount are analysed as above.

During the year, the Group capitalised amortisation of leasehold lands amounted to HK$8,303,000 (2020: HK$7,746,000) to construction in progress (note 13).

At 31 December 2021, the carrying amount of leasehold lands of HK$37,075,000 (2020: HK$44,083,000) are located in the PRC with remaining lease term between 10 to 50 years.

At 31 December 2021 and 2020, the Group's leasehold lands were pledged to secure borrowings granted to the Group (note 28). At 31 December 2021, the carrying amount of leasehold lands is HK$37,075,000 (2020: HK$44,083,000), of which included accumulated impairment loss of HK$197,947,000 (2020: HK$197,947,000).

The leasehold lands are related to the hotel units. For the impairment assessment of leasehold lands, please refer to note 13 in details.

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15. INVESTMENT PROPERTIES

	2021 **HK$'000**	2020 HK$'000
At fair value		
At 1 January	**207,390**	223,489
Fair value loss	**(14,103)**	(29,243)
Exchange realignment	**5,440**	13,144
At 31 December	**198,727**	207,390

At 31 December 2021, the Group's investment properties were pledged to secure borrowings granted to the Group (note 28).

The analysis of the net carrying amount of investment properties according to lease periods are as follows:

Details of the lease activities

	Financial statements items included in	**Number of leases**	**Range of remaining lease term**	**Particulars**
Land use rights in the PRC	Investment properties carried at fair value	1	5.75 years (2020: 6.75 years)	All lease payments are prepaid upon entering the contract

An independent valuation of the Group's investment properties was performed by the valuer, Valplus Consulting Limited (2020: RHL Appraisal Limited), to determine the fair values of the investment properties as at 31 December 2021 and 2020. For the year ended 31 December 2021, a fair value loss of HK$14,103,000 (2020:HK$29,243,000) was recognised in the consolidated statement of profit or loss.

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16. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows:

Name of subsidiary	Place of incorporation/ operations and form of legal entity	Nominal value of issued and fully paid share capital/ registered capital	Percentage of ownership interest 2021	Percentage of ownership interest 2020	Principal activities
Adore Capital Limited	British Virgin Islands ("BVI")/Hong Kong, limited liability company	United States dollars ("US$") 1	**100**	100	Investment holding
Brilliant Field Corporation Limited ("Brilliant Field")	Hong Kong, limited liability company	HK$1	**100**	100	Investment holding
Mandarin Films Limited	Hong Kong, limited liability company	HK$1	**100**	100	Provision of management services
Grimston Limited	BVI/Hong Kong, limited liability company	US$10,000	**100**	100	Investment holding
Cheung Wo (Hunan) Property Limited ("Cheung Wo (Hunan)")	BVI/Hong Kong, limited liability company	US$1	**100**	100	Investment holding
Vast Build Limited	BVI/Hong Kong, limited liability company	US$1	**100**	100	Investment holding
Sino Step Inc. ("Sino Step")	BVI/Hong Kong, limited liability company	US$99	**100**	100	Investment holding

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16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operations and form of legal entity	Nominal value of issued and fully paid share capital/ registered capital	Percentage of ownership interest		Principal activities
			2021	2020	
Walsbo Limited	Hong Kong, limited liability company	HK$2 ordinary shares and HK$9,800 non-voting deferred shares (note)	**100**	100	Investment holding
Elite State Developments Limited *	BVI/Hong Kong limited liability company	US$1	**–**	–	Investment holding
Profit Source International Limited ("Profit Source")	Hong Kong, limited liability company	HK$2	**100**	100	Investment holding
成都中發黃河實業有限公司^ (Chengdu Zhongfa Real Estate Development Co. Ltd.) ("Chengdu Zhongfa")	PRC, limited liability company	Renminbi ("RMB") 176,000,000	**100**	100	Property holding
湖南九華國際新城開發建設有限公司^ (Hunan Jiuhua International City Development Construction Company Limited) ("Hunan Jiuhua")	PRC, limited liability company	RMB342,041,272	**100**	100	Property development
湖南九華東方酒店有限公司^ (Hunan Jiuhua Dong Fang Hotel Company Limited) ("Dong Fang Hotel")	PRC, limited liability company	RMB300,000,000	**100**	100	Hotel development

Notes to the Consolidated Financial Statements

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16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Note: Those deferred shares practically carry no rights to dividends or to receive notice to attend or vote at any general meeting of the Company or to participate in any distribution on winding up.

^ Chengdu Zhongfa, Hunan Jiuhua and Dong Fang Hotel are registered as wholly-foreign-owned enterprises under the PRC law.

* The Company was deregistered on 1 May 2020.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

The Company directly holds the interests in Adore Capital Limited, Grimston Limited, Sino Step, Cheung Wo (Hunan) and Vast Build Limited. All other interests shown above are held indirectly.

17. INVESTMENTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE

	2021 **HK$'000**	2020 HK$'000
Unlisted investments:		
Share of net assets	**226,561**	224,323
Goodwill	**1,040,373**	1,040,373
Loan to an associate	**1,176**	1,165
Accumulated impairment loss	**(1,024,076)**	(1,018,205)
Exchange realignment	**10,141**	10,134
	254,175	257,790

The loan to an associate is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the Directors, the loan is considered as quasi-equity investments in associates.

	2021 **HK$'000**	2020 HK$'000
Amount due to an associate	**8,603**	7,663

Included in the amount due to an associate, amounting to HK$8,452,000 (2020: HK$7,512,000) is unsecured, interest bearing at 10% per annum and repayable on or before 30 June 2022 (2020: 30 June 2021).

The remaining balance of HK$151,000 (2020: HK$151,000) is unsecured, interest-free and has no fixed terms of repayment.

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17. INVESTMENTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE

(Continued)

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2021 HK$'000	2020 HK$'000
Share of profits	**2,049**	2,957

Set out below are the associates of the Group as at 31 December 2021 and 2020, which, in the opinion of the Directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held indirectly by the Company.

Particulars of the Group's investments in associates at 31 December 2021 and 2020 are as follows:

Name of entity	**Place of incorporation/ operations and form of legal entity**	**Particulars of issued share capital**	**Percentage of ownership interest and voting power held indirectly**		**Principal activities**
			2021	2020	
Ever-Grand (note a)	BVI/PRC, limited liability company	100 ordinary shares of US$1 each	**49**	49	Construction and operation of steam heat distribution system
Shanghai Jiaguan (note b)	PRC, limited partnership	RMB1,150,010,000	**16.52**	16.52	Debt investment

There are no contingent liabilities relating to the Group's associates.

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17. INVESTMENTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE

(Continued)

Summarised financial information on the associates

The following table shows information on the associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRSs financial statements of the associates.

	Ever-Grand		Shanghai Jiaguan		Total	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 31 December:						
Non-current assets	**8,041**	10,189	**–**	–	**8,041**	10,189
Current assets	**33,470**	27,784	**1,332,240**	1,331,406	**1,365,710**	1,359,190
Current liabilities	**(15,350)**	(17,517)	**(781)**	(7,344)	**(16,131)**	(24,861)
Net assets	**26,161**	20,456	**1,331,459**	1,324,062	**1,357,620**	1,344,518
Non-controlling interest's ("NCI's") share of net assets	**(5,276)**	(4,138)	**–**	–	**(5,276)**	(4,138)
Net assets excluding NCI's portion	**20,885**	16,318	**1,331,459**	1,324,062	**1,352,344**	1,340,380
Group's share of net assets	**10,234**	7,996	**216,327**	216,327	**226,561**	224,323
Loan to an associate	**1,176**	1,165	**–**	–	**1,176**	1,165
Goodwill	**1,040,373**	1,040,373	**–**	–	**1,040,373**	1,040,373
Accumulated impairment loss	**(797,608)**	(792,422)	**(226,468)**	(225,783)	**(1,024,076)**	(1,018,205)
Exchange realignment	**–**	–	**10,141**	10,134	**10,141**	10,134
Group's share of carrying amount of interests	**254,175**	257,112	**–**	678	**254,175**	257,790

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17. INVESTMENTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE *(Continued)*

Summarised statement of profit or loss and other comprehensive income

	Ever-Grand		Shanghai Jiaguan		Total	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**47,120**	45,590	**–**	48,649	**47,120**	94,239
Profit (loss) for the year	**5,228**	7,544	**(13,845)**	47,838	**(8,617)**	55,382
Other comprehensive income for the year	**387**	1,050	**–**	–	**387**	1,050
Total comprehensive income (expense) for the year	**5,615**	8,594	**(13,845)**	47,838	**(8,230)**	56,432

The information above reflects the amounts presented in the financial statements of the associates (and not the Company's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

As at 31 December 2021, the bank and cash balances of the Group' associates in the PRC denominated in RMB amounted to HK$29,419,000 (2020: HK$22,172,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Notes:

(a) On 16 November 2015, the Group entered into a formal sale and purchase agreement with Sky-Linked International Limited (the "Vendor"), pursuant to which the Group acquired 49% of the entire issued share capital of Ever-Grand.

