SHANGHAI ZENDAI
上海証大房地產有限公司

SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)
Stock Code : 00755

Annual Report 2021

CONTENTS

BOARD AND COMMITTEES

BOARD

Executive Directors

Mr. Huang Yuhui *(Chairman)*
Mr. Wang Letian
Mr. He Haiyang
Ms. Li Zhen

Non-executive Directors

Ms. Wang Zheng
Mr. Ma Yun
Mr. Wu Junao

Independent non-executive Directors

Dr. Guan Huanfei
Mr. Chen Shuang, *JP*
Mr. Cao Hailiang
Dr. Lin Xinzhu
Mr. Wang Yuzhou

COMMITTEES

Audit Committee

Mr. Wang Yuzhou *(Chairman)*
Dr. Guan Huanfei
Mr. Chen Shuang, *JP*
Mr. Cao Hailiang
Dr. Lin Xinzhu

Remuneration Committee

Mr. Chen Shuang, *JP (Chairman)*
Mr. Wang Letian
Ms. Li Zhen
Mr. Cao Hailiang
Mr. Wang Yuzhou

Nomination Committee

Mr. Huang Yuhui *(Chairman)*
Mr. Wang Letian
Dr. Guan Huanfei
Mr. Chen Shuang, *JP*
Mr. Cao Hailiang

CORPORATE INFORMATION

PRINCIPAL BANKERS

China Citic Bank International Limited
Shanghai Huarui Bank
Bank of Communication
China Bohai Bank
Bank of Beijing
China Mingsheng Bank
Bank of Dalian

SOLICITORS

Stevenson, Wong & Co.
39/F
Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor
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Hamilton HM 10
Bermuda

REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Secretaries Limited
Level 54
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183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6508, 65/F
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Huang Yuhui
Mr. Lau Yin Fung Terence

AUDITOR

PKF Hong Kong Limited

COMPANY SECRETARY

Mr. Lau Yin Fung Terence

COMPANY WEBSITE

http://www.zendaiproperty.com/

STOCK CODE

755

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

The board of directors (the "**Board**") of Shanghai Zendai Property Limited (the "**Company**" or "**Shanghai Zendai**") hereby announces the annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021 (the "**year**" or "**year under review**").

During the year under review, the Group recorded a turnover of approximately HK$740,993,000, representing a decrease of HK$3,857,710,000 as compared with a turnover of approximately HK$4,598,703,000 for the year ended 31 December 2020. As two of the Group's projects, namely the third phase office building of the "Nanjing Himalayas Center" project and the second phase project Riverside Mansion (濱江閱公館) of "Riverside Thumb Plaza" in Nanjing, are at their closing stages, the turnover recorded a decrease. The turnover of the Group for the year was mainly attributed to:

- revenue recognition of the third phase office building of the "Nanjing Himalayas Center" project
- revenue recognition of the third phase project "Multiflora Garden" of "Zendai Garden-Riverside Town" in Haimen
- hotel operation, rental and property management income

Loss attributable to shareholders of the Company (the "**Shareholders**") during the year under review was approximately HK$2,070,423,000 as compared to the loss of approximately HK$1,150,773,000 for the year ended 31 December 2020. Basic loss per share of the Company (the "**Share**") during the year was HK$13.91 cents (basic loss per Share for 2020: HK$7.73 cents). The Group recorded an increase in loss, mainly attributable to the gross loss (gross profit was recorded last year), significant impairment of property, plant and equipment, increase in fair value loss of investment properties and financing costs recorded during the year.

BUSINESS REVIEW

Shanghai Zendai developed a domestic business presence with Shanghai as the centre and the Yangtze River Delta as the core sector, radiating nationwide by relying on its complete construction, operation and management capabilities and the independent teams responsible for planning and development, investment promotion programming, operation and property management.

With the development and operation for multiple types of properties including residential, office buildings and complexes, Shanghai Zendai is committed to providing cities with a better living space and high-quality commercial operation services. Shanghai Zendai has developed a product series with the core brands of Himalayas Center, Thumb Plaza and Mandarin Palace, and has created more than 40 industry classics including Shanghai Himalayas Center, Shanghai Mandarin Palace, Nanjing Himalayas Center, Nanjing Thumb Plaza and Nanjing Mandarin Palace.

CHAIRMAN'S STATEMENT

In 2021, China's economy entered a period of deep adjustment under the strong influence of policies. Under the policy themes of "houses are built to be inhabited, not for speculation", "anti-monopoly", "anti-capital disorderly expansion" and "common prosperity", all walks of life are making adjustments in response to the policy. The adjustment of the industry itself and the cross influence of the adjustment of different industries have become the issues that enterprises have to face on the road of development.

For the real estate industry, regulation policies have been introduced intensively over the real estate market in mainland China. In addition to conventional regulation tools such as purchase restrictions, loan restrictions and sales restrictions, a series of new policies such as financing quota control, optimization of land auction rules, and pre-sale fund supervision have been successively introduced. Since the second half of the year, the number of cities with first- and second-hand housing prices falling has hit a new high, and the real estate market has cooled significantly. The real estate market in mainland China has entered a stage of adjustment. Affected by the epidemic, and the policies of "double reduction" and "anti-monopoly", the commercial leasing market also continued to slump. There has been a significant increase in the number of tenants in education and training categories who have withdrawn their leases, and the repeated outbreak of the COVID-19 epidemic has restricted the flow and gathering of people, all of which have had a significant impact on commercial leasing.

Under the influence of various unfavorable factors in the external environment, stabilizing the fundamentals and overcoming the crisis have become the key tasks of the Group's development. In the face of many internal and external challenges, the Group proactively manages and controls its liabilities and strives to optimize its capital structure. The Group continued to strengthen the commercial operation capabilities of core projects and enhance the standard of property management and operation to further enhance the efficiency of asset operation and the ability to operate light assets. By strengthening cash flow management, the Group actively responded to environmental difficulties and substantially achieved steady progress in the development and operation of various projects. Development details of each business segment are set out below:

PROPERTY DEVELOPMENT PROJECTS

Nanjing "Himalayas Center"

Nanjing Himalayas Center was designed by Ma Yansong, who is a world-renowned architect. It is another humanistic and artistic peak created by the Group following Shanghai Himalayas Center. The project comprises five business mode, including experience-based shopping malls, intercontinental hotels, commercial buildings, hotel apartments and commercial complex with a site area of approximately 93,526 square metres and an expected total gross floor area of approximately 619,462 square metres. The project is being developed in three phases. As at 31 December 2021, the majority of the first and second phase projects have been sold, and the pre-sale of the third phase project started in the first half of 2018.

Items	Saleable area	During the reporting period					Cumulative amount		
		Sold area	Contract value		Transfer of operating revenue		Sold area	Contract value	
	(Square metres)	(Square metres)	(RMB'000)	(HK$'000)	(RMB'000)	(HK$'000)	(Square metres)	(RMB'000)	(HK$'000)
The first phase of the Nanjing "Himalayas Center"	132,380	181	2,273	2,780	–	–	119,927	2,073,584	2,498,293
The second phase of the Nanjing "Himalayas Center"	144,847	158	4,310	5,193	–	–	123,153	2,541,285	3,061,789
The third phase of the Nanjing "Himalayas Center"	69,441	3,346	32,477	39,129	164,178	197,805	69,134	1,361,639	1,640,529
Total	**346,668**	**3,685**	**39,060**	**47,102**	**164,178**	**197,805**	**312,214**	**5,976,508**	**7,200,611**

"Riverside Thumb Plaza" in Nanjing

"Riverside Thumb Plaza" in Nanjing is the flagship complex of Gulou Riverside CBD built by the Group based on in-depth exploration of the characteristics of Nanjing and Riverside CBD. The project comprises apartments, office buildings and commercial space. The project is being developed in four phases.

The first phase of the project is located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province, the PRC, with a site area of approximately 13,220 square metres and a total saleable area of 85,487 square metres. As at 31 December 2021, the majority of the project had been sold.

The second phase of the project is located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, with a site area of approximately 26,318 square metres and a total saleable area of 166,395 square metres.

The third phase of the project is located at the east of Jiangbian Road and the north of Jianning Road, Gulou District, Nanjing, with a site area of approximately 15,566 square metres. The land with a gross floor area of approximately 126,995 square metres is planned to be developed into an integrated complex comprising office buildings, commercial space and apartments. Construction of the project has been commenced in June 2018 and the pre-sale started in October 2019.

Items	Saleable area (Square metres)	Sold area (Square metres)	During the reporting period: Contract value (RMB'000)	During the reporting period: Contract value (HK$'000)	During the reporting period: Transfer of operating revenue (RMB'000)	During the reporting period: Transfer of operating revenue (HK$'000)	Cumulative amount: Sold area (Square metres)	Cumulative amount: Contract value (RMB'000)	Cumulative amount: Contract value (HK$'000)
The first phase of "Riverside Thumb Plaza" in Nanjing	85,487	71	613	739	–	–	84,183	2,123,541	2,558,483
The second phase of "Riverside Thumb Plaza" in Nanjing	166,395	701	12,469	15,023	7,265	8,753	164,289	4,936,793	5,947,943
The third phase of "Riverside Thumb Plaza" in Nanjing	126,995	72	2,729	3,288	–	–	43,567	1,636,440	1,971,614
Total	**378,877**	**844**	**15,811**	**19,050**	**7,265**	**8,753**	**292,039**	**8,696,774**	**10,478,040**

The fourth phase of the project is located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing. The land with a site area of approximately 15,234 square metres is planned to be developed into office buildings and commercial space with a gross floor area of approximately 102,549 square metres, including 79,455 square metres of office buildings and 23,094 square metres of commercial space. The construction of the project has been commenced in January 2019.

"Zendai Garden-Riverside Town" in Haimen

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province comprises two parcels of land, with a total site area of 1,389,021 square metres.

The first parcel of land is to be developed in two parts.

"Dong Zhou Mansion", the first part of the first parcel, is being developed in two phases with Phase I offering a total of 52 detached villas which were all sold. Phase II of the "Dong Zhou Mansion" is planned to be developed into 94 detached villas with a total gross floor area of approximately 82,202 square metres. The construction of the project has been commenced in February 2014 but has been suspended due to changes in market conditions in the early stage.

"Multiflora Garden", the second part of the first parcel of land, is being developed in three phases into an integrated residential area comprising low density town houses. Phases I and II offer a total of 212 units with a saleable area of approximately 57,232 square metres which were all sold. Phase III has a saleable area of approximately 91,817 square metres, and is still on sale.

CHAIRMAN'S STATEMENT

The second parcel of land is being developed into residential properties and ancillary commercial space in phases.

The Phase I, Qinghua Garden Ecological Houses, occupies a site area of approximately 42,070 square metres with a saleable area of approximately 56,169 square metres and is still on sale.

The Phase II, Shui Qing Mu Hua Garden, with a site area of 157,717 square metres, is being developed in two phases into high-rise, small high-rise residential properties and ancillary commercial space with a saleable area of approximately 273,780 square metres. The first phase offers a saleable area of 81,360 square metres and is still on sale. The second phase offers a saleable area of 192,420 square metres.

The Phase III, Spanish Exotic Street, with a site area of 760 square metres, has been developed into a commercial plaza with a saleable area of 1,164 square metres.

The Phase IV, "Thumb Plaza" with a site area of 18,919 square metres, has been developed into a commercial plaza with a total gross floor area of 45,514 square metres.

In addition, the project has yet to develop residential land covering a site area of 370,664 square metres and a gross floor area of 638,460 square metres, and 7,998 square metres of educational land, 31,266 square metres of medical land, 18,067 square metres of commercial land, and 6,933 square metres of hotel land. In the future, the Group will continue to develop and build high-end improved residential products covering a full product line of high-rise, bungalows, stacked villass, townhouses and other products. Relying on various commercial, medical, education and other living facilities, the project will form a high-quality residential community in the region.

		During the reporting period					Cumulative amount		
Items	Saleable area	Sold area	Contract value		Transfer of operating revenue		Sold area	Contract value	
	(Square metres)	(Square metres)	(RMB'000)	(HK$'000)	(RMB'000)	(HK$'000)	(Square metres)	(RMB'000)	(HK$'000)
The first parcel of land	231,251	8,104	56,988	68,660	57,218	68,937	86,479	521,487	628,298
The second parcel of land	329,949	2,841	18,921	22,796	15,189	18,300	133,892	608,871	733,580
Total	**561,200**	**10,945**	**75,909**	**91,456**	**72,407**	**87,237**	**220,371**	**1,130,358**	**1,361,878**

Other Property Development Projects

Zendai Nantong Yicheng Thumb Plaza

Zendai Nantong Yicheng Thumb Plaza has a total site area of 281,912 square metres. Due to its prime location, the project has been included in the "Key Cultural Industry Projects in Nantong City" and "Key Development Projects in Chongchuan District". The project occupies a total gross floor area of approximately 279,076 square metres (including car-parking space and ancillary facilities of 77,143 square metres). Construction of the project is divided into three phases.

The first phase named Phase 1 of Old Town, with a commercial area of approximately 38,737 square metres. For details of relevant operation please refer to the "Operations of Commercial Properties and Hotels Business" section of this report.

The second phase is an ancillary residential project with commercial space with a total gross floor area of approximately 74,528 square metres, the majority of which has been sold.

The third phase occupies a total area of approximately 147,688 square metres (with an underground area of 53,150 square metres), comprising Phase 2 of Old Town with commercial area of 60,979 square metres (including an underground area of 21,000 square metres) and Old Town, New Port, with a commercial area of approximately 14,967 square metres and a residential area of approximately 71,742 square metres (including an underground area of 32,150 square metres). The Old Town, New Port commenced construction in May 2014 and started to sale in September 2016.

Items	Saleable area (Square metres)	Sold area (Square metres)	Cumulative amount Contract value (RMB'000)	(HK$'000)
The second phase of Nantong Yicheng Thumb Plaza	74,528	71,585	848,855	1,022,717
The third phase of Nantong Yicheng Thumb Plaza	188,688	40,715	683,353	823,317
Total	**263,216**	**112,300**	**1,532,208**	**1,846,034**

Project in Chengmai County, Hainan Province

The Group owns 60% equity interest in a parcel of land in Chengmai County, Hainan Province with a site area of 1,309,563 square metres which is still in the planning stage.

Operations of Commercial Properties and Hotels Business

Adhering to the commercial operation brands such as "Zhengda Thumb Plaza" and "Himalaya Center", the Group continued to strengthen its business management capabilities for enhancing its business brand value. In the context of the impact of the COVID-19 epidemic and policies, the Group actively adjusted its business plan, and strengthened investment attraction and project promotion, which ensured the vitality and popularity of project operations.

As of the end of the reporting period, the new commercial area operated by the Group amounted to approximately 44,315 square metres on a cumulative basis.

During the year under review, Nanjing Himalaya Center was opened as a commercial complex. As another iconic commercial property project developed by Shanghai Zhendai in the core area of the Yangtze River Delta, the centre received a total of more than 1.3 million of visitors in the first three months of operation.

During the year, the operating revenue from commercial property and hotel operations in total amounted to approximately RMB397,356,000 (equivalent to approximately HK$478,741,000). During the Year, approximately 79% of the commercial space was leased in average, and the average occupancy rate of the hotel was approximately 54%. Details of the operation of each commercial property and hotel project during the year ended 31 December 2021 are as follows:

Project name	City	Interest Attributable to the Group	Leasable area (Square metres)	Occupancy rate in 2021	Revenue in 2021 (RMB'000)	Revenue in 2021 (HK$'000)
Shanghai "Zendai Thumb Plaza"	Shanghai	100%	44,860	99%	104,435	125,825
Shanghai Himalayas Center*	Shanghai	45%	28,499	45%	31,160	37,543
Qingdao "Zendai Thumb Plaza"	Qingdao	100%	46,545	84%	27,728	33,407
Zendai Nantong Yicheng Thumb Plaza	Nantong	100%	38,737	77%	6,666	8,031
Yangzhou Commercial Project	Yangzhou	100%	15,974	92%	6,716	8,091
Nanjing "Himalayas Center"	Nanjing	100%	44,315	72%	4,444	5,354
Total			**218,930**	**79%**	**181,149**	**218,251**

Project name	City	Business model	Floor area (Square metres)	Number of guest room (Room)	Occupancy rate in 2021	Revenue in 2021 (RMB'000)	Revenue in 2021 (HK$'000)
Grand Mercure Shanghai Century Park	Shanghai	Cooperation	31,530	361	54%	68,870	82,976
Jumeirah Himalayas Hotel Shanghai*	Shanghai	Cooperation	60,452	393	46%	108,487	130,707
Himalayas Qingdao Hotel	Qingdao	Proprietary	27,673	208	70%	38,850	46,807
Total			**119,655**	**962**	**54%**	**216,207**	**260,490**

* Properties that are held by an associate of the Group, Shanghai Zendai Himalayas Company Ltd.* (上海証大喜瑪拉雅有限公司).

PROPERTY MANAGEMENT SERVICE

Thanks to its development of nearly 21 years, the Group has extended its business presence to 10 large and medium-sized cities under its service philosophy of "keep pace with the times, serve the best, focus on quality, and create impressions". The projects under management cover a wide range of properties such as high-end business plazas, grade-A office buildings, top-tier villa areas, high-end residences and urban complexes. During the reporting period, Shanghai Zendai managed more than 30 projects with a total area of over 3 million square metres.