The investment in Ever-Grand was included in the segement of "Centralised heat supply".

For impairment assessment, the Group had estimated the recoverbale amount of Ever-Grand amounting HK$254,175,000 (2020: HK$257,112,000), based on the share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operation of the associate and the proceeds from the ultimate disposal of the investment. For the year ended 31 December 2021, due to further delay in pipeline construction, an impairment loss of HK$5,186,000 (2020: HK$37,830,000) was recognised in the consolidated statement of profit or loss. The pre-tax discount rate used was 15.7% (2020: 14%).

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17. INVESTMENTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

Due to the delay coupled with the sustained delay of the public release from the local and central government of the Changan Binhai New Area's "Guangdong, Hong Kong, and Macau Greater Bay Area Development Plan Outline" and the Dawan District Plan was yet to issue as scheduled from the local and central government of the PRC authority, the financial projections, in particular, the capital expenditures plan of Ever-Grand have been delayed from the period from 31 December 2021 to 31 December 2022, further delayed to the period from 31 December 2022 to 31 December 2025. Thus the revenue projections for Ever-Grand have been delayed accordingly. The management of the Ever-Grand Group has then revised the financial forecast of Ever-Grand in arriving at a more conservative estimate which better reflect the industry outlook.

At 31 December 2021, the 49% equity interest of the investment in Ever-Grand was pledged to secure borrowings granted to the Group (note 28).

(b) On 8 February 2018, Chengdu Zhongfa, an indirect wholly-owned subsidiary of the Group, entered into a Limited Partnership Agreement with other unrelated partners in relation to the capital contributions and management of Shanghai Jiaguan Tianqi Investment Centre (Limited Partnership) ("Shanghai Jiaguan"/the "Partnership"). The intended investment project of the Partnership is to acquire restructured debts from Anhui Guohou Finance Assets Management Company Limited.

As at 31 December 2021 and 2020, Chengdu Zhongfa holds 16.52% equity interest in Shanghai Jiaguan under the category of a second deferred limited partner. According to the limited partnership agreement, Chengdu Zhongfa is not entitled to any fixed return but is entitled to the remainder of the Partnership after distribution. As disclosed in note 4.1(b), the management determined to account for the investment in Partnership as an interest in associate, due to the participation in policy-making processes through its potential voting right that contributes to significant influence to the associate.

The investment in Shanghai Jiaguan was included in the segment of "property rental".

For impairment assessment of Shanghai Jiaguan, since the Group is entitled to the residual return of the Partnership after the distribution of all capital contributions and expected returns to other investors, the estimated recoverable amount of the residual return amounting approximately Nil (2020:HK$678,000) which was less than the investment cost of approximately HK$216,327,000, based on the Monte Carlo simulation valuation method. For the year ended 31 December 2021, due to the significant uncertainties involved in the future liquidation value of the underlying assets and the residual return to the Group, an impairment loss of approximately HK$685,000 (2020: HK$213,059,000) was recognised in the consolidated statement of profit or loss.

The Monte Carlo simulation valuation method estimates the expected value of variables by repetitive experiment. Large volume of controlled random numbers is generated according to prescribed underlying probability distribution. Conditional values of financial instruments based on a particular set of random variables are derived and multiplied with relevant probability distribution to arrive at their expected value(s).

* For identification purpose only

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18. PROPERTIES FOR SALE OR UNDER DEVELOPMENT AND OTHER CONTRACT COSTS

	2021 HK$'000	2020 HK$'000
Properties under development (note a)	2,425,912	1,760,463
Properties for sale (note a)	–	–
Other contract costs (note b)	21,387	9,563
	2,447,299	1,770,026

(a) Properties for sale or under development

	2021		2020	
	Properties under development HK$'000	Properties for sale HK$'000	Properties under development HK$'000	Properties for sale HK$'000
At 1 January	1,760,463	–	1,475,619	67,035
Additions	555,731	–	176,340	1,403
Transfer to cost of properties sold (note 8)	–	–	–	(64,267)
Exchange realignment	109,718	–	108,504	(4,171)
At 31 December	2,425,912	–	1,760,463	–
Properties for sale or under development comprise:				
Land use rights	1,537,511	–	1,392,026	–
Construction costs and capitalised expenditures	854,445	–	349,764	–
Finance costs capitalised	33,956	–	18,673	–
	2,425,912	–	1,760,463	–
Amounts are expected to be completed:				
Within the normal operating cycle included under current assets	2,425,912	N/A	1,760,463	N/A

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18. PROPERTIES FOR SALE OR UNDER DEVELOPMENT AND OTHER CONTRACT COSTS *(Continued)*

(a) Properties for sale or under development *(Continued)*

Land use rights for properties for sale or under development represent prepayments in relation to leases of land in the PRC. The analysis of carrying amount of land use rights for properties for sale or under development is as follows:

	2021	2020
	HK$'000	HK$'000
In the PRC, with remaining lease term of:		
– 50 years or more	**1,309,786**	1,227,682
– between 10 to 50 years	**227,725**	164,344
	1,537,511	1,392,026

At 31 December 2021, the Group's land use rights included in the properties under development with a carrying amount of HK$1,724,651,000 (2020: HK$1,446,902,000) was pledged to secure certain borrowings granted to the Group (note 28).

At 31 December 2021, the Group's properties under development with a carrying amount of HK$87,225,000 (2020: HK$82,043,000) was assigned to a construction contractor for settlement of the compensation to a construction contractor (note 25).

The carrying amount of the properties under development expected to be completed and available for sale after more than twelve months from 31 December 2021 amounted to HK$292,661,000 (2020: HK$1,567,986,000).

Included in properties under development is a parcel of land located at Jiuhua Economic Development Zone, Xiangtan City, Hunan Province, the PRC ("Xiangtan Phase II Project") with carrying amount of approximately HK$1,581,948,000 (2020: HK$1,097,303,000) as at 31 December 2021. Pursuant to the land grant agreements (the "Land Grant Agreements") dated 29 September 2013 entered into between Hunan Jiuhua and Xiangtan City Land Resources Bureau (the "Land Vendor"), if Hunan Jiuhua fails to develop the land in accordance with the prescribed period of time stipulated in the Land Grant Agreements, the Land Vendor can issue an order to confiscate the land whilst imposing certain penalties to Hunan Jiuhua.

Due to incomplete resident relocation compensation process caused by the government, the governing agent of the relevant land has not yet launched the idle land investigation process. Based on the Group's PRC legal counsel, the Directors are of the opinion that the risk of the relevant land being classified as idle land and/or subject to penalty by the relevant government agent is relatively low. The Directors consider no penalty provision in respect of land is required to be recognised as at 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

18. PROPERTIES FOR SALE OR UNDER DEVELOPMENT AND OTHER CONTRACT COSTS *(Continued)*

(b) Other contract costs

Contract costs capitalised relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "Selling expenses" in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related property sales is recognised. There were no capitalised costs recognised in profit or loss during the year. There was no impairment in relation to the costs capitalised during the year. The amount of capitalised contract costs that is expected to be recovered after one year is approximately HK$20,863,000 (2020: HK$9,329,000).

19. RENTAL RECEIVABLES

	2021 **HK$'000**	2020 HK$'000
Rental receivables	**15,511**	16,040
Less: ECL allowance	**(8,156)**	(7,939)
Rental receivables – net	**7,355**	8,101

The carrying amounts of rental receivables approximate their fair values.

Movements in the ECL allowance of rental receivables are as follows:

	2021 **HK$'000**	2020 HK$'000
At 1 January	**7,939**	8,345
Reversal of impairment	**–**	(907)
Exchange realignment	**217**	501
At 31 December	**8,156**	7,939

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

19. RENTAL RECEIVABLES *(Continued)*

The carrying amounts of the rental receivables are denominated in the following currencies:

	2021 **HK$'000**	2020 HK$'000
RMB	**7,355**	8,101

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Notes	**2021** **HK$'000**	2020 HK$'000
Other prepayments	(i)	**97,266**	44,302
Other receivables		**7,441**	5,094
Prepaid construction cost	(ii)	**307,884**	300,151
Utility and other deposits		**2,199**	2,019
		414,790	351,566
Less: current portion		**(413,289)**	(350,176)
Non-current portion		**1,501**	1,390

Notes:

(i) The balances mainly included the prepayment of value-added tax to the PRC tax authorities of HK$96,294,000 (2020:HK$43,126,000).

(ii) The balances represents prepayment to construction contractors in the PRC relating to the construction project of the Group in Hunan for developing the residential properties and hotel.

The carrying amounts of other receivables approximate their fair values as the impact of discounting is not significant.

None of the other receivables is either past due or impaired. Other receivables included in the above balances had no recent history of default.

21. PLEDGED DEPOSITS IN A FINANCIAL INSTITUTION

As at 31 December 2020, the amount was deposits in a lender designated bank account as a collateral to secure certain borrowings granted to the Group (note 28) (2021: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

22. RESTRICTED BANK DEPOSITS

	Notes	**2021 HK$'000**	2020 HK$'000
Guarantee deposits for construction of pre-sale properties	(i)	**32,842**	40,027
Restricted use bank deposits	(ii)	**806**	773
		33,648	40,800

Notes:

(i) In accordance with the Administration of Pre-sale of Commodity Premises Regulations in the PRC, the Group is required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for construction of related properties. The deposits can only be used for purchases of construction materials and the payments of construction costs of the relevant property project when approval from PRC State-Owned Land Resources and Housing Administrative Bureau is obtained. Such restriction will be released after completion of related pre-sale properties.

(ii) As at 31 December 2021, pursuant to the bank accounts co-administration agreement signed between subsidiaries of the Company and independent lenders, who provides loan facilities as disclosed in note 28, the usage of restricted bank deposits of HK$806,000 (2020: HK$773,000) was restricted until a consent from the lender is obtained, none (2020: HK$556,000) of which is also guarantee deposits for construction of pre-sale properties.

As at 31 December 2021, the restricted bank deposits of the Group denominated in RMB amounted to HK$33,648,000 (2020: HK$40,800,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash and bank balances	**12,437**	9,687

The carrying values of cash and cash equivalents approximate their fair values.

At 31 December 2021, cash and bank balances of the Group denominated in RMB amounted to HK$11,646,000 (2020: HK$8,206,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23. CASH AND CASH EQUIVALENTS *(Continued)*

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK$	**781**	1,101
RMB	**11,646**	8,206
US$	**10**	380
	12,437	9,687

24. TRADE PAYABLES

At 31 December 2021 and 2020, the aging analysis of the trade payables, based on the invoice date, is as follows:

	2021 HK$'000	2020 HK$'000
0 – 90 days	**275,534**	43,841
91 – 180 days	**57,855**	9,514
181 – 365 days	**2,113**	1,397
Over 1 year	**2,864**	2,788
	338,366	57,540

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
RMB	**338,366**	57,540

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

25. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	Notes	**2021 HK$'000**	2020 HK$'000
Other payables		**5,299**	4,608
Refundable sales proceeds from pre-sale residential properties		**24,476**	48,315
Tender received from potential construction contractors		**89,964**	44,184
Accruals		**20,975**	7,821
Accrued interest expenses	(i)	**168,073**	161,696
Rental deposits received		**3,172**	3,679
Deferred government grants	(ii)	**73,466**	71,514
Construction cost payables	(iii)	**126,107**	118,136
Acquisition cost payables	(iv)	**60,000**	60,000
PRC withholding tax payables	(iv)	**28,200**	28,200
Payable to a construction contractor	(v)	**116,108**	104,303
		715,840	652,456
Less: non-current portion		**(3,171)**	(2,598)
Current portion		**712,669**	649,858

The carrying amounts of the other payables, accruals and deposits received approximate to their fair values.

Notes:

(i) The amount included the accrued penalty interest expenses of a bank of approximately HK$17,318,000 at 31 December 2021 (2020: Nil). During the year ended 31 December 2021, the bank filed legal proceedings against the Group, demanding to repay the principal and accrued interest of bank borrowing. The legal dispute was settled out of court by a deed of agreement entered into the Group and the bank. The Group agreed to compensate the penalty interest of approximately HK$17,318,000 (approximately RMB14,367,000), repay the principal of HK$306,110,000 (approximately RMB250,000,000) and accrued interest by June 2023, secured by the Group's investment properties with a net carrying amount of approximately HK$198,727,000 (2020: HK$207,390,000), a property owned by a director of the Company, corporate guarantees by related companies and the Group, and personal guarantees by the Directors. The litigation was concluded and finalized in 2021.

(ii) Government grants of HK$73,466,000 (2020: HK$71,514,000) were granted to subsidies the construction of hotel units in the PRC. There were an unfulfilled conditions and other contingencies attached to the receipts of those grants. There was no assurance that the Group will continue to receive such grants in the future. The government grants will be classified as a reduction of the hotel construction cost when it is put in service.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

25. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED *(Continued)*

Notes: *(Continued)*

(iii) The amount represents construction cost payables to subcontractors for the construction of hotel units in the PRC, which was included in the property, plant and equipment as "Construction in progress" (note 13).

(iv) The amount represents cash consideration payable for the acquisition of 49% equity interest in Ever-Grand and the provision of contingent withholding EIT. Further details are disclosed in note 39.

(v) The amount represented the compensation payable for settlement of the litigation amounted to HK$116,108,000 (approximately RMB94,825,000) at 31 December 2021 (2020: HK$104,303,000 (approximately RMB87,510,000)) to a construction contractor. During the year ended 31 December 2019, the Group filed legal proceedings against a construction contractor, demanding to rescind the construction contracts, in respect of the construction contractor's failure to perform certain contractual duties over a property development project in Xiangtan which constitute a breach of construction contracts. The construction contractor filed a counterclaim against the Group for payment of outstanding construction costs and compensate its financial loss during the suspension period of construction. During the year ended 31 December 2020, the legal dispute was settled out of court by a deed of agreement entered into the Group and the construction contractor. The Group agreed to compensate approximately HK$122,045,000 (approximately RMB108,510,000) to the construction contractor. The amount includes construction cost of approximately HK$91,216,000 (approximately RMB81,100,000) and penalties of approximately HK$30,829,000 (approximately RMB27,410,000). Among the total compensation, approximately HK$92,802,000 (approximately RMB82,510,000) will be settled by assignment of properties to the construction contractor upon completion. The litigation was concluded and finalized in 2020.

During the year ended 31 December 2021, the Group had settled HK$6,286,000 (approximately RMB5,134,000) by assignment of properties to the construction contractor (2020: paid HK$23,619,000 (approximately RMB21,000,000) in cash). Under the deed of agreement, penalty interest of HK$15,006,000 (approximately RMB12,449,000) (2020: Nil) was accrued to a construction contractor during the year ended 31 December 2021.