During the reporting period, area under management of Shanghai Zendai Property Management Co., Ltd., a subsidiary of the Group, was 3,282,706 square metres, with operating revenue of RMB105,027,000 (equivalent to approximately HK$126,539,000).

Shanghai Zendai Property Management Co., Ltd.* (上海証大物業管理有限公司)	**Floor area**	**Revenue during the reporting period**	
	(Square metres)	(RMB'000)	(HK$'000)
Shanghai Headquarters	1,218,072	53,509	64,468
Kunshan Branch	109,558	3,126	3,766
Nanjing Branch	1,190,319	36,328	43,769
Nanning Branch	398,378	1,995	2,404
Qingdao Branch	183,556	4,187	5,045
Qingpu Branch	137,823	5,677	6,840
Yantai Branch	45,000	205	247
Total	**3,282,706**	**105,027**	**126,539**

CHAIRMAN'S STATEMENT

PROSPECTS AND FUTURE PLANS

The Group overcame difficulties and made progress in 2021, a year of change. Up to now, policies tend to be stabilised, and it has become a policy consensus to prudently introduce contractive policies and encourage all walks of life to make steady progress. Although there will still be challenges to economic development amid many uncertainties at home and abroad in 2022, the trend of stable performance with good momentum for growth will be increasingly obvious. For the development of the industry and enterprises, there will be new development opportunities brought forth by the economic transformation and adjustment, despite various pressures.

Going forward, the Group will adhere to the development strategy of "focusing on core cities and strengthening operational capability", accurately grasp the releasing pace of market demand, concentrate various favorable resources to grow more sophisticated and stronger and enhance the brand value. In terms of regional layout, the Group will insist on deepening its regional and city cultivation, and on the basis of ensuring continuous optimisation of its capital structure, the Group will continue to optimise its assets deployment and land reserve structure, establish exemplary projects in cities and promote the implementation of more quality projects. At the same time, the Group will continue to focus on exploring a new channel of light asset development with the team-based development, operation and management services as the core added value. The Group will systematically promote the transformation of the management team and upgrade the management mechanism to improve the "Dual Protections". With the aim at "Profit Model Benchmarking Against Innovation" and "Brand Image Rebranding and Renewal", the Group will strengthen commercial management to improve the income level of commercial properties, and will grasp new opportunities in property management development to establish property management service brand. The Group will strive to integrate quality resources in multiple dimensions to explore new efficiency highlights, thus improving our operational innovation and market competitiveness in an all-round way.

The Group will always adhere to "building" and "operation" as two major brand strategy pillars, and strive to provide the city with a beautiful living space and high-quality commercial operation services. The Group will continue to improve its operation and management to achieve stable and high-quality development of the Group in an era of management incentives in a sustainable manner. In the future, the Group will continue to enhance its commercialisation capabilities under new consumption and new scenarios, and fully discover the brand value of its existing projects. At the same time, the Group will deepen its core business deployment, focus on core cities and city clusters, strengthen market cycle judgment, explore market opportunities and strengthen business cooperation, so as to maintain balanced and high-quality development of the Group's various businesses and become a comprehensive urban service provider with competitive advantages and strong capabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

The Group continued to record losses for the year ended 31 December 2021, mainly due to lower turnover which was insufficient to cover fees and expenses.

During the year, the projects are all at their closing stages, and the areas of the property to be delivered to purchasers have decreased, resulting in a shrinking turnover. Meanwhile, due to the significant impairment of properties under development, completed properties held-for-sale and property, plant and equipment, the increase in fair value loss of investment properties and financing costs, the losses recorded by the Group increased as compared to last year.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING

As at 31 December 2021, the Group had a financial position with net liabilities value of approximately HK$1,792 million (31 December 2020: net assets value of approximately HK$305 million). Net current liabilities (including asset classified as held-for-sale) amounted to approximately HK$7,467 million (31 December 2020: approximately HK$3,331 million) with current ratio decreasing from 0.68 times at 31 December 2020 to approximately 0.47 times at 31 December 2021. The capital structure of the Group consists of borrowings (including current and non-current borrowings as shown in the consolidated balance sheet), net of cash and bank balances, and equity attributable to owners of the Company. As at 31 December 2021, the Group had consolidated borrowings of approximately HK$6,976 million, of which HK$6,328 million was repayable within one year and HK$648 million was repayable more than one year. As at 31 December 2021, borrowings of the amount of HK$6,567 million (31 December 2020: HK$5,785 million) bear interest at fixed interest rates ranging from 3.85% to 14.99% per annum (31 December 2020: ranging from 4.77% to 18.15% per annum). As at 31 December 2021, the Group's cash and bank balances and pledged bank deposits were approximately HK$549 million (31 December 2020: HK$708 million). The gearing ratio of the Group decreasing from 92 times at 31 December 2020 to -3.3 times at 31 December 2021 (basis: net debt, which is defined as total amounts of borrowings, amounts due to minority owners of subsidiaries and lease liabilities less cash and bank balances and pledged bank deposits, divided by equity attributable to owners of the Company).

MITIGATION MEASURES AND UNCERTAINTIES RELATED TO GOING CONCERN

Pursuant to code provision C.1.3 of the CG Code, the Directors acknowledge their responsibilities for preparing the financial statements, which give a true and fair view of the Group. The Directors are aware that as disclosed in note 2.1 to the consolidated financial statements in this report, material uncertainties exist which cast significant doubt on the Group's ability to continue as a going concern.

In order to meet its financial obligations as and when they fall due within the next twelve months and improve the Group's current ratio, 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 include:

(a) the Group will continue its ongoing efforts to convince the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings not to take any actions against the Group for immediate payment of the principals and interest payables of these borrowings. Based on latest communications with these lenders, there is no indication that these parties have any current intention to take further action against the Group to demand immediate payment. Also, the Group will endeavor to negotiate with the Financial Institution for a mutually acceptable resolution over the Nanjing Defaulted Borrowing and to withdraw the Order from the Court;

(b) the Group has been actively negotiating with certain financial institutions and identifying various options for restructuring the Group's existing borrowings (including the repayment and extension of the Defaulted Borrowings and Cross-Defaulted Borrowings), and financing the continuing construction of properties under development;

(c) the Group is also seeking for the potential investors who are interested in co-development or purchase of the Group's projects; and

(d) the Group will also continue to take active measures to control administrative costs and contain capital expenditures; and to seek other alternative financing to fund the settlement of its existing financial obligations and future operating expenditure.

Significant uncertainties exist as to whether management 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 following:

(a) successful negotiations with the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings, despite the worsening consolidated financial position of the Group as at 31 December 2021 and consolidated financial performance of the Group for the year then ended and, such that these lenders will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interest payables of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repayment and extension of the Defaulted Borrowings and Cross-Defaulted Borrowings;

(b) successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund the aforesaid restructuring of its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment and the improvement strength of policy adjustment; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions;

(c) successfully accelerating the construction as well as pre-sale and sale of its properties under development; including meeting all of the necessary conditions to launch the pre-sale, and to make these pre-sales at the expected sale prices and in accordance with the timelines projected by management in the Cash Flow Projections; and

(d) the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

The policy environment has obviously improved in mainland China where the central government has clearly stated that it will actively introduce policies that are favorable to the market and cautiously introduce contraction policies. For real estate enterprises, it is necessary to research and propose efficient and effective risk prevention and mitigation response plan in a timely manner, and propose supporting measures for the transformation to a new development model. In January 2022, the Group successfully obtained an additional loan of RMB328 million, which relieved the Group's liquidity pressure in stages. The Directors have reviewed the Group's cash flow projections. The Directors 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 and it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group fail to achieve the abovementioned 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 value 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 the consolidated financial statements.

* *capitalised terms used in this section shall have the same meanings as those defined in note 2.1 to the consolidated financial statements in this report.*

Segment Information

Sales of properties

The turnover of this segment for the year was approximately HK$307,025,000 (2020: HK$4,207,815,000). The decrease was primarily due to the decrease in the areas of the property to be delivered to purchasers.

Property rental, management and agency services

The turnover of this segment for the year was approximately HK$340,328,000 (2020: HK$318,740,000). The increase was due to containment of COVID-19 in the PRC which resulted in increase in malls activities and rental income.

Hotel operations

The turnover of this segment for the year was HK$93,640,000 (2020: HK$72,148,000). The increase was due to the substantial increase in occupancy rate as a result of containment of COVID-19 in the PRC.

FOREIGN CURRENCY AND INTEREST RATES EXPOSURES AND HEDGING

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents are also exposed to such foreign currency risk. Cash and cash equivalents held by the Group as at 31 December 2021 were mainly denominated in RMB and HK$. Borrowings of the Group as at 31 December 2021 were all denominated in RMB. The Group currently does not use any financial instruments to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The Group's cash flow interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. The Group's fair value interest rate risk relates primarily to its fixed rate borrowings and payables and pledged bank deposits. The Group currently does not utilize any financial instruments to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

EMPLOYEES

As at 31 December 2021, the Group employed approximately 910 employees (2020: 926 employees) in Hong Kong and the PRC. They were remunerated with basic salary and bonuses according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, training scheme, insurance and medical insurance and share option scheme.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed below and elsewhere in this report, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Company during the year under review:

(a) On 12 August and 24 August 2015, the Group entered into an equity transfer agreement and a supplementary agreement respectively (collectively, the "**Agreements**") to acquire the equity interest of 6 companies which hold land parcels (the "**Land Parcels**") in Gulou District, Nanjing (the "**Acquisitions**"). The aggregate site area of the Land Parcels was approximately 110,489 square metres and the total consideration for the Acquisitions was approximately RMB4,513,609,000 (equivalent to approximately HK$5,389,384,000). Details of the Acquisitions were disclosed in the announcement of the Company dated 25 August 2015.

    As a result of the regulatory land plan adjustment to the district where the Land Parcels are located since late 2015, the Land Parcels are also subject to land plan adjustment. As at the date of this report, 4 out of 13 land title certificates of the Land Parcels have been obtained and delivered to the Group and the parties to the Agreements have been making efforts to proceed the completion of the Acquisitions as soon as possible.

(b) On 2 August 2021, Haimen Zendai Creative Investment Development Co., Ltd.* (海門証大創意投資發展有限公司)("**Zendai Creative**"), an indirect wholly-owned subsidiary of the Company, received an executed version of the land resumption agreement from Nantong Haimen People's Government Haimen Subdistrict Office* (南通市海門區人民政府海門街道辦事處)(the "**Local Authority**"), pursuant to which Zendai Creative agreed to surrender the industrial lands held by it with a total area of 133,336 square metres, at a consideration of a compensation of approximately RMB106,168,000 (equivalent to approximately HK$129,853,000) payable by the Local Authority to Zendai Creative. Details of the transaction were set out in the announcement of the Company dated 2 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at the end of reporting period, the carrying amounts of following assets of the Group were pledged to secure certain borrowings and loans:

	2021 **HK$'000**	2020 HK$'000
Property, plant and equipment	**665,710**	966,769
Investment properties	**4,883,299**	4,887,416
Properties under development and completed properties held-for-sale	**1,711,585**	2,258,415
Pledged bank deposits	**233,379**	474,189
	7,493,973	8,586,789

As at 31 December 2021, certain equity interests of the subsidiaries of the Group were pledged to secure certain borrowings granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group provided guarantees to the extent of approximately HK$982,559,000 (2020: HK$1,219,919,000) to banks in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the Group, net of mortgages received and included in receipts in advance from customers. These guarantees provided by the Group to the banks would be released upon receiving the property title certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

In the opinion of the Directors, the credit risk exposure of these guarantee contracts is insignificant at initial recognition and at the end of the reporting period.

LITIGATION

(1) In September 2019, the Company signed a repayment agreement with a third-party company, under which the parties agreed that the Company shall return payment and related interests to the third-party company in installments in a total amount of approximately RMB165,000,000 (equivalent to approximately HK$198,000,000). As at the date of this report, the remaining balance of RMB48,000,000 (equivalent to approximately HK$58,000,000) has not been repaid when due. The third-party company applied to the Shenzhen Court of International Arbitration for arbitration. On 17 May 2021, the arbitration court ordered the Company to return the outstanding overdue amounts, liquidated damages and arbitration fees. As at 31 December 2021, the outstanding overdue amounts, liquidated damages and arbitration fees were approximately RMB70,757,000 (equivalent to HK$86,542,000). The Company is still negotiating and communicating proactively with the third-party company on the repayment plan.

(2) In 2018, an indirect wholly-owned subsidiary of the Company, Nanjing Lifang Real Estate Co., Ltd.* (南京立方置業有限公司) (the "**Defendant Subsidiary**") entered into a "**Trust Loan Contract**" with a financial institution (the "**Financial Institution**") and obtained multiple installment loans. As at the date of this report, the remaining balance of RMB180,250,000 (equivalent to approximately HK$220,462,000) has not been repaid when due. On 22 July 2021, the Group received a summons issued by the Intermediate People's Court of Lanzhou* (甘肅省蘭州市中級人民法院) ("**Lanzhou Court**"), in which the Financial Institution requested the repayment of the principal amount, interests, penalty interests and compound interests amounting to approximately RMB210,000,000 (equivalent to approximately HK$252,000,000) in total. In early March 2022, the Group received and was informed of the enforcement order (the "**Order**") from the Lanzhou Court against the Defendant Subsidiary and other subsidiaries. Details of the Order were disclosed in the Company's announcement dated 8 March 2022. The Company will pay close attention to the proceed of the Order and communicate proactively to solve the above case.

(3) On 16 March 2022, the Group received a civil judgment (the "**Judgement**") from the Yuhuatai District People's Court in Nanjing, Jiangsu Province of the People's Republic of China* (the "**PRC**") (中華人民共和國江蘇省南京市雨花台區人民法院) (the "**Court**"). In the Judgment, the Court made a first-instance judgment on a litigation (the "**Litigation**") between Suzhou Xiongqi Enterprise Management Service Co., Ltd.* (蘇州雄騏企業管理服務有限公司) ("**Xiongqi**") as the plaintiff and Nanjing Thumb Commercial Development Co., Ltd.* (南京証大大拇指商業發展有限公司) ("**Nanjing Thumb**"), a wholly-owned subsidiary of the Company, as the defendant, and ordered Nanjing Thumb to return Xiongqi RMB10 million within 15 days from the effective date of the Judgment, together with the interest accrued from 25 July 2021 to the date of actual payment on the basis of RMB10 million at the market quoted interest rate for loans published by the National Interbank Funding Center of the PRC* (中國全國銀行間同業拆借中心), and also to bear the case acceptance fee of the Litigation. Details of the Litigation were disclosed in the Company's announcement dated 1 April 2022. In order to safeguard the best interests of the Group, Nanjing Thumb will appeal to the Court in respect of the Litigation in accordance with the relevant law.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

A. EXECUTIVE DIRECTORS

Mr. Huang Yuhui ("Mr. Huang"), aged 50, has been an executive Director of the Company since 11 January 2021 and was the chairman of the Board, a member and the chairman of the Nomination Committee and an authorised representative of the Company for the purposes of the Listing Rules since 23 June 2021. Mr. Huang graduated from Tsinghua University in 2011 with an Executive Master of Business Administration (EMBA). Mr. Huang obtained his doctor's degree via Finance Doctorate programme of Tsinghua University PBC School of Finance, and is a professorate senior engineer, a senior economist and a national Grade 1 registered constructor.

Mr. Huang has been the party secretary and chairman of Nantong Sanjian Holdings Co., Ltd.* (南通三建控股有限公司)("Nantong Sanjian") and chairman of Jiangsu Nantong Sanjian Construction Group Co., Ltd. since February 2018. Mr. Huang remains a shareholder of Nantong Sanjian, which in turn wholly owns Nantong Sanjian Holding (HK) Co., Limited, and as at 31 December 2021, Nantong Sanjian Holding (HK) Co., Limited was interested in 4,462,317,519 shares of the Company, representing approximately 29.99% of the issued share capital of the Company as at 31 December 2021. Mr. Huang has also been the chairman of Guangdong Jingyi Metal Co., Ltd which is listed on the Shenzhen Stock Exchange (stock code: 002295. SZ). From January 1999 to June 2003, Mr. Huang served as a director and deputy general manager of Haimen Construction and Installation Engineering Company* (海門市建築安裝工程公司，a direct branch of Nantong Sanjian) and a manager of the Beijing direct branch of Nantong Sanjian. From July 2003 to February 2005, he served as a director and deputy general manager of Longxin Construction Group Co., Ltd.* (龍信建設集團有限公司) and a manager of the Beijing direct branch of Nantong Sanjian. From March 2005 to September 2012, he served as a director and deputy general manager of Longxin Construction Group Co., Ltd.* (龍信建設集團有限公司) and the chairman of the ninth branch; meanwhile, he served as the general manager of Longxin Investment Co., Ltd.* (龍信投資有限公司) from May 2010 to October 2012, and the chairman of Nantong Yucheng Construction Co., Ltd.* (南通市裕成建設有限公司) from September 2007 to October 2012. From October 2012 to April 2015, Mr. Huang served as the executive vice chairman, legal representative and president of Jiangsu Nantong Sanjian Construction Group Co., Ltd.* (江蘇南通三建集團有限公司). From April 2015 to April 2016, he served as the chairman of Jiangsu Nantong Sanjian Construction Group Co., Ltd.* (江蘇南通三建集團有限公司). From April 2016 to February 2018, he served as the chairman of Nantong Sanjian and Jiangsu Nantong Sanjian Construction Group Co., Ltd.