Notes to the Consolidated Financial Statements

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26. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2021 **HK$'000**	2020 HK$'000
Total minimum lease payments:		
Due within one year	**1,124**	5,196
Due in the second to fifth years	**–**	626
	1,124	5,822
Future finance charges on lease liabilities	**(28)**	(288)
Present value of lease liabilities	**1,096**	5,534

	2021 **HK$'000**	2020 HK$'000
Present value of minimum lease payments:		
Due within one year	**1,096**	4,915
Due in the second to fifth years	**–**	619
	1,096	5,534
Less: Portion due within one year included under current liabilities	**(1,096)**	(4,915)
Portion due after one year included under non-current liabilities	**–**	619

During the year ended 31 December 2021, the total cash outflows for the leases are HK$6,086,000 (2020: HK$6,584,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

26. LEASE LIABILITIES *(Continued)*

Details of the lease activities

As at 31 December 2021, the Group has entered into leases for one office and one staff quarter (2020: two offices and one staff quarter).

Types of right-of-use assets	Financial statements items included in	Number of leases	Range of remaining lease term	Particulars
Office	Leased properties carried at cost in "Right-of-use assets"	2 (2020: 2)	0.2 years (2020: 0.7 to 1.2 years)	Only subject to monthly fixed rental payment
Staff quarter	Leased properties carried at cost in "Right-of-use assets"	1 (2020: 1)	1.1 years (2020: Nil)	Only subject to monthly fixed rental payment

Details of the remaining lease term of leasehold lands and leasehold lands for properties for sale or under development are disclosed in notes 14 and 18 to the consolidated financial statements respectively.

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

27. CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Contract liabilities arising from receiving sales proceeds from customers based on the terms established in the property sale contracts	**1,132,026**	404,962

The amount represents deposits and instalments received on properties sold to independent third parties after issuance of pre-sale certificates by local government authorities.

The significant increase of contract liabilities as at 31 December 2021 is mainly due to the Group has accelerated the pre-sale of its properties under development during the year.

(a) Revenue recognised in relation to contract liabilities

	2021 HK$'000	2020 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**–**	64,768

(b) Unsatisfied performance obligation related to sales of properties

	2021 HK$'000	2020 HK$'000
Revenue expected to be recognised within one year	**24,825**	25,311
Revenue expected to be recognised after one year	**988,572**	290,571
Total transaction price allocated to the unsatisfied performance obligation	**1,013,397**	315,882

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

28. BORROWINGS

	Maturity	**2021 HK$'000**	2020 HK$'000
Current liabilities			
Bank borrowings – secured (note i)	June 2022	**67,332**	116,091
Bank borrowings – secured (note ii)	June 2023	**306,110**	297,974
Other borrowings – secured (note iii)	December 2022	**284,704**	260,501
Other borrowings – secured (note iv)	November and December 2020	**143,483**	147,307
Other borrowings – secured (note v)	January, May and June 2022, and January 2023	**811,032**	825,232
Other borrowings – unsecured (note vi)	On demand	**113,103**	50,468
Other borrowings – unsecured (note vii)	December 2022	**3,841**	3,841
Other borrowings – unsecured (note viii)	June 2022	**1,075**	–
Borrowings from a related party – unsecured (note ix)	December 2022	**13,500**	13,500
		1,744,180	1,714,914
Non-current liabilities			
Other borrowings – unsecured (note viii)	August 2023	**655**	1,075
Borrowings from a director – unsecured (note x)	July and December 2023	**2,280**	–
Other borrowings – unsecured (note xi)	February, April, May and June 2023	**16,496**	–
		19,431	1,075
		1,763,611	1,715,989

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

28. BORROWINGS *(Continued)*

The Group's borrowings are repayable as follows:

	2021 **HK$'000**	2020 HK$'000
Within 1 year or on demand	**1,744,180**	1,714,914
Between 1-2 years	**19,431**	1,075
	1,763,611	1,715,989

Notes:

(i) At 31 December 2021, the Group's bank borrowings of HK$67,332,000 (2020: HK$116,091,000) is repayable by instalments from January 2022 to June 2022 (2020: originally repayable by instalments from 2016 to 2021), were interest-bearing per annum at the benchmark interest rate determined by the People's Bank of China for loans over 5 years (2020: 5 years) granted by financial institutions.

At 31 December 2021 and 2020, the bank borrowings were secured and guaranteed by:

(a) the Group's leasehold lands (first priority charge) (note 14) and construction in progress (first priority charge) (note 13) with a net carrying amount of HK$37,075,000 (2020: HK$44,083,000) and HK$329,044,000 (2020: HK$396,084,000) respectively;

(b) personal guarantees executed by Ms. Qin Ling Ling (a director of the Company), Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling) and Mr. Zhu Boheng (the controlling shareholder of the Company);

(c) a corporate guarantee executed by a subsidiary of the Group including Hunan Jiuhua International City Development Construction Company Limited ("Hunan Jiuhua"); and

(d) a corporate guarantee executed by Shanghai Jin Da Di investment Company Limited* (上海金大地投資有限公司) ("Shanghai Jin Da Di"). The controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company).

(ii) At 31 December 2021, the Group's bank borrowings of HK$306,110,000 (2020: HK$297,974,000) with maturity date in June 2023 (2020: June 2021), were interest bearing at 9.5% per annum (2020: 9.5% per annum) and will be repayable by instalments. The bank borrowings included borrowings with principal amounts of HK$306,110,000 with original maturity beyond 31 December 2022 have been reclassified as current liabilities as at 31 December 2021 as a result of the default events as described in note 3.2.

Management estimates that after taking the measures as set out in note 3.2 and with its endeavours to ensure that there will be no further delay in repayment of interest, the repayment dates of these reclassified bank borrowings could be reverted to their respective original repayment dates which are all beyond 31 December 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

28. BORROWINGS *(Continued)*

Notes: *(Continued)*

At 31 December 2021 and 2020, the bank borrowings were secured and guaranteed by:

(a) the Group's investment properties (note 15) with a net carrying amount of HK$198,727,000 (2020: HK$207,390,000);

(b) a property owned by Ms. Qian Ling Ling (a director of the Company);

(c) corporate guarantees executed by Shanghai Jin Da Di, Nanjing Jin Gao Real Estate Company Limited* (南京金高房地產開發有限公司) ("Nanjian Jin Gao") and Yangzhou Ya Tai Zhi Ye Company Limited* (揚州亞太置業有限公司) ("Yangzhou Ya Tai"). The controlling shareholder of these companies is Mr. Zhu Boheng (the controlling shareholder of the Company);

(d) personal guarantees executed by Ms. Qin Ling Ling (a director of the Company), Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling) and Mr. Zhu Boheng (the controlling shareholder of the Company); and

(e) corporate guarantees executed by the Company and a subsidiary of the Group including Hunan Jiuhua.

(iii) At 31 December 2021, the Group's other borrowings of HK$284,704,000 (2020: HK$260,501,000) were interest bearing at 9% per annum (2020: 8% per annum) and repayable by installments from March 2022 to December 2022 (2020: originally repayable by instalments from 2018 to 2021). At 31 December 2021, principal amount of nil (2020: HK$32,563,000) were overdue.

At 31 December 2021 and 2020, the other borrowings were secured and guaranteed by:

(a) equity interests in subsidiaries of the Group under Brilliant Field and Profit Source;

(b) first fixed charge over 2,010,501,197 shares (2020: 2,010,501,197 shares) of the Company owned by KEYNE HOLDINGS, the substantial shareholder of the Company. The controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company);

(c) a fixed charge over a bank account;

(d) corporate guarantees executed by three related companies, Ever Harmony Enterprises Limited, Yangzhou Ya Tai and Nanjing Jin Gao. The ultimate controlling shareholder of these companies is Mr. Zhu Boheng (the controlling shareholder of the Company); and

(e) personal guarantees executed by Ms. Qian Ling Ling (a director of the Company), Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling) and Mr. Zhu Boheng (the controlling shareholder of the Company).

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28. BORROWINGS *(Continued)*

Notes: *(Continued)*

(iv) At 31 December 2021, the Group's other borrowings of HK$143,483,000 (2020: HK$147,307,000) were secured and guaranteed, interest bearing at 15% per annum (2020: 15% per annum) and were repayable in November and December 2020 (2020: repayable in November and December 2020).

At 31 December 2021 and 2020, the other borrowings were secured and guaranteed by:

(a) personal guarantees executed by Mr. Zhu Boheng (the controlling shareholder of the Company), Ms. Qian Ling Ling (a director of the Company) and Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling);

(b) corporate guarantees executed by Shanghai Jin Da Di and Shanghai Xin Rong Properties Development Limited* (上海新融置業發展有限公司). The controlling shareholder of these companies is Mr. Zhu Boheng (the controlling shareholder of the Company);

(c) a share charge over the equity interest in Ever-Grand (note 17); and

(d) certain properties for sale or under development owned by related parties, Shanghai Hua Hu Yin Nian Investment Partnership Corporation (Limited Partnership)* (上海華滬銀年投資合夥企業(有限合夥)), the ultimate controlling shareholder of this company is Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling), and Gaoyou Jin Ao Real Estate Development Company Limited* (高郵金奧房地產開發有限公司), the ultimate controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company).

(v) At 31 December 2021, the Group's other borrowings of HK$811,032,000 (2020: HK$825,232,000) in total with original maturity dates in January, May, June 2022 and January 2023 (2020: May, June 2022 and January 2023), were interest bearing at 12% per annum (2020: 12% per annum) and will be repayable by instalments. The other borrowings included borrowings with principal amounts of HK$208,277,000 with original maturity beyond 31 December 2022 have been reclassified as current liabilities as at 31 December 2021 as a result of the default events as described in note 3.2.

Management estimates that after taking the measures as set out in note 3.2 and with its endeavours to ensure that there will be no further delay in repayment of interest, the repayment dates of these reclassified other borrowings could be reverted to their respective original repayment dates which are all beyond 31 December 2022.

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28. BORROWINGS *(Continued)*

Notes: *(Continued)*

The other borrowings were secured and guaranteed by:

(a) certain properties under development (note 18), with a net carrying amount of approximately HK$1,724,651,000 (2020: HK$1,446,902,000);

(b) corporate guarantees executed by related companies, Yangzhou Ya Tai and Shanghai Jin Da Di. The ultimate controlling shareholder of these companies is Mr. Zhu Boheng (the controlling shareholder of the Company);

(c) personal guarantees executed by Ms. Qian Ling Ling (a director of the Company), Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling) and Mr. Zhu Boheng (the controlling shareholder of the Company);

(d) the Group's leasehold lands (second priority charge) (note 14) and construction in progress (second priority charge) (note 13) with a net carrying amount of HK$37,075,000 (2020: HK$44,083,000) and HK$329,044,000 (2020:HK$396,084,000) respectively; and

(e) pledged deposits (note 22) with carrying amount of nil (2020: HK$36,567,000).

(vi) At 31 December 2021 and 2020, the Group's other borrowings from related parties were interest-free, unsecured and repayable on demand.

(vii) At 31 December 2021 and 2020, the Group's other borrowings from a related party were interest-free, unsecured and repayable on or before 31 December 2022 (2020: 31 December 2021).

(viii) At 31 December 2021 and 2020, the Group's other borrowings from a related party were interest bearing at 5% per annum (2020: 5% per annum), unsecured and repayable by instalments in June 2022 and August 2023 (2020: June 2022).

(ix) At 31 December 2021 and 2020, the Group's borrowings from a related party were repayable in December 2022 (2020: December 2021), unsecured and interest-free, and was assigned from a former shareholder, executed by a deed of loan assignment.

(x) At 31 December 2021, the Group's borrowings from a director were interest bearing at 5% per annum, unsecured and repayable by instalments in July and December 2023.

(xi) At 31 December 2021, the Group's other borrowings for a related party were interest-free, unsecured and payable by instalments in February, April, May and June 2023.

* *For identification purpose only*

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28. BORROWINGS *(Continued)*

Notes: *(Continued)*

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK$	**256,944**	68,884
RMB	**1,069,595**	1,239,297
US$	**437,072**	407,808
	1,763,611	1,715,989

29. DEFERRED TAX LIABILITIES

The movements during the year in the deferred tax liabilities are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**155,315**	151,786
Credit for the year (note 10)	**(2,599)**	(6,339)
Exchange realignment	**4,197**	9,868
At 31 December	**156,913**	155,315

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29. DEFERRED TAX LIABILITIES *(Continued)*

The movements of major components in the deferred tax liabilities during the year are as follows:

	Revaluation of land use rights HK$'000	Revaluation of investment properties HK$'000	Different bases in reporting revenue with tax authority HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 January 2020	108,268	39,858	3,567	93	151,786
(Credit) charge for the year	–	(6,443)	104	–	(6,339)
Exchange realignment	7,353	2,271	244	–	9,868
At 31 December 2020 and 1 January 2021	**115,621**	**35,686**	**3,915**	**93**	**155,315**
Credit for the year	**–**	**(2,596)**	**(3)**	**–**	**(2,599)**
Exchange realignment	**3,157**	**933**	**107**	**–**	**4,197**
At 31 December 2021	**118,778**	**34,023**	**4,019**	**93**	**156,913**

At 31 December 2021, the Group had unused tax losses in Hong Kong of approximately HK$51,210,000 (2020: HK$43,380,000) available indefinitely for offsetting against future taxable profits of the companies in which the losses arose; and unused tax losses in the PRC of HK$232,228,000 (2020: HK$133,795,000) available for offsetting against future profits of the PRC subsidiaries which will expire in 5 years. No deferred tax assets in respect of such losses has been recognised due to the unpredictability of future taxable profit streams.

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30. SHARE CAPITAL

	2021 **HK$'000**	2020 HK$'000
Authorised:		
100,000,000,000 ordinary shares of HK$0.01 each	**1,000,000**	1,000,000
Issued and fully paid:		
3,568,790,629 ordinary shares of HK$0.01 each	**35,688**	35,688

There were no movements in the Company's authorised and issued share capital during the years ended 31 December 2021 and 2020.

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31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	16	6,173	6,173
Property, plant and equipment		–	127
Total non-current assets		6,173	6,300
Current assets			
Prepayments and other receivables		1,049	621
Amounts due from subsidiaries		833,310	883,389
Cash and cash equivalents		467	386
Total current assets		834,826	884,396
LIABILITIES			
Current liabilities			
Other payables and accruals		188,869	138,981
Amount due to a subsidiary		17,953	18,040
Amount due to an associate		151	151
Borrowings		674,585	645,181
Total current liabilities		881,558	802,353
Net current (liabilities) assets		(46,732)	82,043
Total assets less current liabilities		(40,559)	88,343

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(a) Statement of financial position of the Company *(Continued)*

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Borrowings		**19,431**	1,075
Net (liabilities) assets		**(59,990)**	87,268
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	30	**35,688**	35,688
Reserves		**(95,678)**	51,580
Total (deficit) equity		**(59,990)**	87,268

Approved by the Board of Directors on 29 March 2022 and are signed on its behalf by:

Qian Ling Ling
Director

Zhang Li
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2020	2,174,200	503,119	4,362	(2,324,131)	357,550
Loss and total comprehensive expense for the year	–	–	–	(305,970)	(305,970)
At 31 December 2020 and 1 January 2021	**2,174,200**	**503,119**	**4,362**	**(2,630,101)**	**51,580**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(147,258)**	**(147,258)**
At 31 December 2021	**2,174,200**	**503,119**	**4,362**	**(2,777,359)**	**(95,678)**

32. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

The share premium reserve represents the amount of the excess of issue price of the Company's shares over its par value.

(ii) Contributed surplus

The contributed surplus reserve comprises (i) HK$44,072,000 arising from the excess of the combined net assets of the subsidiaries acquired over the nominal value of the share capital of the Company in exchange thereof at the time of the Group reorganisation; and (ii) HK$459,047,000 arising from the Company's capital reorganisation on 6 September 2010 and 24 May 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

32. RESERVES *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3.3 to the consolidated financial statements.

(iv) Special reserve

The special reserve represents (i) difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the group reorganisation in 2001 of HK$10,420,000 and (ii) the consideration for the acquisition of additional interests in jointly-controlled entities which became wholly-owned subsidiaries by the substantial shareholder of the Company prior to the group reorganisation of HK$7,506,000.