Mr. Wang Letian ("Mr. Wang"), aged 49, has been an executive Director of the Company, a member of the nomination committee and remuneration committee of the Board since 9 November 2019 and was the chairman of the Board, chairman of the nomination committee of the Board and an authorised representative of the Company for the purposes of the Listing Rules from 9 November 2019 to 23 June 2021. Mr. Wang obtained a master's degree in business administration from University of Science and Technology Beijing and graduated from China Institute of Finance and Banking (the predecessor of the School of Banking & Finance of University of International Business and Economics) in 1994 with a bachelor's degree in economics.

Mr. Wang joined China Orient Asset Management (International) Holding Limited in June 2018, and currently serves as a co-president, a member of the operating management committee and a member of the investment committee. From November 2016 to June 2018, he served as a member of the Party committee, the secretary of committee for discipline inspection, and the deputy general manager of the Chongqing Branch of China Orient Asset Management Co., Ltd. From September 2016 to November 2016, he served as the deputy general manager of the First Business Management Department of China Orient Asset Management Co., Ltd. From September 2004 to September 2016, he served as the senior director, deputy manager, manager, senior manager, and senior economist of the Asset Operation Department of China Orient Asset Management Co., Ltd. From October 2003 to September 2004, he served as the senior director of the System Management Section of the Debt and Market Development Department of China Orient Asset Management Co., Ltd. From May 2000 to October 2003, he served as the director and senior director of the Asset Operation Department of the Taiyuan Office of China Orient Asset Management Co., Ltd. From July 1994 to May 2000, he worked at the Shanxi Province Branch of Bank of China.

Mr. He Haiyang ("Mr He"), aged 50, has been an executive Director of the Company since 8 April 2020 and was the chief executive officer from 8 April 2020 to 15 January 2021. Mr. He graduated from Tongji University in Shanghai with a bachelor's degree of engineering in 1996.

Mr. He joined China Orient Summit Capital Co., Ltd. (40% of which is directly held by China Orient Asset Management (International) Holding Limited) in March 2014, and currently serves as the director. From July 2013 to February 2014, Mr. He served as the vice president of Faith Capital Management Co., Ltd., he was responsible for domestic investment business in China. From July 2010 to June 2013, Mr. He served as the deputy general manager of Wins (Tianjin) Investment Management Co., Ltd., he was responsible for investment business in Shanghai. From November 2007 to June 2010, Mr. He served as the marketing director of Gemdale Group for North China region, he was responsible for marketing business in North China region. From April 2003 to October 2007, he served as the executive deputy general manager of Gemdale Group Tianjin Branch, and he was responsible for marketing and land development of Gemdale Group Tianjin Branch. From July 1996 to March 2003, he also served as the director of information center of Gemdale Group, he was responsible for information construction.

Ms. Li Zhen ("Ms. Li"), aged 37, has been an executive Director of the Company and a member of the remuneration committee of the Board since 11 January 2021, and was a member of the nomination committee of the Board from 11 January 2021 to 23 June 2021. Ms. Li graduated from Tsinghua University in 2010 with a Master of Law degree.

Ms. Li has been a director of Guangdong Jingyi Metal Co., Limited, a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 002295.SZ), since November 2021. From July 2010 to January 2012, Ms. Li served as a business manager of the investment banking department of Ping An Securities Company Ltd.; from January 2012 to May 2014, she served as a senior business director of the investment banking department of Hua Lin Securities Co., Ltd.* (華林證券有限責任公司); and from June 2014 to December 2018, she successively served as a vice president and a senior vice president of the investment banking department of CSC Financial Co., Ltd., a company whose shares are listed on the Stock Exchange (stock code: 6066.HK); and from October 2018 to November 2021, she served as vice president of Nantong Sanjian Holdings Co., Ltd. (南通三建控股有限公司), meanwhile, she served as a director of Nantong Sanjian Holdings Co., Ltd. (南通三建控股有限公司) from April 2019 to November 2021.

B. NON-EXECUTIVE DIRECTORS

Ms. Wang Zheng ("Ms. Wang"), aged 51, has been a non-executive Director of the Company since 13 October 2017. Ms. Wang graduated from Beijing Institute of Fashion Technology in 1993 with a bachelor's degree in engineering.

Ms. Wang has over 25 years of experience in real estate industry and investment. Prior to this, Ms. Wang served in (冉盛置業發展有限公司) as the executive director, served as the vice general manager and the general manager of the Real Estate Business Department of China Energy and Fuel Company Limited (中能源電力燃料有限公司), and the vice general manager and the investment director of Sanjiu Pan-China Construction & Development Co., Ltd. (三九泛華建設開發有限公司).

Mr. Ma Yun (Harrison) ("Mr. Ma"), aged 40, has been a non-executive director since 23 April 2020. Mr. Ma graduated from Tsinghua University with a master's degree of biomedical engineering in 2006.

Mr. Ma joined Fosun Group in April 2018, and currently serves as the senior vice president of Fosun Hive, and he is responsible for the investment management in the Greater China region. Prior to joining Fosun Group, he served as the deputy general manager for the East China Region of China Resources Land Limited between September 2016 and March 2018, and he was responsible for strategic investment, innovation business, strategic key projects for the East China Region. Between May 2012 and September 2016, he served as the deputy general manager of China Resources Land (Shanghai) Co., Ltd., and he was in charge of strategic investment, operation management and marketing management for Shanghai and Zhejiang regions. From October 2011 to April 2012, he served as the deputy general manager for central & western region of development department of Wanda Group, and he was responsible for regional investment expansion. Between January 2010 and September 2011, he served as the market director and the investment director of China Resources Land (Shandong) Co., Ltd., and he was responsible for preliminary stages of business projects, marketing, and investment management. From July 2006 to December 2009, he served in positions including planning director and deputy marketing manager.

Mr. Wu Junao (Alfred) ("Mr. Wu"), aged 46, has been a non-executive Director of the Company since 23 April 2020. Mr. Wu graduated from Shanghai University with double bachelor's degrees in industrial trade (technology & foreign affairs) and industrial automation in 1999. He is currently studying in the EMBA program of China Europe International Business School.

Mr. Wu has dedicated in the areas in residential/commercial property development, operation, and asset management for over 20 years. He joined Shanghai Forte Land Co., Ltd. in November 2018, and currently serves as the vice president, general manager of asset management department for the Greater China region, and the joint secretary-general for the Greater China region of Fosun Hive, and he is responsible for the asset management in relation to property business of Fosun Group. He served in Shui On Land Limited and its subsidiaries from August 1999 to November 2018. During this period, he served as the general manager of Shanghai Feng Cheng Property Management Co., Ltd. (a wholly-owned subsidiary of Shui On Land) between April 2014 and November 2018, and he was responsible for business and development management of the wholly-owned subsidiaries of Shui On Land. Between November 2010 and March 2014, he served as the general manager for project development of Chongqing Tiandi, and he was responsible for the duties as a general manager of comprehensive industry development of the Chongqing Tiandi area, while he also served as the head of cost division, design division and infrastructure division. From November 2006 to October 2010, he successively served as the project manager and the assistant general manager of Wuhan Tiandi, and he was in charge of the premium residential area development in Wuhan Tiandi.

C. INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Guan Huanfei ("Dr. Guan"), aged 64, has been an independent non-executive Director of the Company, and members of the nomination committee and the audit committee of the Board since 11 January 2021. Dr. Guan obtained a Doctoral degree in Economics from Wuhan University in 2002 and was a postdoctoral researcher in Theoretical Economics with Fudan University from 2000 to 2002. Dr. Guan has been a part-time researcher of the Insurance Research Centre of Fudan University since 2004. He has been a part-time lecturer of professional degree of Fudan University since 2013. Dr. Guan has been a visiting professor of Jilin University of Finance and Economics since August 2018, and was appointed as the honorary chairman of Shenzhen Research Association of Corporate Governance in November 2020. Dr. Guan has been an economic and technical consultant of the People's Government of Jilin Province for several years.

Dr. Guan has extensive experience in finance and insurance industry in Hong Kong and China. He held various senior managerial positions in the People's Insurance Company of China (Jilin Branch), the business department of Hong Kong and Macao Regional Office of China Insurance Group, China Taiping Insurance (HK) Company Limited and China Pacific Insurance Co., (H.K.) Limited. He also held offices at the Bank of Communications, including the deputy chairman of the risk asset management committee, the deputy chairman of credit asset management committee, the chairman of loan verification committee, the deputy general manager of the Bank of Communications Hong Kong Branch, a director of Bank of Communications Trustee Limited, the chairman and chief executive officer of China BOCOM Insurance Company Limited and an executive director and general manager of BoCommLife Insurance Company Limited.

Dr. Guan is currently an independent non-executive director of each of China Nonferrous Mining Corporation Limited (stock code: 1258.HK), China Shandong Hi-Speed Financial Group Limited (stock code: 412.HK), Huarong International Financial Holdings Limited (stock code: 993. HK), Sunwah Kingsway Capital Holdings Limited (stock code: 188.HK), all of which are companies listed on the Main Board of the Stock Exchange.

From June 2020 to May 2021 Dr. Guan served as an executive director and the chairman of the board of director of Enterprise Development Holdings Limited (stock code: 1808.HK). From August 2019 to September 2020, Dr. Guan served as an independent non-executive director of Solis Holdings Limited (stock code: 2227.HK). From December 2017 to June 2018, Dr. Guan served as a non-executive director of Ping An Securities Group (Holdings) Limited (stock code: 231.HK). He was also the chairman emeritus of Culturecom Holdings Limited (stock code: 343. HK) and the chairman of the board of directors of UCAN.COM Group Limited, a subsidiary of Culturecom Holdings Limited, from July 2013 to March 2016. From May 2015 to September 2017, Dr. Guan was an executive director of CCT Land Holdings Limited (currently known as GBA Holdings Limited) (stock code: 261.HK). From March 2008 to January 2011, Dr. Guan was an independent non-executive director of Silver Base Group Holdings Limited (stock code: 886.HK), and subsequently an executive director and the president from January 2011 to December 2012. He was also an independent non-executive director of HongDa Financial Holding Limited (currently known as China Wood International Holding Co., Limited) (stock code: 1822.HK) from June 2018 to May 2020, all of which are companies listed on the Main Board of the Stock Exchange.

Mr. Chen Shuang ("Mr. Chen"), JP, aged 54, has been an independent non-executive Director of the Company, a member and the chairman of the remuneration committee of the Board, and members of the nomination committee and the audit committee of the Board since 11 January 2021. Mr. Chen graduated from the East China University of Political Science and Law in 1989 with a Bachelor of Law degree, and obtained a Master of Law degree in 1992. Mr. Chen holds a Diploma in Legal Studies from the School of Professional and Continuing Education of the University of Hong Kong. He is a qualified lawyer in the People's Republic of China and a senior economist. Mr. Chen has over 29 years of extensive experience in commercial and investment banking.

Mr. Chen is currently the founding and managing partner of APlus Partners Management Co., Limited (formerly known as CIMC Capital International Co., Ltd.), Mr. Chen also serves as an independent Director of China Life Property & Casualty Insurance Company Limited, a non-executive director of Yeebo (International Holdings) Limited, a company whose shares are listed on the Stock Exchange (stock code: 259.HK), and an independent director of Guotai Asset Management Co., Ltd. Previously Mr. Chen was the chief executive officer and president of CIMC Capital (Holdings) Company Limited and also the chairman and president of CIMC Capital International Co., Ltd. from November 2019 to June 2020; an executive director and deputy general manager of China Everbright Holdings Co., Ltd. from April 2013 to September 2019; an executive director, the chief executive officer and the chairman of the management decision committee of China Everbright Limited, a company whose shares are listed on the Stock Exchange (stock code: 165.HK) from May 2007, until his resignation in May 2019; an executive director and the chairman of China Aircraft Leasing Group Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 1848. HK) until his resignation in May 2019; and the chairman and a non-executive director of Kinergy Corporation Ltd., a company whose shares are listed on the Stock Exchange (stock code: 3302.HK), until his resignation in November 2019. Mr. Chen was also the chairman of Everbright Jiabao Co., Ltd., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600622.SH), until his resignation in June 2019.

Mr. Chen is currently a member of Hong Kong-Japan Business Co-operation Committee, a non-official member of the Governance Committee of "Hong Kong Growth Portfolio", a member of the board of directors of Hong Kong Science and Technology Parks Corporation, a member of the Exchange Fund Advisory Committee's Financial Infrastructure and Market Development Sub-committee of the Hong Kong Monetary Authority, the permanent honorary chairman of Hua Jing Society, a member of the Mainland Business Advisory Committee of the Hong Kong Trade Development Council, the permanent honorary chairman of Chinese Financial Association of Hong Kong, the founding chairman of Hong Kong Aircraft Leasing and Aviation Finance Association, a visiting professor of East China University of Political Science and Law, the vice chairman of China Mergers and Acquisitions Association, a strategy committee member of France China Foundation, and a director of Chinese Foundation for Lifeline Express. Previously, Mr. Chen was a counsellor of Our Hong Kong Foundation, a non-official member of the Financial Services Development Council of the Hong Kong Special Administrative Region,and the vice-chairman of Chinese Securities Association of Hong Kong.

Mr. Cao Hailiang ("Mr. Cao"), aged 49, has been an independent non-executive Director of the Company, and members of the nomination committee, the remuneration committee and the Audit Committee of the Board since 11 January 2021. Mr. Cao graduated from Jiangsu University in China with a bachelor's degree.

Mr. Cao founded Beijing Yuanbo Shiye Enterprise Management Consulting Company* (北京遠博仕業企業管理顧問公司) in 1999, and has been the chairman and chief consultant since then. Mr. Cao has been a visiting professor at Peking University HSBC Business School and School of Economics and Management, Peking University since 2000 and a visiting professor at School of Continuing Education, Tsinghua University since 2001. He is also a visiting professor at Wuhan University, Xiamen University, Tongji University and Sun Yat-sen University. Mr. Cao also served as the executive director of the Industrial Park (Real Estate) Research Centre of Research Institute of Machinery Industry Economic & Management* (機械工業經濟管理研究院產業園區(地產)研究中心) of China from 2018 to 2020.

Dr. Lin Xinzhu ("Dr. Lin"), aged 42, has been an independent non-executive Director of the Company, and a member of the audit committee of the Board since 11 January 2021. Dr. Lin graduated from Beijing University of Chemical Technology with a bachelor's degree in polymer materials and engineering in 2002, from Cass Business School of City, University of London, U.K. with a master's degree in investment management in 2004, and from Tsinghua University with a PhD degree in management in 2009.

Dr. Lin served as a manager of the corporate management department of Harvest Fund Management Co., Ltd. from December 2003 to May 2005; a PhD intern of Global Manufacturing Services (GMS) of World Bank International Finance Corporation (IFC) from January 2007 to December 2007; product head of business development department of BNY Mellon Asset Management Company* (紐銀梅隆資產管理公司) from May 2009 to November 2012; an associate director of product development department of MANULIFE TEDA Fund from November 2012 to May 2014; an associate director of planning and development department of Morgan Stanley Huaxin Fund Management Co., Ltd. from May 2014 to May 2016 and a product director of preparatory group of Minsheng Fund Management Co., Ltd. (民生基金管理有限公司) from June 2016 to October 2017. Dr. Lin also served as a director of product development of Haitong International Asset Management (HK) Limited from April 2018 to December 2019.

Mr. Wang Yuzhou ("Mr. Wang"), aged 42, has been an independent non-executive Director of the Company, a member and the chairman of the audit committee of the Board and a member of the remuneration committee of the Board since 30 September 2021. He obtained a bachelor degree in economics from Fudan University in 2003. Mr. Wang has been a member of (i) The Chinese Institute of Certified Public Accountants since December 2012; (ii) The Association of Chartered Certified Accountants since May 2013; (iii) The China Certified Tax Agents Association since April 2015; and (iv) The Chinese Institute of Certified Public Accountants since December 2019 (non-practicing member). He also (i) obtained the qualification of registered tax agent issued by the State Administration of Taxation of the People's Republic of China in June 2014; and (ii) was awarded the professional designation of certified internal auditor by The Institute of Internal Auditors since November 2013.

Mr. Wang was an audit manager in the Shanghai office of Deloitte Touche Tohmatsu Limited from 2005 to 2010. He then joined China Zenix Auto International Limited (the shares of which are listed on the New York stock exchange, stock code: ZX.US) as a vice president of the finance department until 2014. He was then a vice president of Sanpower Group Co., Limited, a multinational conglomerate headquartered in China, and a director and chairman of the audit committee of Natali Seculife Holdings Ltd from 2014 to 2018. Mr. Wang has been a vice president of the international finance department of Nanjing Xinjiekou Department Store Co., Limited (the shares of which are listed on the Shanghai stock exchange, stock code: 600682. SH) and a director and chairman of the audit committee of Dendreon Pharmaceuticals LLC since 2019. Mr. Wang also served as an independent non-executive director and chairman of each of the audit committee and the remuneration committee and a member of the nomination committee of China Smarter Energy Group Holdings Limited (the shares of which are listed on the Stock Exchange, stock code: 1004.HK) from 30 June 2020 to 25 April 2021.

D. CHIEF EXECUTIVE OFFICER

Mr. Zhang Zelin ("Mr. Zhang"), aged 48, has been the Chief Executive Officer of the Company since 15 January 2021. Mr Zhang graduated from Harbin Institute of Technology with a bachelor's degree in industrial and civil construction in June 1996 and obtained a master's degree in business administration from Nankai University in 2010.

Mr. Zhang has been a manager of the human resources, marketing and investment department of the Shanghai branch, the deputy general manager of the Nanjing branch, the deputy general manager of the Shenzhen branch and the general manager of the Hohhot branch of China Overseas Land & Investment Limited. Mr. Zhang was the general manager of the Shanghai branch of Longfor Properties Co. Ltd in March 2013. He was the executive vice president and co-president of Sincere Yuanchuang Industrial Co., Ltd.*（重慶協信遠創實業有限公司）in May 2017. Mr. He joined the real estate department of Nantong Sanjian Holdings Co. Ltd*（南通三建控股有限公司）in October 2020 and currently serves as its president.

E. COMPANY SECRETARY

Mr. Lau Yin Fung Terence ("Mr. Lau"), aged 41, has been appointed as the company secretary of the Company with effect from 1 May 2021. He is a practising solicitor in Hong Kong working at Stevenson, Wong & Co., a legal adviser to the Company as to Hong Kong laws, in the field of commercial and corporate finance. Mr. Lau graduated from King's College London with a Bachelor of Laws.

REPORT OF THE DIRECTORS

The directors of the Company (the "**Directors**") have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries are principally engaging in property development business, property investments, property management and agency services and operations of hotel business.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2021, an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development, a description of the principal risks and uncertainties that the Group may be facing and the particulars of important events affecting the Group that have occurred since the end of the financial year are contained in the sections (which form part of this report) headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report.

The Company's environmental policies and performances, a discussion on the Company's compliance with the relevant laws and regulations that have a significant impact on the Group and the Company's relationship with its employees, customers and suppliers are covered by a separate "Environmental, Social and Governance Report" which will be available on the Group's website under "Investor Relations" section and the website of the Stock Exchange on or around the end of May 2022 and form part of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 55 to 169. The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2021.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 170.

SHARE CAPITAL

Details of movement in the share capital of the Company during the year ended 31 December 2021 are set out in note 29(a) to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity and note 35(a) to the financial statements respectively.

REPORT OF THE DIRECTORS

SUBSIDIARIES

Particulars of the Group's principal subsidiaries are set out in note 17 to the consolidated financial statements.

CHARITABLE DONATION

Total donations contributed by the Group for charitable and other purposes in year under review amounted to approximately HK$18,000.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company does not have reserves available for distribution to shareholders as at 31 December 2021.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year 2021 are set out in note 15 and note 16 to the consolidated financial statements respectively.

PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD-FOR-SALE

Details of properties under development and for sales of the Group for the year ended 31 December 2021 are set out on page 143 of the annual report.

DIRECTORS

The Directors during the year ended 31 December 2021 and up to the date of this report were as follows:

Executive Directors

Mr. Huang Yuhui *(Chairman)* (appointed on 11 January 2021)
Mr. Wang Letian
Mr. He Haiyang
Ms. Li Zhen (appointed on 11 January 2021)
Mr. Qin Renzhong (resigned on 11 January 2021)
Mr. Tang Jian (resigned on 11 January 2021 due to restructuring of the Board)

Non-executive Directors

Ms. Wang Zheng
Mr. Ma Yun
Mr. Wu Junao

Independent non-executive Directors

Dr. Guan Huanfei (appointed on 11 January 2021)
Mr. Chen Shuang, *JP* (appointed on 11 January 2021)
Mr. Cao Hailiang (appointed on 11 January 2021)
Dr. Lin Xinzhu (appointed on 11 January 2021)
Mr. Wang Yuzhou (appointed on 30 September 2021)
Mr. Chu Chi Wen (appointed on 11 January 2021 and resigned on 30 September 2021)
Dr. Xu Changsheng (resigned on 11 January 2021 due to restructuring of the Board)
Mr. Ng Man Kung (resigned on 11 January 2021 due to restructuring of the Board)
Mr. How Sze Ming (resigned on 11 January 2021 due to restructuring of the Board)
Dr. Di Ruipeng (resigned on 11 January 2021 due to restructuring of the Board)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OR DEBENTURES

As at 31 December 2021, none of the directors and chief executive's of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the"**Listing Rules**").

SHARE OPTIONS

The Company adopted a share option scheme on 26 June 2012 and is valid for a period of 10 years from July 2012 (the "**Scheme**"), for the primary purpose of providing incentives to directors and eligible persons. Under the Scheme, the Company may grant options to eligible persons, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. As at 31 December 2021, no share option has been granted or awarded or agreed to be granted or awarded to any person under the scheme.

CHANGES OF INFORMATION IN RESPECT OF DIRECTORS

There was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules since the date of the 2021 interim report of the Company except as stipulated below:

With effect from 1 January 2022, the annual emolument of:

(i) Executive Directors Li Zhen and He Haiyang have been adjusted to RMB630,000 per year;

(ii) Non-executive Directors Wang Zheng, Ma Yun and Wu Junao have been adjusted to RMB200,000 per year;

(iii) Chief Executive Officer Zhang Zelin has been adjusted to RMB960,000 per year.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS AND EMOLUMENTS

No Director retiring and eligible for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' emoluments are determined by mutual agreement and prevailing market practice as well as his contribution to the Group.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of the Directors' and senior management's emoluments are set out in note 10 and 36 to the financial statements. The Group's general policy on remuneration is to maintain fair and competitive packages based on industry practice and market conditions. The following factors are considered when determining the remuneration packages of executive Directors:

- Business needs;
- The Group's results and performance;
- Appraisal of individual contributions to results of the Group;
- Changes in market conditions such as demand and supply.

PERMITTED INDEMNITY AND DIRECTORS' LIABILITY INSURANCE

Pursuant to the bye-laws of the Company and subject to the provisions of the Companies Act 1981 of Bermuda, the Directors, company secretary and other officers and every auditor of the Company shall, among other things, be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they 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 respectively offices or trusts, provided that this indemnity shall not extend to any matter in respect of any wilful negligence, wilful default, fraud, or dishonesty which may attach to any of said persons.

The Company has arranged for appropriate insurance cover in respect of possible legal actions against its Directors and officers. The scope of coverage of the insurance is subject to review annually.

MANAGEMENT CONTRACT

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2021 was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the Directors nor the chief executive, nor any of 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.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the related party transactions set out in note 31 to the financial statements, no contracts of significance to which the Company, its holding company or any of its subsidiaries, was a party and in which a Director or an entity connected with a director had a material interest or to which a controlling shareholder of the Company or any of its subsidiaries is a party, whether directly or indirectly, subsisted at the end of the year ended 31 December 2021 or any time during the year ended 31 December 2021.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year ended 31 December 2021, the Group entered into certain related party transactions which may also constitute connected transactions under the "Listing Rules. Details of these transactions are set out below and in note 31 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2021, none of the Directors had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Company and/or its subsidiaries and which is required to be disclosed pursuant to the Listing Rules.

PERSONS HAVING 5% OR MORE INTERESTS

As at 31 December 2021, the interests or short positions of the persons, other than a director or chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Nature of interests	Number of shares interested as at 31 December 2021	Approximate percentage of the issued share capital as at 31 December 2021
Nantong Sanjian Holding (HK) Co., Limited *(Note 1)*	Beneficial owner	4,462,317,519 (L)	29.99%
Nantong Sanjian Holdings Co., Ltd.* (南通三建控股有限公司) *(Note 1)*	Interest in controlled corporation	4,462,317,519 (L)	29.99%
Smart Success Capital Ltd. *(Note 2)*	Beneficial owner	2,703,248,481 (L)	18.17%
Cheer Link Global Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
COS Greater China Special Situations Fund, L.P. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Summit Capital SSF GP Co. Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Summit Capital International Co. Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Asset Management (International) Holding Limited ("COAMI") *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
	Person having a security interest	2,678,283,273 (L)	18.00%
		5,381,531,754 (L)	36.17%
Wise Leader Assets Ltd. *(Note 2)*	Interest in controlled corporation	5,381,531,754 (L)	36.17%

Name	Nature of interests	Number of shares interested as at 31 December 2021	Approximate percentage of the issued share capital as at 31 December 2021
Dong Yin Development (Holdings) Limited *(Note 2)*	Interest in controlled corporation	5,381,531,754 (L)	36.17%
China Orient Asset Management Co., Ltd. ("COAMC") *(Note 2)*	Interest in controlled corporation	5,381,531,754 (L)	36.17%
China Alliance Properties Limited *(Note 3)*	Beneficial owner	2,255,335,000 (L)	15.16%
Shanghai Forte Land Co., Ltd *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Shanghai Fosun Industrial Investment Co., Ltd *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Shanghai Fosun High Technology (Group) Co., Ltd *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun International Limited *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun Holdings Limited *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun International Holdings Ltd. *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Guo Guangchang *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%

(L) denotes long position

Notes:

1. As at 31 December 2021, Nantong Sanjian Holding (HK) Co., Limited was 100% controlled by Nantong Sanjian Holdings Co., Ltd.* (南通三建控股有限公司).

2. As at 31 December 2021, COAMC had 100% control of Dong Yin Development (Holdings) Limited, which in turn had 100% control of Wise Leader Assets Ltd.; Wise Leader Assets Ltd. and Dong Yin Development (Holdings) Limited each had 50% control of COAMI; COAMI had 40% control of China Orient Summit Capital International Co. Ltd., which in turn had 100% control of China Orient Summit Capital SSF GP Co. Ltd.. China Orient Summit Capital SSF GP Co. Ltd. was the only general partner of COS Greater China Special Situations Fund, L.P.. COS Greater China Special Situations Fund L.P. had 100% control of Cheer Link Global Ltd., which in turn had 100% control of the Smart Success Capital Ltd.. COAMI entered into a security deed with Nantong Sanjian Holding (HK) Co., Limited, pursuant to which COAMI obtained security interests in 2,678,283,273 shares of the Company.

3. As at 31 December 2021, Mr. Guo Guangchang had 85.29% control of Fosun International Holdings Ltd., which had 100% control of Fosun Holdings Limited, which had 72.14% control of Fosun International Limited, which had 100% control of Shanghai Fosun High Technology (Group) Co., Ltd., which had 100% control of Shanghai Fosun Industrial Investment Co., Ltd., which had approximately 99.71% control of Shanghai Forte Land Co., Ltd., which has 100% control of China Alliance Properties Limited.

Save as disclosed above, as at 31 December 2021, no persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of Bermuda.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, the Group's sales to the five largest customers accounted for 21.90% of the Group's turnover for the year, of which the largest customer accounted for 6.40% of the Group's turnover for the year. During the year ended 31 December 2021, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 10.62% and 29.20% respectively, of the Group's total purchases for the year. None of the Directors, their associates or any shareholders of the Company which to the knowledge of the Directors, own more than 5% of the Company's share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

CHANGE OF AUDITOR

The former auditors of the Company, PricewaterhouseCoopers, were not re-appointed at the AGM held on 30 June 2021 as the Company and PricewaterhouseCoopers could not reach a consensus on the audit fee for the financial year ending 31 December 2021. The Company appointed PKF Hong Kong Limited as its auditors in June 2021. The consolidated financial statements for the year ended 31 December 2021 have been audited by PKF Hong Kong Limited.

Save as disclosed above, there were no other changes in auditors of the Company during the past three years.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered that the independent non-executive Directors to be independent.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. Our Audit Committee is delegated by the Board to review of the effectiveness of the system of internal control in respect of, among other things, compliance controls function of the Group. External compliance and legal advisers are engaged to ensure transactions and business performed by the Group are within the applicable law framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group that was in place throughout the year and up to the date of this report, is adequate to meet the needs of the Group in its current business.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on information that in publicly available to the Company and within the knowledge of the Directors, during the year and up to the date of this annual report, there was sufficient public float for the Shares.

On behalf of the Board
Mr. Huang Yuhui
Chairman
29 March 2022

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the shareholders and enhance the performance of the Group. The board of Directors (the "**Board**") will review and improve the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective Board to optimise return for shareholders.

The Company has applied the corporate governance code as set out in Appendix 14 to the Listing Rules as amended and revised from time to time (the "**CG Code**"). For the year under review, the Directors are of the opinion that the Company has met the code provisions in the CG Code during the year except the deviations as stipulated below.

Under the code provision E1.2 of the CG Code[note], the chairman of the Board should attend the AGM. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. Due to the new coronavirus pandemic and in light of the regulations introduced by the government in Hong Kong, neither the chairman of the audit committee nor his representative attended the AGM. The auditors of the Company were also in attendance at the AGM.

Note: A new CG Code came into effect on 1 January 2022. As the period under review in this report is for the year ended 31 December 2021, the CG Code described in this report is the CG Code in effect during the year ended 31 December 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiry of all Directors, the Directors had complied with the required standard set out in the Model Code during the year ended 31 December 2021.

The composition of the Board for the year ended 31 December 2021 and up to the latest practicable date for the purposes of the information in this annual report (i.e. 22 April 2022) was as follows:

Executive Directors

Mr. Huang Yuhui *(Chairman)* (appointed on 11 January 2021)
Mr. Wang Letian
Mr. He Haiyang
Ms. Li Zhen (appointed on 11 January 2021)
Mr. Qin Renzhong (resigned on 11 January 2021)
Mr. Tang Jian (resigned on 11 January 2021)

Non-executive Directors

Ms. Wang Zheng
Mr. Ma Yun
Mr. Wu Junao

Independent non-executive Directors

Dr. Guan Huanfei (appointed on 11 January 2021)
Mr. Chen Shuang, *JP* (appointed on 11 January 2021)
Mr. Cao Hailiang (appointed on 11 January 2021)
Dr. Lin Xinzhu (appointed on 11 January 2021)
Mr. Wang Yuzhou (appointed on 30 September 2021)
Mr. Chu Chi Wen (appointed on 11 January 2021 and resigned on 30 September 2021)
Dr. Xu Changsheng (resigned on 11 January 2021)
Mr. Ng Man Kung (resigned on 11 January 2021)
Mr. How Sze Ming (resigned on 11 January 2021)
Dr. Di Ruipeng (resigned on 11 January 2021)

The term of appointment of non-executive Directors is 2 years.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

During the year under review, the Board is responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the directors and senior management;
- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the corporate governance report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

	Number of meetings attended/ total number of meetings				
Name of directors	Board Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Audit Committee Meeting	Annual General Meeting
Mr. Huang Yuhui *(Chairman) (Note 1)*	8/8	–	1/1	–	1/1
Mr. Wang Letian	8/9	3/3	4/4	–	0/1
Mr. He Haiyang	9/9	–	–	–	0/1
Ms. Li Zhen *(Note 1)*	6/8	2/2	2/2	–	1/1
Mr. Qin Renzhong *(Note 2)*	1/1	–	–	–	–
Mr. Tang Jian *(Note 2)*	1/1	–	–	–	–
Ms. Wang Zheng	9/9	–	–	–	0/1
Mr. Ma Yun	9/9	–	–	–	0/1
Mr. Wu Junao	9/9	–	–	–	0/1
Dr. Guan Huanfei *(note 1)*	8/8	–	3/3	5/5	0/1
Mr. Chen Shuang, JP *(note 1)*	7/8	2/2	3/3	4/5	0/1
Mr. Cao Hailiang *(note 1)*	8/8	2/2	3/3	5/5	0/1
Dr. Lin Xinzhu *(note 1)*	8/8	–	–	5/5	0/1
Mr. Wang Yuzhou *(note 3)*	–	–	–	–	–
Mr. Chu Chi Wen *(note 1, 4)*	8/8	2/2	–	5/5	0/1
Dr. Xu Changsheng *(Note 2)*	1/1	1/1	1/1	–	–
Mr. Ng Man Kung *(Note 2)*	1/1	1/1	1/1	–	–
Mr. How Sze Ming *(Note 2)*	1/1	1/1	–	–	–
Dr. Di Ruipeng *(Note 2)*	0/1	0/1	0/1	–	–

Note 1: appointed on 11 January 2021
Note 2: resigned on 11 January 2021
Note 3: appointed on 30 September 2021
Note 4: resigned on 30 September 2021

CORPORATE GOVERNANCE REPORT

The Board was responsible for making overall strategic decisions, financial matters and equity related transactions such as acquisitions. The management will handle and execute the decisions made by the Board and oversee the day-to-day management of the Group under the supervision of the chief executive officer of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman of the Board is Mr. Huang Yuhui since 23 June 2021 (was Mr. Wang Letian from 9 November 2019 to 23 June 2021) and the chief executive officer of the Company is Mr. Zhang Zelin since 15 January 2021 (was Mr. He Haiyang from 8 April 2020 to 15 January 2021). The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual. The chairman was responsible for overseeing the management of the Board whereas the chief executive officer was responsible for overseeing the day-to-day management of the Group's business and the implementation of the policies decided by the Board.