(v) Share options reserve

The share options reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3.3 to the consolidated financial statements.

(vi) Other reserve

The other reserve represents the share of other comprehensive income of an associate.

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For the year ended 31 December 2021

33. SHARE-BASED PAYMENTS

The Company has a share option scheme (the "Scheme") which was adopted on 2 September 2013 whereby the share options are granted to directors, employees and certain eligible persons. The options have no vesting period and are excercisable in ten years from the date of grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding are as follows:

	2021		2020	
	Number of options	**Weighted average exercise price HK$**	Number of options	Weighted average exercise price HK$
At 1 January and 31 December	**24,711,625**	**0.362**	24,711,625	0.362
Exercisable at 31 December	**24,711,625**	**0.362**	24,711,625	0.362

Details of the share options granted under the Scheme to certain eligible participants of the Company to subscribe for the shares in the Company are as follows:

				Number of share options					
	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding as at 1.1.2021	Granted during the review period	Exercised during the review period	Cancelled/ Lapsed during the Year	Outstanding as at 31.12.2021	Approximate percentage of the issued share capital of the Company %
Employees	23.01.2018	23.01.2018 to 22.01.2028	0.362	24,711,625	–	–	–	24,711,625	0.69
				24,711,625	–	–	–	24,711,625	0.69

For the years ended 31 December 2021 and 2020, no options were granted or exercised, and no share-based payments have been recognised in profit or loss.

The share options outstanding at 31 December 2021 had exercise prices of HK$0.362 per share (2020: HK$0.362) and a weighted average remaining contractual life of approximately 6 years (2020: 7 years).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

34. NON-CASH TRANSACTIONS

During the year ended 31 December 2021, the Group's settlement of construction deposits amounted to approximately HK$19,375,000 were paid by related parties on behalf of the Group. It is a non-cash transaction of financing activity excluded from the consolidated statement of cash flows.

During the year ended 31 December 2021, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to HK$930,000 and HK$917,000 was recognised at the lease commencement date respectively.

During the year ended 31 December 2020, the Group entered into the following non-cash financing activities which are not reflected in the consolidated statement of cash flows.

– Prepayment of borrowing interest amounted to approximately HK$2,165,000 was offset with the repayment of borrowings. It is a non-cash transaction of financing activity excluded from the consolidated statement of cash flows.

– Borrowings amounted to approximately HK$9,921,000 and borrowing interest amounted to approximately HK$1,137,000 were repaid by KEYNE HOLDINGS. It is a non-cash transaction of financing activity excluded from the consolidated statement of cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

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

	Lease liabilities (note 26) HK$'000	**Borrowings (note 28)** HK$'000 (note)	**Amount due to an associate (note 17)** HK$'000	**Total** HK$'000
As at 1 January 2020	10,882	1,437,232	151	1,448,265
Cash flows:				
Advance from an associate	–	–	6,748	6,748
Proceeds from borrowings	–	675,117	–	675,117
Repayment of borrowings	–	(427,286)	–	(427,286)
Capital element of lease rental paid	(5,445)	–	–	(5,445)
Interest element of lease rental paid	(763)	–		(763)
Interest paid	–	(23,237)	–	(23,237)
Non-cash flows:				
Interest expenses	763	164,320	340	165,423
Foreign exchange movement	97	51,539	424	52,060
As at 31 December 2020 and 1 January 2021	**5,534**	**1,877,685**	**7,663**	**1,890,882**
Cash flows:				
Proceeds from borrowings	**–**	**98,077**	**–**	**98,077**
Repayment of borrowings	**–**	**(93,009)**	**–**	**(93,009)**
Capital element of lease rental paid	**(5,370)**	**–**	**–**	**(5,370)**
Interest element of lease rental paid	**(340)**	**–**	**–**	**(340)**
Interest paid	**–**	**(200,808)**	**–**	**(200,808)**
Non-cash flows:				
Entering into new leases	**930**	**–**	**–**	**930**
Interest expenses	**340**	**234,685**	**723**	**235,748**
Foreign exchange movement	**2**	**(4,321)**	**217**	**(4,102)**
Construction deposits paid by related parties	**–**	**19,375**	**–**	**19,375**
As at 31 December 2021	**1,096**	**1,931,684**	**8,603**	**1,941,383**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

Reconciliation of liabilities arising from financing activities *(Continued)*

Notes:

(a) The following table shows the breakdown of the borrowings and interest payable as at 31 December 2021 and 2020:

	2021 **HK$'000**	2020 HK$'000
Borrowings (note 28)	**1,763,611**	1,715,989
Interest payable (included in other payables and accruals) (note 25)	**168,073**	161,696
	1,931,684	1,877,685

(b) During the year ended 31 December 2021, interest expenses of HK$3,367,000 (2020: HK$1,137,000) paid on behalf of the Group by related parties were converted to other borrowings to the Group.

36. LEASE COMMITMENTS

(a) As lessor

The Group leases its investment properties under non-cancellable lease arrangements, with leases negotiated for terms ranging from 1 to 13 years. 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.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

	2021 **HK$'000**	2020 HK$'000
Within 1 year	**20,069**	16,949
After 1 year but within 2 years	**19,106**	17,458
After 2 years but within 3 years	**19,242**	17,543
After 3 years but within 4 years	**19,902**	17,830
After 4 years but within 5 years	**20,277**	18,438
After 5 years	**9,393**	30,463
	107,989	118,681

Notes to the Consolidated Financial Statements

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36. LEASE COMMITMENTS *(Continued)*

(b) As lessee

At the reporting date, the lease commitments for short-term leases are as follows:

	2021 **HK$'000**	2020 HK$'000
Within 1 year	**21**	136
	21	136

At 31 December 2021 and 2020, the Group leases certain staff quarters and carparks with a lease period of less than 12 months, which are qualified to be accounted for under short-term lease exemption under HKFRS 16.

37. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had capital commitments for the following expenditures in respect of:

	2021 **HK$'000**	2020 HK$'000
Contracted but not provided for: Property and hotel development	**2,149,438**	2,054,739

38. RELATED PARTY DISCLOSURES

(i) Related party transactions

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the reporting period:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

38. RELATED PARTY DISCLOSURES *(Continued)*

(i) Related party transactions *(Continued)*

(a) During the years ended 31 December 2021 and 2020, a loan was assigned to Mr. Cheng Keung Fai, the beneficial owner of Full Dragon Group Limited and a former shareholder of the Company, executed by a deed of loan assignment. Details of the terms and maturity date are disclosed in note 28(ix) to the consolidated financial statements.

(b) During the year ended 31 December 2021, the Group entered into a director loan agreement with Ms. Qian Ling Ling, a director of the Company for an unsecured and bears interest at 5% per annum. As at 31 December 2021, HK$2,280,000 in total had been drawn down by the Company. The interest expenses to Ms. Qian Ling Ling was HK$11,000 during the year ended 31 December 2021. Details of the terms and maturity dates are disclosed in note 28(x) to the consolidated financial statements.

Further details on guarantees and securities provided by related parties for the Group's bank and other borrowings are disclosed in note 28 to the consolidated financial statements.

(ii) Compensation of key management personnel

The Directors are the key management personnel of the Group. Details of their remunerations are disclosed in note 9(a) to the consolidated financial statements.

39. CONTINGENT LIABILITIES

Provision of contingent withholding EIT

According to Tax Circular 698 and Public Notice [2015] No. 7 ("Public Notice 7") of the State Administration of Taxation (the "SAT"), the Group's acquisition of 49% equity interest in Ever-Grand during the year ended 31 December 2016 had led to an indirect acquisition of subsidiaries of Ever-Grand in the PRC, including 東莞市德晉能源科技有限公司 (Dongguan City Dejin Energy Technology Company Limited) and 東莞市德晉熱力有限公司 (Dongguan City Dejin Thermal Power Company Limited). Such arrangement shall be recharacterised as a direct transfer by the PRC tax authorities and the capital gain derived will be subject to EIT. The Group should act as EIT withholding agent and report the indirect equity transfer (and settle the EIT, if applicable) to the PRC tax authorities within 30 days after the equity transfer agreement is concluded.