DIRECTORS' TRAINING

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Directors and senior management staff attended various training in the form of seminar and reading materials. According to the records provided by the Directors, they received relevant training in 2021.

REMUNERATION COMMITTEE

Members of the Remuneration Committee are as follows:

Independent non-executive Directors:	Mr. Chen Shuang *(Chairman) (Note 1)* Mr. Cao Hailiang *(Note 1)* Mr. Wang Yuzhou *(Note 2)* Mr. Chu Chi Wen *(Note 3)* Mr. Ng Man Kung *(Note 4)* Dr. Xu Changsheng *(Note 4)* Mr. How Sze Ming *(Note 4)* Dr. Di Ruipeng *(Note 4)*
Executive Directors:	Mr. Wang Leitan Ms. Li Zhen *(Note 1)*

Note 1: appointed on 11 January 2021
Note 2: appointed on 30 September 2021
Note 3: appointed on 11 January 2021 and resigned on 30 September 2021
Note 4: resigned on 11 January 2021

The Remuneration Committee is responsible for making recommendations on the Company's policy and structure on the remuneration of all Directors and senior management of the Company for approval by the Board, assessing performance of executive Directors and approving the terms of executive Directors' service contracts. During the year, the Remuneration Committee met for 3 times to discuss and review, inter alia, the remuneration policy for Directors and senior management of the Company, to make the recommendations for the directors and senior management's remuneration. The attendance records of each Director are set out in the section "Attendance Record of Directors and Committee Members".

NOMINATION COMMITTEE

Members of the Nomination Committee are as follows:

Independent non-executive Directors:	Dr. Guan Huanfei *(Note 1)* Mr. Chen Shuang *(Note 1)* Mr. Cao Hailiang *(Note 1)* Dr. Xu Changsheng *(Note 2)* Mr. Ng Man Kung *(Note 2)* Dr. Di Ruipeng *(Note 2)*
Executive Directors:	Mr. Huang Yuhui *(Chairman) (Note 3)* Mr. Wang Leitan Ms. Li Zhen *(Note 4)*

Note 1: appointed on 11 January 2021
Note 2: resigned on 11 January 2021
Note 3: appointed on 23 June 2021
Note 4: appointed on 11 January 2021 and resigned on 23 June 2021

The Nomination Committee was established in March 2012 with specific terms of reference in accordance with the CG Code. The Nomination Committee is responsible to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and assess the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. The Nomination Committee is also responsible for reviewing the board diversity policy (the "**Board Diversity Policy**") of the Company regularly (including any measurable objectives that the Board has set for implementing the Board Diversity Policy and the progress on achieving those objectives). The Board Diversity Policy sets out a clear objective and provides that the Company should endeavour to ensure that its Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective. During the year under review, 4 meetings were held to make recommendation to the board of directors of the Company. The attendance records of each Director are set out in the section "Attendance Record of Directors and Committee Members".

In order to achieve the purpose of the diversity of the Board, the Nomination Committee has following selection criteria for Directors:

– to select candidates with objective criteria, taking into account comprehensive factors like the gender, age, culture, educational background as well as professional experience of the Board members;

– to select candidates for Directors according to the business characteristics and future development needs of the Company.

During the reporting period, members of the Nomination Committee had studied the nomination standards and procedures for the Directors and senior management of the Company.

AUDIT COMMITTEE

Members of the Audit Committee are as follows:

Independent non-executive Directors:	Mr. Wang Yuzhou *(Chairman) (Note 1)*
	Dr. Guan Huanfei *(Note 2)*
	Mr. Chen Shuang *(Note 2)*
	Mr. Cao Hailiang *(Note 2)*
	Dr. Lin Xinzhu *(Note 2)*
	Mr. Chu Chi Wen *(Note 3)*
	Mr. How Sze Ming *(Note 4)*
	Dr. Xu Changsheng *(Note 4)*
	Mr. Ng Man Kung *(Note 4)*
	Dr. Di Ruipeng *(Note 4)*

Note 1: appointed on 30 September 2021
Note 2: appointed on 11 January 2021
Note 3: appointed on 11 January 2021 and resigned on 30 September 2021
Note 4: resigned on 11 January 2021

The Audit Committee's duties were, among others, to review adequacy of the Company's policies and procedures regarding internal controls and risk management systems, to review the relationship between the Company and its auditors and to review the Group's financial statements. During the year ended 31 December 2021, the Audit Committee held 5 meetings. The attendance records of each Director are set out in the section "Attendance Record of Directors and Committee Members". During the aforesaid meetings, members of the Audit Committee reviewed the financial statements of the Group for the year ended 31 December 2020 and for the six months ended 30 June 2021 and the accounting principles and practices adopted by the Group. The Audit Committee has reviewed the auditor's independence and objectivity and the effectiveness of the auditor's audit process. The Audit Committee also conducted its annual review of the adequacy and effectiveness of the Company's risk management and internal control systems and external audit and internal audit function. The Company's annual results for the year ended 31 December 2021 has been reviewed by the Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is their responsibilities to ensure that the Group has established and maintained adequate and effective risk management and internal control systems. 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.

The Board is responsible for evaluating and determining the nature and extent of risks it is willing to take in achieving the strategic objectives; ensuring establishment and maintenance of effective risk management and internal control systems; and overseeing management in the design, implementation and monitoring of the risk management and internal control systems.

The Board delegates its responsibilities to the Audit Committee to review the practices of management with respect to risk management and internal control, including the design, implementation and supervision of the risk management and internal control systems, on a annually basis. The Audit Committee also reviews the effectiveness of the risk management and internal control systems on an annual basis.

Risk Management

Main Features of the Risk Management System

The risk management system of the Group consists of the following elements: strategy, risk governance structure, roles and responsibilities of each level of management, policies and procedures and risk management process.

The roles and responsibilities of all level of management in the risk governance structure

The Board:
- Ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems, and review their effectiveness at least once a year; Oversee management in the design, implementation and monitoring of the risk management and internal control systems.

Risk management Team:
- The Risk Management Team facilitates and supports business units in carrying out risk management procedures;
- Periodically reports the risk assessment results to the Board;
- Provide recommendations to enhance the control measure to mitigate the key risks;
- Promote the risk management culture.

Business Unit/functional management:
- Identify, evaluate and manage the risks that may potentially impact the major processes of the operations;
- Monitor risks and take measures to mitigate risks.

Process Used to Identify, Evaluate and Manage Significant Risks

A robust risk management process is developed to identify, evaluate and manage significant risks. The risk management procedures include the following 3 steps:

Step 1: Risk identification – Identify the risks at the Company level and its subsidiary level.

Step 2: Risk analysis – Analyze the identified risks from two dimensions: potential impact and likelihood of occurrence; prioritize key risks and confirm top risks. Select an appropriate risk strategies for the identified risks and develop the relevant risk response and control measures to mitigate the key risks.

Step 3: Risk reporting – Consolidate the risk assessment results and report the results to the Audit Committee and the Board.

Internal Control

Main Features of the Internal Control System

The Group has established internal control system by referencing to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework. This internal control system consists of 17 principles and 5 key elements, e.g. control environment, risk assessment, control activities, information and communication, and monitoring.

Internal Audit Department

The Group has established internal audit department. The internal audit department conducts internal audits in accordance with a risk-based annual audit plan. The internal audit reports, along with the key audit findings prepared by the internal audit department, were reported to the Audit Committee and the Board on a regular basis. Management are obligated to address internal control deficiencies and the relevant recommendations proposed by the internal audit department in a timely manner to enhance the Group's internal control system stay effective.

Price Sensitive Information ("PSI") and Inside Information

The Group has put in place internal procedures for the handling of PSI and inside information in accordance with the Listing Rules as follows:

(1) Designated officers and employees of the Group are responsible for monitoring business developments and events of the Group for PSI and inside information to ensure that any potential PSI and inside information is promptly identified.

(2) Any potential PSI and inside information identified is promptly reported to the company secretary of the Company who will assess, following the consultation with external financial or legal adviser if necessary or appropriate, whether the relevant information should be treated as PSI and/or inside information and whether an announcement is required or, where necessary, refer the matter to the Board for its decision.

(3) Records of any meeting and discussion concerning the evaluation of whether certain information constitutes PSI or inside information will be maintained.

(4) Relevant officers and members are frequently reminded of the need to comply with the confidentiality requirements before PSI and/or inside information is disclosed to the public and to ensure that appropriate non-disclosure agreements are put in place before the Group enters into significant negotiations or transactions.

(5) If certain information is determined to be PSI and/or inside information, it will first be disclosed by way of an announcement on the website of the Stock Exchange before it is released in other channels.

Reviews on Risk Management and Internal Control Systems

The Board, through the Audit Committee, has annually reviewed the effectiveness of the Group's risk management and internal control systems by conducting a series of reviews, including management's assessment over internal control system and the internal audits conducted by internal audit department. The Board therefore considers that the Group's risk management and internal control systems are generally effective as at 31 December 2021, despite identifying certain areas for improvement.

The board has also reviewed the adequacy of resources, including staff qualifications and experience, training programmes and budget of its accounting, internal audit and financial reporting functions, and are satisfied with the results.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group contained herein. The reporting responsibilities of PKF Hong Kong Limited, the auditor of the Company, are stated in the auditor's report on pages 51 to 54 of this report. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

GOING CONCERN

Responses from the Directors regarding the disclaimer of opinion set out in the Independent Auditor's Report for the year ended 31 December 2021

Pursuant to code provision C 1.3 of the CG Code, the Directors acknowledge their responsibilities for preparing the financial statements, which give a true and fair view of the Group. The Directors are aware that as disclosed in note 2.1 to the consolidated financial statements in this annual report, material uncertainties exist which cast significant doubt on the Group's ability to continue as a going concern.

After taking into account of the Group's cash flow projections covering a period of twelve months from the end of the reporting period of the year ended 31 December 2021 prepared by the management, and assuming the success of the measures to mitigate the liquidity pressure and to improve financial position, the Directors consider the Group would be able to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the Directors consider the use of going concern assumption in the preparation of the consolidated financial statements of the Group is appropriate. However, as stated in the Independent Auditor's Report, the Auditor was unable to obtain sufficient supporting bases to assess the appropriateness and reasonableness of the use of the going concern assumption and thus unable to form an opinion of the basis. Although the management explained the situation to the Auditor, it is difficult for the management to provide such supporting evidences that the Auditor considers sufficient at this stage,

The Company has been actively tackling the challenges from all aspects

The Directors considered that although the Group is facing various challenges, including loss on operation, breach of covenants of bank borrowings, litigations and others, the Directors and the management have been actively tackling these problems. Such efforts include, without limitation:

(a) the Group will continue its ongoing efforts to convince the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings not to take any actions against the Group for immediate payment of the principals and interest payables of these borrowings. Based on latest communications with these lenders, there is no indication that these parties have any current intention to take further action against the Group to demand immediate payment. Also, the Group will endeavor to negotiate with the Financial Institution for a mutually acceptable resolution over the Nanjing Defaulted Borrowing and to withdraw the Order from the Court;

(b) the Group has been actively negotiating with certain financial institutions and identifying various options for restructuring the Group's existing borrowings (including the repayment and extension of the Defaulted Borrowings and Cross– Defaulted Borrowings), and financing the continuing construction of properties under development;

(c) the Group is also seeking for the potential investors who are interested in co-development or purchase of the Group's projects; and

(d) the Group will also continue to take active measures to control administrative costs and contain capital expenditures; and to seek other alternative financing to fund the settlement of its existing financial obligations and future operating expenditure.

Taking into account the above situation, the Directors consider that the Group has sufficient financial resources to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2021.

Views of the Audit Committee and the Directors

The Audit Committee has reviewed and agreed with the views and concerns of the independent auditor with respect to the disclaimer opinion issued in relation to the consolidated financial statements of the Group for the year ended 31 December 2021. The Audit Committee noted that the Board has undertaken or in the progress of implementing measures to improve the Group's liquidity and financial position. The Audit Committee has reviewed and agreed with the Board's position and has discussed with the independent auditor.

AUDITOR'S REMUNERATION

As regards annual audit service provided to the Company, the remuneration of HK$2,680,000 made to the auditors was assessed according to the complexity, time required and prevailing market conditions. During the year ended 31 December 2021, the Group had engaged its auditor to provide non-audit services of which the fees were HK$610,000.

DIVIDEND POLICY

Any declaration of dividends will depend upon a number of factors including our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our shareholders. There is no assurance that dividends of any amount will be declared or distributed in any given year.

COMPANY SECRETARY

All Directors are entitled to the company secretary's services. The company secretary reports and notifies the Board the latest information on corporate governance and oversight on a regular basis, assists the Chairman in preparation of the agenda, prepares and dispatches meeting documents in a timely and comprehensive manner so as to ensure the efficiency and validity of the Board Meeting.

The company secretary assists in preparing and keeping written resolutions and/or minutes of the meeting of the Board and the Board committees together with relevant documents. All matters under consideration including any enquiry and objection by Director will be detailed in the minutes. Within a reasonable time frame upon closing a meeting, draft minutes will be despatched to all Directors for their comment and the final written resolution and minutes will be sent to Directors for their records.

According to Rule 3.29 of the Listing Rules, the company secretary had taken no less than 15 hours of relevant professional training during the year.

With effect from 1 May 2021, Mr. Lau Yin Fung Terence of Stevenson, Wong & Co., an external service provider, has been appointed by the Company as the company secretary. His primary contact person at the Company is Ms. Li Zhen (an executive Director of the Company).

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The Company shall, for the purpose to keep its shareholders duly informed of their rights, publish from time to time the updated bye-laws of the Company in a consolidated form on the Company's website and the Stock Exchange's website.

The Group establishes communications with shareholders through the publication of announcements, notices, and circulars, interim and annual reports and in the Company's website.

According to the bye-laws of the Company, 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 to vote at general meetings of the Company, can by written requisition to the Board or the company secretary to request to convene a special general meeting for the transaction of any business specified in such requisition. Any general meeting at which the passing of a special resolution is to be considered shall be called by not less than 21 clear days' notice, whilst others may be called by not less than 14 clear days' notice. The chairman of any general meetings ensures that the shareholders are informed of the procedure for demanding a poll by way of explaining the same during the general meetings. The chairman of general meetings also ensures compliance with the requirements about voting by poll contained in the Listing Rules and the bye-laws of the Company.

Shareholders may put forward proposals to be considered at general meetings of the Company by convening a special general meeting under the procedure set out above.

In order to maintain an on-going dialogue with shareholders, shareholders are encouraged to attend annual general meeting of the Company at which Board members and Board committees are available to answer questions related to the Group's business. Shareholders, investors and the media may also contact the Company via email at the email address of the Company at INFO@zhengdaglobal.com.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Shanghai Zendai Property Limited
(incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Shanghai Zendai Property Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 55 to 169, which comprise:

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

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form 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

The Group reported a net loss of HK$2,082 million during the year ended 31 December 2021. As at 31 December 2021, the Group's total deficit attributable to owners of the Company amounted to HK$2,019 million and its current liabilities exceeded its current assets (including asset classified as held-for-sale) by HK$7,467 million. At the same date, the Group's total borrowings amounted to HK$6,976 million (including the current portion of HK$6,328 million) and its total cash and bank balances amounted to HK$315 million. During the year ended 31 December 2021, the Group was unable to repay borrowings from several financial institutions and lenders according to the repayment schedule (the "**Lenders of Defaulted Borrowings**") with total principal amounts of HK$4,601 million (the "**Defaulted Borrowings**") and related interest payables of HK$857 million. The Defaulted Borrowings included borrowings from a shareholder of the Company and other companies with which the shareholder is associated (the "**Shareholder and Associated Parties**") of HK$3,143 million and interest payables of HK$716 million since the Group was unable to repay in accordance with the repayment schedule stated in the debt restructuring agreement (the "**Debt Restructuring Agreement**") entered into with the Shareholder and Associated Parties on 31 December 2020. Such non-repayments are collectively referred to as the "**Default Events**". As a result, the entire outstanding principal and interest payables of these borrowings of HK$5,458 million would be immediately repayable if requested by the financial institutions, the Shareholder and Associated Parties. Defaulted Borrowings of HK$1,629 million, all with original contractual repayment dates after 31 December 2022, were classified as current liabilities as at 31 December 2021. The Default Events triggered cross-defaults of other borrowings of the Group (the "**Cross-Defaulted Borrowings**") with aggregated principal amounts of HK$738 million and related interest payables of HK$1.6 million as at 31 December 2021. These amounts, including borrowings of HK$501 million with original contractual repayment dates beyond 31 December 2022, were classified under current liabilities as at 31 December 2021 as they are due upon demand if requested by the respective lenders. These conditions, together with other matters described in Note 2.1 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.

Management of the Company has been undertaking a number of plans and measures to improve the Group's liquidity and financial position and to restructure the existing borrowings, which are set out in Note 2.1 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 plans and measures, which are subject to multiple uncertainties, including (a) successful negotiations with the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings, despite the worsening consolidated financial position of the Group as at 31 December 2021 and consolidated financial performance of the Group for the year then ended and, such that these lenders will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interest payables of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repayment and extension of the Defaulted Borrowings and Cross-Defaulted Borrowings; (b) successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund the aforesaid restructuring of its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment, and the improvement strength of policy adjustment; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions; (c) successfully accelerating the construction as well as pre-sale and sale of its properties under development; including meeting all of the necessary conditions to launch the presale, and to make these pre-sales at the expected sale prices and in accordance with the timelines projected by management in the cash flow projections; and (d) the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

As a result of these multiple uncertainties, the potential interaction of these uncertainties and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate.

Should the Group fail to achieve the abovementioned 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 value 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.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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.

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. We report solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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, it is not possible for us to form an opinion on these consolidated financial statements due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the 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.

The engagement partner on the audit resulting in this independent auditor's report is Lam Kar Bo (Practising Certificate Number: P05453).

PKF Hong Kong Limited
Certified Public Accountants

Hong Kong, 29 March 2022

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December 2021 HK$'000	2020 HK$'000
Revenue	*7*	**740,993**	4,598,703
Cost of sales	*9*	**(930,256)**	(4,051,920)
Gross (loss)/profit		**(189,263)**	546,783
Other income, gains and expenses	*8*	**73,255**	10,021
Net impairment losses on financial assets	*5.1(b)*	**(158,448)**	(185,195)
Impairment of property, plant and equipment		**(259,157)**	–
Selling and marketing expenses	*9*	**(73,229)**	(92,427)
Administrative expenses	*9*	**(300,861)**	(245,885)
Change in fair value of investment properties	*16*	**(253,778)**	(42,954)
Finance costs – net	*11*	**(1,001,523)**	(799,904)
Loss before income tax		**(2,163,004)**	(809,561)
Income tax credit/(expense)	*12*	**81,076**	(346,945)
Loss for the year		**(2,081,928)**	(1,156,506)
Loss for the year attributable to:			
– Owners of the Company		**(2,070,423)**	(1,150,773)
– Non-controlling interests		**(11,505)**	(5,733)
		(2,081,928)	(1,156,506)
Loss per share			
– Basic	*14*	**HK$(13.91) cents**	HK$(7.73) cents
– Diluted	*14*	**HK$(13.91) cents**	HK$(7.73) cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Loss for the year	**(2,081,928)**	(1,156,506)
Other comprehensive (loss)/income:		
Item that may be reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**(18,489)**	46,587
Item that will not be reclassified to profit or loss:		
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	**3,294**	(18,207)
Other comprehensive (loss)/income for the year, net of tax	**(15,195)**	28,380
Total comprehensive loss for the year	**(2,097,123)**	(1,128,126)
Total comprehensive loss attributable to:		
– Owners of the Company	**(2,089,950)**	(1,131,595)
– Non-controlling interests	**(7,173)**	3,469
Total comprehensive loss for the year	**(2,097,123)**	(1,128,126)

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

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**754,109**	1,044,046
Investment properties	*16*	**5,380,718**	5,493,108
Financial assets at fair value through other comprehensive income	*23*	**24,331**	20,388
Amounts due from an associate	*18*	**–**	108,295
Properties under development	*19*	**812,246**	795,016
Deferred income tax assets	*28*	**–**	18,079
Pledged bank deposits	*21*	**12,231**	248,624
Total non-current assets		**6,983,635**	7,727,556
Current assets			
Properties under development and completed properties held-for-sale	*19*	**5,465,290**	5,896,666
Inventories		**2,365**	2,309
Contract assets		**–**	7,356
Trade and other receivables and prepayments	*20*	**283,874**	332,157
Deposits for properties under development		**4,952**	5,190
Amounts due from an associate	*18*	**–**	–
Financial assets at fair value through profit or loss	*23*	**21,572**	23,613
Tax prepayments	*27*	**235,813**	257,494
Pledged bank deposits	*21*	**221,148**	228,700
Cash and bank balances	*22*	**315,349**	230,800
Total current assets		**6,550,363**	6,984,285
Asset classified as held-for-sale		**3,547**	–
Total assets		**13,537,545**	14,711,841
EQUITY			
Equity attributable to owners of the Company			
Share capital	*29*	**297,587**	297,587
Reserves		**2,315,814**	2,335,341
Accumulated losses		**(4,632,089)**	(2,561,666)
		(2,018,688)	71,262
Non-controlling interests		**226,352**	233,525
Total (deficit)/equity		**(1,792,336)**	304,787

CONSOLIDATED BALANCE SHEET

	Notes	2021 HK$'000	2020 HK$'000
		As at 31 December	
LIABILITIES			
Non-current liabilities			
Borrowings	*25*	**648,789**	2,746,429
Lease liabilities	*30*	**67,053**	76,054
Deferred income tax liabilities	*28*	**592,818**	664,509
Other payables	*24*	**–**	604,716
Total non-current liabilities		**1,308,660**	4,091,708
Current liabilities			
Trade and other payables	*24*	**4,671,068**	3,096,741
Contract liabilities	*6(d)*	**2,138,909**	2,041,191
Amounts due to minority owners of subsidiaries		**122,770**	120,417
Borrowings	*25*	**6,327,694**	4,289,486
Lease liabilities	*30*	**31,492**	31,774
Tax payables	*27*	**729,288**	735,737
Total current liabilities		**14,021,221**	10,315,346
Total liabilities		**15,329,881**	14,407,054
Total equity and liabilities		**13,537,545**	14,711,841

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

The consolidated financial statements were approved by the Board of Directors on 29 March 2022 and were signed on its behalf.

Mr. Huang Yuhui
Director

Ms. Li Zhen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *(Note 29)* HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Equity attributable to owners of the Company HK$'000	Non–controlling interests HK$'000	Total HK$'000
Balance at 1 January 2021	**297,587**	**2,335,341**	**(2,561,666)**	**71,262**	**233,525**	**304,787**
Comprehensive loss						
Loss for the year	–	–	(2,070,423)	(2,070,423)	(11,505)	(2,081,928)
Other comprehensive loss						
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	3,294	–	3,294	–	3,294
Exchange differences arising on translation of foreign operations	–	(22,821)	–	(22,821)	4,332	(18,489)
Total other comprehensive loss, net of tax	–	(19,527)	–	(19,527)	4,332	(15,195)
Total comprehensive loss	–	(19,527)	(2,070,423)	(2,089,950)	(7,173)	(2,097,123)
Balance at 31 December 2021	**297,587**	**2,315,814**	**(4,632,089)**	**(2,018,688)**	**226,352**	**(1,792,336)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *(Note 29)* HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Equity attributable to owners of the Company HK$'000	Non–controlling interests HK$'000	Total HK$'000
Balance at 1 January 2020	297,587	2,722,719	(1,410,893)	1,609,413	61,143	1,670,556
Comprehensive loss						
Loss for the year	–	–	(1,150,773)	(1,150,773)	(5,733)	(1,156,506)
Other comprehensive income						
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	(18,207)	–	(18,207)	–	(18,207)
Exchange differences arising on translation of foreign operations	–	37,385	–	37,385	9,202	46,587
Total other comprehensive income, net of tax	–	19,178	–	19,178	9,202	28,380
Total comprehensive loss	–	19,178	(1,150,773)	(1,131,595)	3,469	(1,128,126)
Transactions with owners in their capacity as owners						
Transactions with non-controlling interests *(Note 17(b))*	–	(406,556)	–	(406,556)	168,913	(237,643)
Balance at 31 December 2020	297,587	2,335,341	(2,561,666)	71,262	233,525	304,787

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

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Year ended 31 December 2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Loss before income tax		**(2,163,004)**	(809,561)
Adjustments for:			
Interest income		**(4,190)**	(2,008)
Finance costs	*11*	**1,001,523**	799,904
Net impairment losses on financial assets		**158,448**	185,195
Depreciation of property, plant and equipment		**68,999**	58,937
Change in fair value of investment properties	*16*	**253,778**	42,954
Impairment of properties under development and completed properties held-for-sale		**431,778**	37,196
Impairment of property, plant and equipment		**259,157**	–
Gains on early termination of lease agreement		**–**	(1,094)
Gain on disposal of investment properties		**(87,913)**	–
Provision and claims for compensation to customers and litigations		**35,072**	–
(Gain)/loss on disposal of property, plant and equipment, net		**(223)**	39
Exchange gain		**(464)**	(1,082)
Changes in operating assets and liabilities			
Decrease in properties under development and completed properties held-for-sale		**169,674**	2,925,073
Decrease in inventories		**11**	576
Decrease/(increase) in trade and other receivables and prepayments		**8,528**	(14,330)
Increase in pledged bank deposits		**–**	(2,782)
Decrease in contract assets		**7,459**	11,376
Decrease/(increase) in deposits for properties under development		**384**	(3,066)
Increase in trade and other payables and amounts due to minority owners of subsidiaries		**69,615**	391,221
Increase/(decrease) in contract liabilities		**37,236**	(2,758,722)
Cash generated from operations		**245,868**	859,826
Interest received		**4,190**	2,008
Interest paid		**(259,080)**	(397,038)
Income taxes refunded/(paid)		**12,077**	(145,600)
Net cash inflow from operating activities		**3,055**	319,196

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Investing activities		
Purchases of property, plant and equipment	**(15,685)**	(39,466)
Additions to investment properties	**(2,987)**	(540)
Purchases of financial assets at fair value through profit or loss	**(557)**	–
Proceeds from disposal of property, plant and equipment	**466**	503
Proceed from disposal of investment property	**102,371**	–
Net proceeds on disposal of financial assets at fair value through profit or loss	**3,250**	1,830
Net cash inflow/(outflow) from investing activities	**86,858**	(37,673)
Financing activities		
Proceeds from borrowings	**405,059**	427,077
Repayment of borrowings	**(667,053)**	(1,976,903)
Decrease in pledged bank deposits	**254,103**	1,003,749
Principal elements of lease payments	**(24,587)**	(36,456)
Net cash outflow from financing activities	**(32,478)**	(582,533)
Net increase/(decrease) in cash and cash equivalents	**57,435**	(301,010)
Cash and cash equivalents at beginning of year	**230,800**	510,151
Effect of foreign exchange rate changes	**27,114**	21,659
Cash and cash equivalents at end of year	**315,349**	230,800

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Shanghai Zendai Property Limited (the "**Company**") is a public limited company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). Its registered office is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business is at Unit 6508, 65/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in property development, property investment and provision of property management and hotel operation. The Company and all its subsidiaries are referred as the Group. The Group has operations mainly in the People's Republic of China (the "**PRC**").

Following the outbreak of the Coronavirus Disease 2019 (the "**COVID-19**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across China. For the year ended 31 December 2021, the COVID-19 outbreak has a temporary unfavorable impact on the progress of the Group's property construction activities and the sales of its properties.

The consolidated financial statements are presented in HK dollars ("**HK$**"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company (the "**Board**") on 29 March 2022.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and certain financial assets at fair value through other comprehensive income/profit or loss, which are carried at fair value.

2. BASIS OF PREPARATION *(Continued)*

2.1 Going concern basis

The Group reported a net loss of HK$2,082 million during the year ended 31 December 2021. As at 31 December 2021, the Group's total deficit attributable to owners of the Company amounted to HK$2,019 million and its current liabilities exceeded its current assets (including asset classified as held-for-sale) by HK$7,467 million. At the same date, the Group's total borrowings amounted to HK$6,976 million (including the current portion of HK$6,328 million). Except for the borrowings from a shareholder of the Company and other companies with which the shareholder is associated (the "**Shareholder and Associated Parties**") of HK$3,143 million and related interest payable of HK$716 million which are unsecured, the Group's remaining borrowings were collaterised by the Group's properties under development and completed properties held-for-sale, hotel properties and investment properties recorded at a total carrying amount of HK$7,260 million together with fixed deposits amounting to HK$233 million. As at 31 December 2021, the Group had total cash and bank balances of HK$315 million.

During the year ended 31 December 2021, the Group was unable to repay borrowings and interest payables from several financial institutions according to the repayment schedule (the "**Lenders of Defaulted Borrowings**") with total principal amounts of HK$4,601 million (the "**Defaulted Borrowings**") and related interest payables of HK$857 million. The Defaulted Borrowings and related interest payables included borrowings from the Shareholder and Associated Parties of HK$3,143 million and interest payables of HK$716 million since the Group was unable to repay in accordance with the repayment schedule stated in the debt restructuring agreement (the "**Debt Restructuring Agreement**") entered into with the Shareholder and Associated Parties on 31 December 2020. Such non-repayments are collectively referred to as the "**Default Events**". As a result, the entire outstanding principal and interest payables of these borrowings of HK$5,458 million would be immediately repayable if requested by the financial institutions, the Shareholder and Associated Parties. Defaulted Borrowings of HK$1,629 million, all with original contractual repayment dates after 31 December 2022, were classified as current liabilities as at 31 December 2021.

2. BASIS OF PREPARATION *(Continued)*

2.1 Going concern basis *(Continued)*

The Default Events triggered cross-defaults of other borrowings of the Group (the "**Cross-Defaulted Borrowings**") with aggregated principal amounts of HK$738 million and related interest payables of HK$1.6 million as at 31 December 2021. These amounts, including borrowings of HK$501 million with original contractual repayment dates beyond 31 December 2022, were classified under current liabilities as at 31 December 2021 as they are due upon demand if requested by the respective lenders.

In January 2022, the Group successfully obtained additional borrowings of HK$401 million, of which HK$52 million will be due for repayment within one year and the rest of the borrowings will be due after one year.

Up to the approval date of these consolidated financial statements, the Group repaid a portion of the principal and interest payables of the Defaulted and Cross-Defaulted Borrowings amounted to HK$116 million and HK$0.13 million, respectively. In addition, the Group repaid principal amounts and interest payable of HK$133 million and HK$0.18 million, respectively in accordance with the repayment schedules of other borrowings of the Group between 1 January 2022 and the approval date of these consolidated financial statements. The Group also successfully extended a Cross-Defaulted Borrowing with principal amount of HK$180 million with original maturity date on 12 January 2022 under the same terms of the original agreement despite its continuing cross-default status.

As at the approval date of these consolidated financial statements, the Group's Defaulted Borrowings and Cross-Defaulted Borrowings and related interest payables totalled HK$6,082 million. Taking into account the high interest and refinancing costs expected to be incurred, management expects that the Group's operating results for the year ending 31 December 2022 might be significantly affected under such circumstance.

2. BASIS OF PREPARATION *(Continued)*

2.1 Going concern basis *(Continued)*

In addition, an indirect wholly-owned subsidiary of the Group, 南京立方置業有限公司 ("**Nanjing Lifang**"), received an enforcement order (the "**Order**") issued by the Intermediate People's Court of Lanzhou (the "**Court**") on 21 January 2022 following to the Group's failure to reach a mutually acceptable settlement plan for one of the Defaulted Borrowings (the "**Nanjing Defaulted Borrowing**") with outstanding principal of RMB180 million (equivalent to approximately HK$220 million), and interest and surcharge payable of RMB55 million (equivalent to approximately HK$67 million) as at 31 December 2021 with a financial institution (the "**Financial Institution**"). According to the Order:

(a) Bank deposit of Nanjing Lifang be frozen and allocated to settle the Nanjing Defaulted Borrowing;

(b) The Financial Institution has priority right for claim to the proceeds from any discounted disposal or auction or sale of the 100% pledged equity interest and land use right of 南京水清木華置業有限公司 ("**Nanjing Shuiqingmuhua**"), a subsidiary of Nanjing Lifang;

(c) Guarantors of the Nanjing Defaulted Borrowing (the "**Guarantors**"), which are subsidiaries of the Group, shall be jointly and severally liable for the outstanding sum of the Nanjing Defaulted Borrowing; and

(d) the Court shall be entitled to seal, seize, auction and sell the equivalent assets of Nanjing Lifang and the Guarantors if the balance of bank deposit of Nanjing Lifang is insufficient to settle the outstanding sum of the Nanjing Defaulted Borrowing.

Up to the approval date of these consolidated financial statements, no settlement plan has been reached by the Group with the Financial Institution despite of the Group's continuous effort in negotiating with the Financial Institution for a mutually acceptable resolution over the Nanjing Defaulted Borrowing.

2. BASIS OF PREPARATION *(Continued)*

2.1 Going concern basis *(Continued)*

The above conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group's ability to continue as a going concern. In view of such circumstances, management of the Company has 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 plans and measures have been or will be taken by management to mitigate the Group's liquidity pressure and to improve its cashflows which include, but are not limited to, the following:

(a) the Group will continue its ongoing efforts to convince the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings not to take any actions against the Group for immediate payment of the principals and interest payables of these borrowings. Based on latest communications with these lenders, there is no indication that these parties have any current intention to take further action against the Group to demand immediate payment. Also, the Group will endeavor to negotiate with the Financial Institution for a mutually acceptable resolution over the Nanjing Defaulted Borrowing and to withdraw the Order from the Court;

(b) the Group has been actively negotiating with certain financial institutions and identifying various options for restructuring the Group's existing borrowings (including the repayment and extension of the Defaulted Borrowings and Cross-Defaulted Borrowings), and financing the continuing construction of properties under development;

(c) the Group is also seeking for the potential investors who are interested in co-development or purchase of the Group's projects; and

(d) the Group will also continue to take active measures to control administrative costs and contain capital expenditures; and to seek other alternative financing to fund the settlement of its existing financial obligations and future operating expenditure.