In case the Group fails to fulfill its withholding obligation and the Vendor has not paid the EIT, the PRC tax authorities would demand the Vendor for the payment of EIT and impose penalty of 50% to 3 times of the unpaid EIT on the Group. The penalty may be relieved if the indirect transfer has been voluntarily reported to the PRC tax authorities by the Group.

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For the year ended 31 December 2021

39. CONTINGENT LIABILITIES *(Continued)*

Provision of contingent withholding EIT *(Continued)*

The Company has already held back a sum of HK$60,000,000 payable to the Vendor to serve as withholding EIT and further made an EIT provision of HK$28,200,000, but has not yet reported the transaction or paid EIT to the PRC tax authorities. After consulting PRC legal counsel, the Directors are of the opinion that the Group has already substantially fulfilled the withholding obligation, thereby containing the risk of penalty to reasonably low level.

According to sale and purchase agreement dated 16 November 2015 entered into among the Company, the Vendor and the Guarantors, namely Guarantor C and Guarantor L, the Vendor is responsible for the filing and the settlement of the EIT arising from the indirect equity transfer in accordance to the relevant PRC tax laws and regulations. The Vendor shall compensate the Company in case the Vendor fails to report and payment of the EIT on the indirect equity transfer. In addition, such arrangement was further formally executed through a deed of tax indemnity entered into among the Company, the Vendor and the Guarantors on 30 March 2016. Therefore, the Directors believe the Vendor, who still own 51% equity interest in Ever-Grand, would voluntarily report and pay the EIT to the PRC tax authorities, as well as compensating the Group for any penalty to be imposed to the Group, if any. The Directors do not consider it is probable that a claim will be made against the Group regarding the penalty mentioned above.

At 31 December 2021 and 2020, the Company and the Vendor have mutually agreed in writing to further extend the settlement period of the held back sum of HK$60,000,000 in cash on or before 31 December 2022 (2020: on or before 31 December 2021) by one single or multiple payment.

Except as above, the Group has no material contingent liabilities as at 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

40. FINANCIAL INSTRUMENTS

(I) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets measured at amortised cost:		
– Rental receivables	**7,355**	8,101
– Other receivables	**7,441**	5,094
– Pledged deposits in a financial institution	**–**	36,567
– Utility and other deposits	**2,199**	2,019
– Restricted bank deposits	**33,648**	40,800
– Cash and cash equivalents	**12,437**	9,687
	63,080	102,268
Financial liabilities		
Financial liabilities measured at amortised cost:		
– Trade payables	**338,366**	57,540
– Other payables	**5,299**	4,608
– Refundable sales proceeds from pre-sale residential properties	**24,476**	48,315
– Tender received from potential construction contractors	**89,964**	44,184
– Accruals	**20,975**	7,821
– Accrued interest expense	**168,073**	161,696
– Construction cost payables	**126,107**	118,136
– Acquisition cost payables	**60,000**	60,000
– Lease liabilities	**1,096**	5,534
– Amount due to an associate	**8,603**	7,663
– Borrowings	**1,763,611**	1,715,989
– Payable to a construction contractor	**116,108**	104,303
	2,722,678	2,335,789

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

40. FINANCIAL INSTRUMENTS *(Continued)*

(II) Financial risk management objectives and policies

The Group's major financial instruments include restricted bank deposits, pledged deposits in a financial institution, cash and cash equivalents and borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as rental and other receivables, lease liabilities, amount due to an associate and trade and other payables, which arise directly from its operations. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, foreign currency risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Interest rate risk

At 31 December 2021, the Group had bank borrowing of HK$306,110,000 (2020: HK$297,974,000) and other borrowings of HK$1,243,229,000 (2020: HK$1,234,115,000), which were interest bearing with fixed interest rates.

At 31 December 2021, the Group had bank borrowings of HK$67,332,000 (2020: HK$116,091,000), which are interest bearing with floating interest rates. If interest rates on the bank borrowings, have been 100 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been HK$562,000 (2020: HK$969,000) higher/lower mainly as a result of higher/lower interest expense on floating rate borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

40. FINANCIAL INSTRUMENTS *(Continued)*

(II) Financial risk management objectives and policies *(Continued)*

(b) Foreign currency risk

The Group carries on its sale and purchase/expenses transactions and raising borrowings mainly in HK$, US$ and RMB. As the foreign currency risk generated from the sales and purchases/expenses can be set off with each other, and the Group's subsidiaries borrow in its respective functional currencies, hence the foreign currency risk is minimal for the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases/expenses in the same currency. The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of the business.

US$ is not the functional currency of the Company and its subsidiaries. However, given that HK$ is pegged to US$, the Group does not expect any significant movements in the US$/HK$ exchange rates.

(c) Credit risk

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2021 and 2020 is the carrying amount as disclosed in note 40.

(i) Rental receivables

The Group's credit risk is primarily attributable to its rental receivables. In order to minimise the credit risk, the management of the Group will internally assess the credit quality of the potential tenants before accepting any new tenants, no credit period is granted to tenants. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

As part of the Group's credit risk management, the Group assessed the ECL for each of the rental receivable individually. The Directors have also considered reasonable and supportable best information available without undue cost or effort including historical evidences and forward-looking information. The Group has taken into account the possible impacts associated with the overall changes in the economic environment arising from COVID-19, and concluded that there is no significant increase in credit risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

40. FINANCIAL INSTRUMENTS *(Continued)*

(II) Financial risk management objectives and policies *(Continued)*

(c) Credit risk (Continued)

(i) Rental receivables *(Continued)*

Based on the above basis, no loss allowance was made on the Group's outstanding rental receivables for the year ended 31 December 2021 (2020: Nil). The Group has litigation against one tenant in prior year and won in the final trial during the year ended 31 December 2020 and the judgement was issued from the People's Court of Chengdu in the PRC. Hence, ECL provision of HK$907,000 is reversed during the year ended 31 December 2020.

Management believes that the outbreak has not had a significant impact to the Group's operations to date. Management currently has an appropriate response plan in place. Management will continue to monitor and assess the ongoing development and respond accordingly.

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, restricted bank deposits and cash and cash equivalents. In order to minimise the credit risk of other receivables, the management of the Group has designated a team responsible for determination of credit limits and credit approvals. The management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables are considered to be low.

Besides, the management is of opinion that there is no significant increase in credit risk on these other receivables since initial recognition as the risk of default is low after considering the factors as set out in note 3.3 and, thus, ECL recognised is based on 12m ECL and is close to zero.

The credit risks on restricted bank deposits and cash and cash equivalents are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

40. FINANCIAL INSTRUMENTS *(Continued)*

(II) Financial risk management objectives and policies *(Continued)*

(d) Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirement.

The Directors have prepared cash flow projections for the year ending 31 December 2022 on the basis that: (1) proceeds from pre-sales in 2022 will be more than that of 2021; (2) construction payments will be satisfied by receipt of the relevant proceeds from pre-sales; (3) available loan facilities will be no less than that of 2021; and (4) there will be no further breach of debt covenants in 2022. Management will closely monitor the situation to ensure that appropriate alternative actions are taken, such as to accelerate the pre-sales of properties under development, if any of the above conditions are not fully fulfilled.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment which might have unexpected material impact on the Group's anticipated cash flow position. These include accelerating sales of the Group's properties with more flexible pricing, adjusting and further slowing down the construction progress as appropriate, ensuring available resources for the development of properties for sale, implementing cost control measures, introducing seeking other funding alternatives. The Group will assess the relevant future costs and benefits and pursue such options as are appropriate. The Directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

Notes to the Consolidated Financial Statements

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40. FINANCIAL INSTRUMENTS *(Continued)*

(II) Financial risk management objectives and policies *(Continued)*

(d) Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted cash flows on the earliest date of which the Group can be required to pay. The table includes both interest and principal cash flows is as follows:

	Within one year or on demand HK$'000	Between two to five years HK$'000	Total HK$'000
2021			
Trade payables	**335,502**	**2,864**	**338,366**
Other payables	**5,299**	**–**	**5,299**
Refundable sales proceeds from pre-sale residential properties	**24,476**	**–**	**24,476**
Tender received from potential construction contractors	**89,964**	**–**	**89,964**
Accruals	**20,975**	**–**	**20,975**
Accrued interest expense	**168,073**	**–**	**168,073**
Construction cost payables	**126,107**	**–**	**126,107**
Acquisition cost payables	**60,000**	**–**	**60,000**
Lease liabilities	**1,096**	**–**	**1,096**
Amount due to an associate	**8,603**	**–**	**8,603**
Borrowings	**1,744,180**	**19,713**	**1,763,893**
Payable to a construction contractor	**116,108**	**–**	**116,108**
	2,700,383	**22,577**	**2,722,960**
2020			
Trade payables	57,540	-	57,540
Other payables	4,608	-	4,608
Refundable sales proceeds from pre-sale residential properties	48,315	-	48,315
Tender received from potential construction contractors	44,184	-	44,184
Accruals	7,821	-	7,821
Accrued interest expense	161,696	-	161,696
Construction cost payables	118,136	-	118,136
Acquisition cost payables	60,000	-	60,000
Lease liabilities	5,196	626	5,822
Amount due to an associate	7,663	-	7,663
Borrowings	1,714,914	1,183	1,716,097
Payable to a construction contractor	104,303	-	104,303
	2,334,376	1,809	2,336,185

Notes to the Consolidated Financial Statements

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40. FINANCIAL INSTRUMENTS *(Continued)*

(II) Financial risk management objectives and policies *(Continued)*

(d) Liquidity risk (Continued)

Borrowings with a repayment on demand clause are included in "within one year or on demand" time band in the above maturity analysis. As at 31 December 2021, the aggregate undiscounted principal and interest amounts of these borrowings amounted to HK$1,763,893,000 (2020: HK$1,716,097,000). Taking into account the management's plans and measures as described in note 3.2, the management of the Group does not believe that it is probable that the lenders of such borrowings will exercise their discretionary rights to demand immediate repayment. The management believes that such borrowings will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements and accordingly, the aggregate principal and interest cash outflows amounted to HK$1,934,580,000 (2020: HK$1,886,785,000), details of which are set out in the table below:

Maturity analysis - Borrowings with a repayment on demand clause on scheduled repayments

	Within one year HK$'000	Between two to five years HK$'000	Total HK$'000
2021			
Borrowings	**1,329,703**	**604,877**	**1,934,580**
2020			
Borrowings	1,113,565	773,220	1,886,785

Notes to the Consolidated Financial Statements

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40. FINANCIAL INSTRUMENTS *(Continued)*

(II) Financial risk management objectives and policies *(Continued)*

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for and benefit for shareholders and to maintain healthy capital ratios in order to support its business.

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 amounts of dividend paid to shareholders, return capital to shareholders, issue new shares or selling assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The current ratio at 31 December 2021 and 2020 is as follows:

	2021 **HK$'000**	2020 HK$'000
Current assets	**2,920,689**	2,215,357
Current liabilities	**3,936,940**	2,842,418
Current ratio	**0.74**	0.78

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40. FINANCIAL INSTRUMENTS *(Continued)*

(II) Financial risk management objectives and policies *(Continued)*

(g) Offsetting financial assets and financial liabilities

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

(III) Fair value measurements

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. Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurements as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs are unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

The carrying amounts of the Group's financial assets and liabilities are not materially different from their fair values at each reporting date due to the immediate or short maturity of these financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

40. FINANCIAL INSTRUMENTS *(Continued)*

(III) Fair value measurements *(Continued)*

(a) *Disclosures of level in fair value hierarchy:*

2021	**Fair value measurement using:**			**Total**
Description	**Level 1**	**Level 2**	**Level 3**	**2021**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurements:				
Investment properties				
Shopping mall – the PRC	**–**	**–**	**198,727**	**198,727**

2020	Fair value measurement using:			Total
Description	Level 1	Level 2	Level 3	2020
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements:				
Investment properties				
Shopping mall – the PRC	–	–	207,390	207,390

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

40. FINANCIAL INSTRUMENTS *(Continued)*

(III) Fair value measurements *(Continued)*

(b) *Reconciliation of assets measured at fair value based on level 3:*

2021	**Investment properties – Shopping mall (note 15) HK$'000**
At 1 January	**207,390**
Fair value loss recognised in profit or loss	**(14,103)**
Exchange realignment	**5,440**
At 31 December	**198,727**

2020	Investment properties – Shopping mall (note 15) HK$'000
At 1 January	223,489
Fair value loss recognised in profit or loss	(29,243)
Exchange realignment	13,144
At 31 December	207,390

All the gains or loss recognised in profit or loss for the years arise from the fair value loss on investment properties held at the end of each reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

40. FINANCIAL INSTRUMENTS *(Continued)*

(III) Fair value measurements *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

For level 3 fair value measurements, the Group has engaged external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

2021

Description	**Valuation technique**	**Unobservable input**	**Range**	**Effect on fair value for increase of inputs**	**Fair value 2021 HK$'000**
Shopping mall – the PRC	Direct comparison approach	Asking discount	5%	Decrease	**198,727**
		Floor discount	10%-55%	Decrease	

2020

Description	**Valuation technique**	**Unobservable inputs**	**Range**	**Effect on fair value for increase of inputs**	**Fair value** 2020 HK$'000
Shopping mall – the PRC	Direct comparison approach	Asking discount	10%	Decrease	207,390
		Tenure	25% to 35%	Decrease	
		Size discount	4% to 6%	Decrease	
		Existing tenancy discount	45%	Decrease	

For the shopping mall in the PRC for the years ended 31 December 2021 and 2020, the valuation was based on direct comparison approach which largely involves recent selling prices with further adjustment for unobservable inputs (e.g. asking discount and floor level).

Particulars of Major Properties Held

A. Projects under development and planning held by Group

Name of Property	Location	Type	Percentage	Approximate GFA (sq.m)	Approximate site area (sq.m)	Stage of completion	Anticipated completion date
1. Xiangtan Project (Phase I)	The east of Jiuhua Main Avenue, Jiuhua Economic Development Zone, Xiangtan City, Hunan Province, the PRC	Residential	100%	220,330	91,175 Selling area	Preparing to completion	Zone C: Dec 2022 Zone D: May 2022
2. Xiangtan Project (Phase II)	The east of Jiuhua Main Avenue, Jiuhua Economic Development Zone, Xiangtan City, Hunan Province, the PRC and the east of Tanzhou Main Avenue, Jiuhua Economic Development Zone, Xiangtan City, Huna	Residential	100%	500,718	400,574	Under Planning	To be determined

B. Property held for investment by the Group

Name of Property	Location	Type	Percentage	Approximate GFA (sq.m)	Lease Term
Shopping mall-the PRC	No. 19 Yongling Road, Jinnu District, Chengdu City, Sichunan Province, the PRC	Retail	100%	30,742	Long term

Five Year Financial Summary

A summary of the results, assets, liabilities and non-controlling interests of the Group for the last five financial years is as follows:

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Continuing operations					
Revenue	**18,327**	80,466	39,919	79,835	66,890
Loss before income tax	**(548,756)**	(602,575)	(291,357)	(352,842)	(398,056)
Income tax credit/(expense)	**11,394**	5,386	1,653	(634)	2,633
Loss for the year from continuing operations	**(537,362)**	(597,189)	(289,704)	(353,476)	(395,423)
Profit/(Loss) for the year from discontinued operations	**–**	–	754	(579)	–
Loss for the year attributable to owners of the Company	**(537,362)**	(597,189)	(288,950)	(354,055)	(395,423)

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities					
Total assets	**3,743,062**	3,128,554	2,806,079	2,637,551	2,546,030
Total liabilities	**(4,116,455)**	(3,002,025)	(2,108,442)	(1,632,596)	(1,339,409)
Equity attributable to owners of the Company	**(373,393)**	126,529	697,637	1,004,955	1,206,621