The Directors of the Company (the "**Directors**") have reviewed the Group's cash flow projections prepared by management (the "**Cash Flow Projections**"), which cover a period of not less than twelve months from 31 December 2021. The Directors are of the opinion that, taking into account the abovementioned 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 Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. BASIS OF PREPARATION *(Continued)*

2.1 Going concern basis *(Continued)*

Notwithstanding the above, significant uncertainties exist as to whether management 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 following:

(a) successful negotiations with the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings, despite the worsening consolidated financial position of the Group as at 31 December 2021 and consolidated financial performance of the Group for the year then ended and, such that these lenders will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interest payables of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repayment and extension of the Defaulted Borrowings and Cross-Defaulted Borrowings;

(b) successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund the aforesaid restructuring of its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment and the improvement strength of policy adjustment; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions;

(c) successfully accelerating the construction as well as pre-sale and sale of its properties under development; including meeting all of the necessary conditions to launch the pre-sale, and to make these pre-sales at the expected sale prices and in accordance with the timelines projected by management in the Cash Flow Projections; and

(d) the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

Should the Group fail to achieve the abovementioned 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 value 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Changes in accounting policies and disclosures

(a) Amended standards and revised conceptional framework adopted by the Group

The Group has applied the following amended standards for the first time for its annual reporting period commencing 1 January 2021:

- COVID-19 – Related Rent Concessions – amendments to HKFRS 16

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

The amended standards listed above did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments, and are not expected to significantly affect the current or future periods.

(b) New and amended standards and revised conceptual framework not yet adopted

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

3.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 3.3).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Principles of consolidation and equity accounting *(Continued)*

(a) Subsidiaries (Continued)

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

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

(b) Associates

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

(c) Equity accounting

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 3.10.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Principles of consolidation and equity accounting *(Continued)*

(d) Changes in ownership interests

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

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

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

3.3 Business combinations

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Business combinations *(Continued)*

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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

3.4 Separate financial statements

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Directors that makes strategic decisions.

3.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance costs". All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "other income, gains and expenses".

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Foreign currency translation *(Continued)*

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

(iii) all resulting exchange differences are recognised in other comprehensive income.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Foreign currency translation *(Continued)*

(d) Disposal of foreign operation and partial disposal (Continued)

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

3.7 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties and right-of-use assets recognised on lease contracts that meet the definition of investment properties. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Investment properties *(Continued)*

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income and increase the revaluation surplus within equity. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and changed directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

For an investment property becomes to redevelop with a view to sale, it is reclassified as inventory, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of inventories becomes an investment property that will be carried at fair value is consistent with the treatment of sales of inventories. Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

3.8 Land use rights

Land in China mainland is state-owned and no individual land ownership right exists. The Group acquired the rights to certain land, and the premiums paid for such rights are recorded as land use rights. Land use rights are classified and accounted for in accordance to the intended use of respective properties as erected on the land.

For properties that are held for own use, corresponding land use rights are accounted for as part of property, plant and equipment in the consolidated balance sheet, and are stated at cost and amortised over the use terms of 40 to 70 years using the straight-line method.

For properties that are held for development and subsequent sale, corresponding land use rights are accounted for as part of the development costs, and are accounted for under Note 3.14.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

– Hotel and buildings	Lower of underlying land lease term or 50 years
– Motor vehicles	5 years
– Leasehold improvements	5 years
– Furniture and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognised within "other income, gains and expenses" in the consolidated income statement.

When revalued assets are sold, it is the Group's policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

3.10 Impairment of non-financial assets

Property, plant and equipment, and land use right are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Property, plant and equipment, and land use right that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable (e.g. have committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated and where applicable, the required shareholders' approval for the related disposal could certainly be obtained). They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred income tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of disposal group, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of disposal group is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

The assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

3.12 Investments and other financial assets

3.12.1 Classification

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Investments and other financial assets *(Continued)*

3.12.1 Classification (Continued)

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

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

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

3.12.2 Recognition and de-recognition

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

3.12.3 Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Investments and other financial assets *(Continued)*

3.12.3 Measurement (Continued)

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Investments and other financial assets *(Continued)*

3.12.3 Measurement (Continued)

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3.12.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3.12.5 Dividend income

Dividends are received from financial assets measured at FVPL and FVOCI. Dividends are recognised as other gains in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

3.13 Offsetting financial instruments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Inventories

(a) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

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

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

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

(b) Completed properties held-for-sale

Completed properties held-for-sale are completed properties remaining unsold at the balance sheet date and are stated at the lower of cost and net realisable values. Cost comprises development costs attributable to the unsold properties. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(c) Other inventories

Other inventories mainly comprise raw materials for upfitting, food and beverages and hotel consumables. Goods are valued at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to purchases. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

3.16 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.17 Share capital

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

3.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within 12 months (or in the normal operating cycle of the business if longer) after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

3.19 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Borrowings and borrowing costs *(Continued)*

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

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

3.20 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.20 Current and deferred income tax *(Continued)*

(b) Deferred income tax (Continued)

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

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

3.21 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.21 Employee benefits *(Continued)*

(b) Pension obligations

The Group has only defined contribution pension plans.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Termination benefits

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

(d) Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.22 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.22 Share-based payments *(Continued)*

(b) Share-based payment transactions among group entities

The grant of options by the Company over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

In the subsidiaries' financial statements, the award is treated as an equity-settled share-based payment, as the subsidiaries do not have an obligation to settle the award. An expense for the grant date fair value of the award is recognised over the vesting period, with a credit recognised in equity. The credit to equity is treated as a capital contribution, as the parent is compensating the subsidiaries' employees with no cost to the subsidiaries.

3.23 Provisions

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

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

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

3.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.24 Revenue recognition *(Continued)*

(a) *Sale of properties*

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

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

(b) *Rental income*

Rental income from investment properties is recognised on a straight-line basis over the term of the lease.

(c) *Rendering of services*

Revenue from provison of services is recognised in the accounting period in which the services are rendered.

(d) *Property management and agency fee income*

Property management and agency fee income is recognised in the accounting period in which the services are rendered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.25 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other gains.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other gains.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3.26 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.26 Leases *(Continued)*

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

Right-of-use assets are initially measured at cost comprising the following (if applicable):

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.26 Leases *(Continued)*

Certain right-of-use assets meet the definition of investment property and are measured at fair value subsequently. The rest of right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of building and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated balance sheet based on their nature.

3.27 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.28 Dividend distribution

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

3.29 Government grants

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

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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

3.30 Financial guarantee contracts

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

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical accounting estimates and assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(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 judgement that has the most significant effect on the amounts recognised in the financial statements. The assessment of the going concern assumption involves making a judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in note 2.1 to the consolidated financial statements.

(b) Estimate of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 16.

*(c) Income taxes and land appreciation tax ("**LAT**")*

The Group is primarily subject to various taxes in the PRC, as it is principally engaged in property development in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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 income tax and deferred income tax provisions in the period in which such determination is made.

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. 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 use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

*(c) Income taxes and land appreciation tax ("**LAT**") (Continued)*

Significant judgment is required in determining the extent of land appreciation and its related taxes. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalised with local tax authorities.

(d) Provision for properties under development and completed properties held-for-sales

The Group assesses the recoverable amounts of properties under development and completed properties held-for-sales according to their forecast net realisable value, taking into account costs to completion based on budget and past experience and net sales value based on prevailing and expected market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of estimation.

4.2 Critical accounting judgements

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 5.1 (b).

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Policy for managing these risks is set by the Directors and summarised below.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when the Group's entities enter into transactions denominated in a currency other than their functional currency.

The Company and its certain subsidiaries undertake certain transactions denominated in United States dollars ("**USD**"). The functional currency of these companies are HK$. Under the Linked Exchange Rate System in Hong Kong, HK$ is pegged to USD, management considers that there is no significant foreign exchange risk with respect to USD.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's cash flow interest rate risk arises from borrowings with prevailing floating market interest rates. Such risk is partly offset by cash held at prevailing market interest rates.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk *(Continued)*

The Group's fair value interest rate risk relates primarily to its fixed rate borrowings and payables and pledged bank deposits. The Group currently does not utilise any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2021, if interest rates on floating rate borrowings have increased/decreased by 50 basis points with all other variables held constant, the Group's interest expense would increase/decrease by approximately HK$2,056,000 (2020: HK$6,263,000).

(b) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost and at fair value through profit or loss, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge the obligation under the terms of financial instrument and cause a financial loss to the Group. The Group considered the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an on-going basis throughout each reporting period. To assess whether there's a significant increase in credit risk, the Group compares the risk of a default occurring on the asset at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

Especially the following indicators are incorporated:

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

(i) Risk management

To manage such exposure, the Group has policies in place to ensure that sales are made to purchasers with appropriate financial strengths and credit history, at the same time appropriate percentages of down payments are made. Deposits are placed with banks with appropriate credit ratings. Monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews and assesses the recoverable amount of each individual trade receivables on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts.

The recoverability of other receivables is assessed taking into account of the financial position of the counterparties, past experiences and other factors.

For banks and financial institutions, all counterparties are with appropriate credit rankings.

The Group has provided guarantees to banks in favour of certain customers to secure their repayment obligations to banks for their purchases of property units (Note 32). If a customer defaults on the payment of its mortgage during the term of the guarantee, banks holding the mortgage may demand the Group to repay the outstanding amount together with any accrued interest thereon. Under such circumstances, the Group is able to sell the property to recover any amounts paid by the Group to banks. The directors of the Company consider that the Group's exposure to credit risk in this regard is minimal.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of properties, from properties rental and from the provision of property management services
- contract assets relating to sales of properties
- other receivables carried at amortised cost

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

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

The expected loss rate of contract assets was assessed to be low and no loss allowance provision was made for contract assets during the last year.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Trade receivables and contract assets *(Continued)*

On that basis, the loss allowance as at 31 December 2021 and 2020 was determined as follows for both trade receivables and contract assets:

31 December 2021	Current	Less than 3 months	3-12 months	More than 1 year	Total HK$'000
Expected loss rate	–	5%	10%	51%	10%
Gross carrying amount – trade receivables	24,395	31,386	2,954	9,940	68,675
Loss allowance	–	1,569	295	5,101	6,965

31 December 2020	Current	Less than 3 months	3-12 months	More than 1 year	Total HK$'000
Expected loss rate	–	5%	10%	20%	2%
Gross carrying amount – trade receivables	54,790	2,362	2,097	5,558	64,807
Gross carrying amount – contract assets	7,356	–	–	–	7,356
Loss allowance	–	118	210	1,093	1,421

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment losses on financial assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Other receivables

The Group uses three categories approach for other receivables, including amounts due from an associate, which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

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

Category	Definition of category	Basis for recognition of expected credit loss provision
Stage one	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12 month ("12m") expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected losses
Stage three	Receivables for which there is a credit loss since initial recognition	Lifetime expected losses

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

For certain other receivables amounting to HK$195,706,000 as at 31 December 2021 (2020: HK$190,125,000), the impairment was determined individually. An allowance amounting to HK$22,429,000 (2020: HK$30,995,000) was provided on these receivables during the year and the accumulated allowance as at 31 December 2021 is HK$195,706,000 (2020: HK$168,336,000). The loss allowance recognised for the remaining amount of other receivables was limited to 12m expected losses since their credit risk has not significantly increased after initial recognition.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Other receivables *(Continued)*

As at 31 December 2021 and 2020, the loss allowance was determined as follows for the remaining amount of other receivables:

31 December 2021	**Due from an associate (a) HK$'000**	**Receivables from third parties (b) HK$'000**	**Total HK$'000**
Carrying amount of other receivables	**353,179**	**149,023**	**502,202**
Expected credit loss rate	**100%**	**15%**	
Loss allowance	**(353,179)**	**(22,273)**	**(375,452)**
Other receivables,net	**–**	**126,750**	**126,750**

31 December 2020	Due from an associate (a) HK$'000	Receivables from third parties (b) HK$'000	Total HK$'000
Carrying amount of other receivables	343,107	127,245	470,352
Expected credit loss rate	68%	1%	
Loss allowance	(234,812)	(1,259)	(236,071)
Other receivables,net	108,295	125,986	234,281

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Other receivables *(Continued)*

(a) The main business of the associate is hotel operation. During the year of 2020, the revenue and cash inflow decreased significantly due to the COVID-19 outbreak. As a result, the borrowings of the associate were restructured. Given the fact that the credit risk of the associate has increased significantly and the ongoing repayment of the restructured borrowing is in doubt, an allowance amounting to HK$109,539,000 (2020: HK$154,045,000) was provided on the amounts due from an associate during the year and the accumulated allowance as at 31 December 2021 is HK$353,179,000 (2020: HK$234,812,000).

(b) Other receivables amounting to HK$149,023,000 (2020: HK$127,245,000) mainly includes deposits and utilities payments on behalf of contractors under daily operation activities and the associated expected credit loss were considered as low.

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off of other receivables during the year ended 31 December 2021 (2020: Nil).

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

During the year, the following losses were recognised in profit or loss in relation to impaired financial assets:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Impairment losses		
–movement in loss allowance for trade receivables and contract assets	**(5,502)**	(570)
–impairment losses on amounts due from an associate	**(109,539)**	(154,045)
–impairment losses on other receivables determined individually	**(22,429)**	(30,995)
–(impairment loss)/reversal of previous impairment losses on the remaining amount of other receivables	**(20,978)**	415
Impairment losses on financial assets at amortised cost	**(158,448)**	(185,195)

(iii) Financial assets at fair value through profit or loss

The Group is exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments of HK$21,572,000 (2020: HK$23,613,000).

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(iv) Financial guarantee

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

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by finance department of the Group. The finance department of the Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. The finance department of the Company has prepared cash flow projections for the year ending 31 December 2022 on the basis that: (1) bank financing will continue to be available despite of the default and cross-default status of certain bank and other borrowings; (2) proceeds from pre-sales of properties from new phase of the major projects in Haimen upon obtaining the pre-sales permits starting from the third quarter of 2022 will be available; (3) certain additional borrowings will be obtained; 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 sales of completed properties, 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 from external financing or internal funding for the development of properties for sale and settlement of liabilities, implementing cost control measures, introducing strategic partners to the Group's property development projects and obtaining financial support from the shareholder. 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.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flow.

Contractual maturities of financial liabilities	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total contractual cash flows HK$'000	Carrying amount of liabilities HK$'000
At 31 December 2021						
Trade and other payables (excluding other taxes and payroll payables)	**4,575,221**	**–**	**–**	**–**	**4,575,221**	**4,575,221**
Borrowings	**6,471,952**	**96,820**	**287,024**	**493,386**	**7,349,182**	**6,976,483**
Amounts due to minority owners of subsidiaries	**122,770**	**–**	**–**	**–**	**122,770**	**122,770**
Lease liabilities	**38,006**	**27,061**	**42,347**	**8,265**	**115,679**	**98,545**
	11,207,949	**123,881**	**329,371**	**501,651**	**12,162,852**	**11,773,019**

In addition to the non-derivative financial liabilities as disclosed above, the Group also has provided financial guarantees in respect of the mortgage facilities for certain purchasers of the Group's properties with guaranteed amounts of HK$982,559,000 as at 31 December 2021 (2020: HK$1,219,919,000), details of which have been set out in Note 32.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

Contractual maturities of financial liabilities	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total contractual cash flows HK$'000	Carrying amount liabilities HK$'000
At 31 December 2020						
Trade and other payables (excluding other taxes and payroll payables)	2,825,613	–	604,716	–	3,430,329	3,430,329
Borrowings	4,990,545	913,204	2,510,789	248,384	8,662,922	7,035,915
Amounts due to minority owners of subsidiaries	120,417	–	–	–	120,417	120,417
Lease liabilities	32,428	23,859	51,543	16,317	124,147	107,828
	7,969,003	937,063	3,167,048	264,701	12,337,815	10,694,489

5.2 Capital risk 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 shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio. The ratio is calculated as net debt divided by equity attributable to owners of the Company (as shown in the consolidated balance sheet). For this purpose, the Group defines net debt as total debt (which comprises borrowings, amounts due to minority owners of subsidiaries and lease liabilities) less cash and cash equivalents and pledged bank deposits.

In order to maintain or adjust the appropriate ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. The Group's overall strategy remains unchanged from prior year.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.2 Capital risk management *(Continued)*

The gearing ratio at 31 December 2021 and 2020 was calculated as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Borrowings	**6,976,483**	7,035,915
Amounts due to minority owners of subsidiaries	**122,770**	120,417
Lease liabilities	**98,545**	107,828
Total debt	**7,197,798**	7,264,160
Less:		
Cash and cash equivalents	**(315,349)**	(230,800)
Pledged bank deposits	**(233,379)**	(477,324)
Net debt	**6,649,070**	6,556,036
(Deficit)/equity attributable to owners of the Company	**(2,018,688)**	71,262
Gearing ratio	**(329%)**	9,200%

The negative gearing ratio as at 31 December 2021 is primarily resulted from the increase in net debt and also the deficit attributable to owners of the Company as a result of the net loss for the current year.

5.3 Fair value estimation

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

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(b) Inputs other than quoted prices included within investment properties that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.3 Fair value estimation *(Continued)*

See Note 16 for detailed disclosures of the investment properties that are measured at fair value.

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
As at 31 December 2021				
Investment properties	**–**	**100,294**	**5,280,424**	**5,380,718**
Financial assets at FVOCI	**–**	**–**	**24,331**	**24,331**
Financial assets at FVPL	**21,572**	**–**	**–**	**21,572**
	21,572	**100,294**	**5,304,755**	**5,426,621**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
As at 31 December 2020				
Investment properties	–	97,433	5,395,675	5,493,108
Financial assets at FVOCI	–	–	20,388	20,388
Financial assets at FVPL	23,613	–	–	23,613
	23,613	97,433	5,416,063	5,537,109

There were no transfers among Level 1, Level 2 and Level 3 during the year.

6. SEGMENT REPORTING

Management has determined the operating segments based on the internal reports reviewed by the Directors, being the major body in making operation decisions, for assessing the operating performance and resources allocation.

The Directors considers the business primarily on the basis of the types of goods and services supplied by the Group. The Group is currently mainly organised into three operating segments which comprise (i) sales of properties; (ii) hotel operations; and (iii) properties rental, management and agency services.

The Directors assess the performance of the operating segments based on a measure of adjusted profit or loss before income tax. Certain income and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the Directors for assessment of segment performance.

Total segment assets mainly exclude pledged bank deposits and head office and corporate assets, all of which are managed on a centralised basis.

Total segment liabilities mainly exclude unallocated borrowings and unallocated head office and corporate liabilities, all of which are managed on a centralised basis.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the Directors is measured in a manner consistent with that in the consolidated income statement.

6. SEGMENT REPORTING *(Continued)*

Segment information is presented below:

(a) Information about reportable segment revenue, profit or loss before income tax and other information

	Sales of properties		Hotel operations		Properties rental, management and agency services		Total	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Reportable segment revenue	**307,025**	4,207,815	**93,640**	72,148	**352,051**	347,318	**752,716**	4,627,281
Reportable segment revenue from internal sales	**–**	–	**–**	–	**(11,723)**	(28,578)	**(11,723)**	(28,578)
Reportable segment revenue from external sales (i)	**307,025**	4,207,815	**93,640**	72,148	**340,328**	318,740	**740,993**	4,598,703
Reportable segment (loss)/profit before income tax	**(1,012,507)**	(32,698)	**(209,451)**	(30,796)	**104,605**	88,816	**(1,117,353)**	25,322
Other information (items included in determining the reportable segment (loss)/profit):								
Bank interest income	**616**	1,484	**66**	91	**3,507**	405	**4,189**	1,980
Depreciation of property, plant and equipment	**8,566**	10,239	**57,685**	47,853	**2,748**	845	**68,999**	58,937
Change in fair value of investment properties	**–**	–	**–**	–	**(253,778)**	(42,954)	**(253,778)**	(42,954)
Gain/(loss) on disposal of property, plant and equipment,net	**(28)**	(15)	**16**	(24)	**235**	–	**223**	(39)
Gain on disposal of investment properties	**–**	–	**–**	–	**87,913**	–	**87,913**	–
Impairment of property, plant and equipment	**–**	–	**259,157**	–	**–**	–	**259,157**	–
Reportable segment assets	**7,663,884**	7,248,959	**848,249**	1,025,332	**4,768,974**	5,942,924	**13,281,107**	14,217,215
Amounts included in the measure of segment assets:								
Additions to non-current assets (ii)	**6,194**	2,009	**3,401**	37,063	**9,682**	21,597	**19,277**	60,669
Reportable segment liabilities	**10,656,798**	10,238,449	**101,078**	149,778	**900,535**	954,286	**11,658,411**	11,342,513

(i) For the year ended 31 December 2021, revenue from sales of properties of HK$307,025,000 (2020: HK$3,802,549,000) was recognised at a point in time and the remaining of HK$Nil (2020: HK$405,266,000) was recognised over time. The revenue from hotel operations, management and agency services of HK$253,260,000 (2020: HK$237,901,000) were recognised over time. Rental income of HK$180,708,000 (2020: HK$152,987,000) was recognised on a straight-line basis over the term of respective leases.

(ii) Amounts comprise additions to investment properties and certain property, plant and equipment.

6. SEGMENT REPORTING *(Continued)*

Segment information is presented below: *(Continued)*

(b) Reconciliation of reportable segment profit or loss before income tax, assets and liabilities

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Reportable segment (loss)/profit before income tax	**(1,117,353)**	25,322
Unallocated bank interest income	**1**	28
Finance costs	**(1,001,523)**	(799,904)
Unallocated head office and corporate expenses	**(44,129)**	(35,007)
Loss before income tax	**(2,163,004)**	(809,561)

	As at 31 December	
Assets	**2021**	2020
	HK$'000	HK$'000
Reportable segment assets	**13,281,107**	14,217,215
Pledged bank deposits	**233,379**	477,324
Unallocated head office and corporate assets	**19,512**	17,302
Asset classified as held-for-sale	**3,547**	–
Total assets	**13,537,545**	14,711,841

	As at 31 December	
Liabilities	**2021**	2020
	HK$'000	HK$'000
Reportable segment liabilities	**11,658,411**	11,342,513
Unallocated borrowings	**2,636,994**	2,490,622
Unallocated head office and corporate liabilities	**1,034,476**	573,919
Total liabilities	**15,329,881**	14,407,054

6. SEGMENT REPORTING *(Continued)*

Segment information is presented below: *(Continued)*

(c) Geographical information

The Group's revenue are all derived from operations conducted in the PRC and the majority of the Group's non-current assets (other than financial assets at fair value through other comprehensive income and deferred income tax assets) are also located in the PRC.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the years ended 31 December 2021 and 2020.

(d) Contract liabilities

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Receipts in advance from purchasers of properties under development and completed properties	**2,138,909**	2,041,191

Out of the contract liabilities as at 31 December 2020 and 2019, amounts of HK$235,677,000 and HK$3,371,728,000 have been recognised as revenue of the Group during the years ended 31 December 2021 and 2020 respectively.

7. REVENUE

Revenue representing the aggregate of proceeds from sales of properties and amounts received and receivable from the hotel operations, properties rental, management and agency income is summarised as follows:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Sales of properties	**307,025**	4,207,815
Hotel operations	**93,640**	72,148
Properties rental, management and agency income	**340,328**	318,740
	740,993	4,598,703

8. OTHER INCOME, GAINS AND EXPENSES

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Bank interest income	**4,190**	2,008
Gains on early termination of lease agreement	**–**	1,094
Rental income *(a)*	**3,811**	3,093
Government grants	**1,185**	2,677
Gain/(loss) on disposal of property, plant and equipment, net	**223**	(39)
Gain on disposal of investment properties	**87,913**	–
Sales of scrap	**5,861**	–
Others *(b)*	**5,144**	1,188
Provision and claims for compensation to customers and litigations	**(35,072)**	–
	73,255	10,021

(a) Rental income was derived from leases of certain retail properties on a temporary basis which are included in completed properties held-for-sales.

(b) Others mainly include exchange gains and write-back of long aged other payables.

9. EXPENSES BY NATURE

Expenses by nature comprise cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Cost of properties sold	**261,788**	3,804,008
Cost of rendering property management service and others (a)	**186,390**	156,990
Tax and levies	**50,300**	53,726
Impairment of properties under development and completed properties held-for-sale	**431,778**	37,196
Employee benefit expense *(Note 10)*	**171,708**	175,469
Auditors' remuneration:		
— Audit services	**2,680**	2,680
— Non-audit services	**610**	1,300
Consulting and service expenses	**21,622**	16,442
Depreciation charge *(Note 15)*	**68,999**	58,937
Advertising costs	**24,501**	31,504
Short-term leasing expenses	**3,166**	1,709
Maintenance and consumption expenses for hotel operations	**26,578**	16,510
Other expenses	**54,226**	33,761
Total	**1,304,346**	4,390,232

(a) Cost of rendering property management service and others mainly includes cost of maintenance, cleaning and security relating to the provision of property management services.

10. EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Salaries and wages	**157,452**	197,945
Pension costs – defined contribution plans *(a)*	**23,370**	14,207
	180,822	212,152
Less: capitalised in properties under development		
Salaries and wages	**(7,315)**	(36,683)
Pension costs – defined contribution plans *(a)*	**(1,799)**	–
Total	**171,708**	175,469

(a) The Group was exempted from contribution of social insurance for its employees in the PRC for certain period in 2020 pursuant to the security relief policies as issued by the Ministry of Human Resources and Social Security and local municipal departments in respond to the COVID-19 pandemic.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 1 (2020: 2) director whose emolument is reflected in the analysis shown in Note 36. The emoluments payable to the remaining 4 (2020:3) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Salaries and wages	**9,381**	8,629
Contribution to retirement benefits schemes	**391**	233
Total	**9,772**	8,862

10. EMPLOYEE BENEFIT EXPENSE

(b) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands		
HK$5,000,001 – HK$5,500,000	**1**	–
HK$3,000,001 – HK$3,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**–**	2
HK$2,000,001 – HK$2,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**1**	–
HK$500,001 – HK$1,000,000	**1**	–

(c) Retirement benefit schemes

The Group operates a mandatory provident fund (the "**MPF**") scheme for all eligible employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group in funds under the control of trustees. The retirement benefit cost charged to profit or loss represents contributions payable to the MPF scheme by the Group at rates specified in rules of the MPF scheme.

The Group contributes to a local municipal government retirement scheme for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to retirement scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years. The retirement benefit scheme contributions arising from the PRC municipal government retirement scheme charged to profit or loss represent contributions paid or payable by the Group at rates specified in the rules of the scheme.

11. FINANCE COSTS

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Interest expenses:		
– Bank borrowings	**132,139**	133,416
– Other borrowings	**861,241**	753,182
Interest and finance charges paid/payable for lease liabilities	**8,143**	8,493
	1,001,523	895,091
Less: amounts capitalised in properties under development at a capitalisation rate of Nil (2020: 7.6%) per annum	**–**	(95,187)
Finance costs – net	**1,001,523**	799,904

Note:

Interest expenses on other borrowings include the provision for late payment surcharges in connection with the delay in the repayment of certain other borrowings as mentioned in Note 25(c) of HK$206,458,000 (2020: HK$121,035,000).

12. INCOME TAX (CREDIT)/EXPENSE

The amount of income tax in the consolidated income statement represents:

	Year ended 31 December	
	2021 **HK$'000**	2020 HK$'000
Current income tax:		
– PRC enterprise income tax ("**EIT**")	**–**	172,203
– PRC land appreciation tax ("**LAT**")	**2,496**	245,561
	2,496	417,764
(Over)/under-provision in prior years:		
– PRC EIT	**(58)**	(68)
– PRC LAT	**(13,339)**	27,845
	(13,397)	27,777
Deferred income tax credit *(Note 28)*	**(70,175)**	(98,596)
Income tax (credit)/expense	**(81,076)**	346,945

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the years ended 31 December 2021 and 2020.

12. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

EIT

The PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2020: 25%) during the year ended 31 December 2021.

LAT

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures, with an exemption provided for property sales of ordinary residential properties (普通標準住房) if their appreciation values do not exceed 20% of the sum of total deductible items. Certain property development projects are subjected to LAT which is calculated based on deemed levying rates of their revenue under the approved taxation method if the specific circumstances as approved by the local tax authority are met and the companies have been de-registered or the approval has exceeded three years whichever is earlier.

The tax (credit)/expense for the year can be reconciled to the loss before income tax per the consolidated income statement as follows:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Loss before income tax	**(2,163,004)**	(809,561)
Tax calculated at domestic rates applicable in countries concerned	**(499,880)**	(160,615)
Impact of LAT in the PRC net of allowance deduction for EIT purpose	**(8,132)**	205,055
Tax effect of non-taxable income	**(13,254)**	–
Tax effect of expenses not deductible for tax purposes	**122,960**	175,621
Tax effect of tax losses not recognised	**139,835**	129,623
Tax effect of deductible temporary differences not recognised	**212,346**	–
Utilisation of tax losses previously not recognised as deferred income tax assets	**(34,893)**	(24,174)
Changes in deferred income tax liabilities in respect of withholding tax on unremitted earnings of subsidiaries	**–**	21,503
Over provision in respect of prior years	**(58)**	(68)
Income tax (credit)/expense	**(81,076)**	346,945

13. DIVIDENDS

No dividend was proposed for the years ended 31 December 2021 and 2020.

14. LOSS PER SHARE

Basic loss per share

The calculations of the basic loss per share attributable to owners of the Company are as below:

	Year ended 31 December	
	2021	2020
Loss		
Loss attributable to owners of the Company (HK$'000)	**(2,070,423)**	(1,150,773)
Number of shares		
Weighted average number of ordinary shares in issue (thousands)	**14,879,352**	14,879,352
	HK$ cents	HK$ cents
Basic loss per share	**(13.91)**	(7.73)

Diluted loss per share

Since there was no dilutive ordinary shares during the years ended 31 December 2021 and 2020, diluted loss per share is equal to basic loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel and buildings HK$'000	Right-of-use assets HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
Year ended 31 December 2021						
Cost						
At 1 January 2021	808,512	705,229	17,233	43,864	89,974	1,664,812
Additions	–	5,904	–	9,356	425	15,685
Disposals	–	(6,895)	(785)	–	(904)	(8,584)
Classified as assets held-for-sale	(11,347)	–	–	–	–	(11,347)
Exchange differences	30,682	18,485	609	878	2,571	53,225
At 31 December 2021	827,847	722,723	17,057	54,098	92,066	1,713,791
Accumulated depreciation and impairment						
At 1 January 2021	271,933	254,127	15,114	15,529	64,063	620,766
Depreciation provided for the year	32,630	25,355	793	5,692	4,529	68,999
Impairment for the year	259,157	–	–	–	–	259,157
Disposals	–	(6,895)	(771)	–	(675)	(8,341)
Classified as assets held-for-sale	(7,800)	–	–	–	–	(7,800)
Exchange differences	17,284	6,866	551	172	2,028	26,901
At 31 December 2021	573,204	279,453	15,687	21,393	69,945	959,682
Net book amount	254,643	443,270	1,370	32,705	22,121	754,109

	Hotel and buildings HK$'000	Right-of-use assets HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
Year ended 31 December 2020						
Cost						
At 1 January 2020	766,329	664,607	16,510	13,631	78,794	1,539,871
Additions	–	–	126	29,586	9,754	39,466
Disposals	–	–	(296)	–	(3,109)	(3,405)
Exchange differences	42,183	40,622	893	647	4,535	88,880
At 31 December 2020	808,512	705,229	17,233	43,864	89,974	1,664,812
Accumulated depreciation						
At 1 January 2020	237,439	214,558	14,112	10,201	58,885	535,195
Depreciation provided for the year	23,858	24,735	493	4,988	4,863	58,937
Disposals	–	–	(282)	–	(2,581)	(2,863)
Exchange differences	10,636	14,834	791	340	2,896	29,497
At 31 December 2020	271,933	254,127	15,114	15,529	64,063	620,766
Net book amount	536,579	451,102	2,119	28,335	25,911	1,044,046

As at 31 December 2021, land use rights (as included in right-of-use assets) and certain of the remaining property, plant and equipment with net book value of HK$439,476,000 (2020: HK$448,353,000) and HK$226,234,000 (2020: HK$518,416,000) respectively are pledged as collateral for the Group's borrowings (Note 25).

16. INVESTMENT PROPERTIES

	2021 **HK$'000**	2020 HK$'000
At fair value		
Opening balance at 1 January	**5,493,108**	3,250,502
Transfer from completed properties held-for-sale	**–**	1,975,359
Additions *(a)*	**9,501**	21,034
Disposal	**(14,458)**	–
Exchange differences	**146,345**	289,167
Net changes from fair value adjustments	**(253,778)**	(42,954)
Closing balance at 31 December	**5,380,718**	5,493,108

(a) The Group has leased certain retail stores and apartments from individuals for the sole purpose to sub-lease out for rental income (the "**Sub-lease Arrangements**"). These leased properties have been classified as right-of-use assets in accordance with HKFRS 16 and have been included as investment properties of the Group. Additions to investment properties for the year ended 31 December 2021 included the right-of-use assets as recognised for the leased properties of approximately HK$6,514,000 (2020: HK$20,494,000). As at 31 December 2021, the carrying amounts of the properties under the Sub-lease Arrangements amounted to HK$94,178,000 (2020: HK$89,116,000).

(b) Amounts recognised in profit and loss for investment properties

	Year ended 31 December	
	2021 **HK$'000**	2020 HK$'000
Rental income	**180,708**	152,987
Direct operating expenses	**(87,581)**	(77,562)
	93,127	75,425

The Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use. The Group has measured deferred income tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis

An independent valuation of the Group's investment properties was performed by the valuer, Shanghai Jiace Real Estate Appraisal Co., Ltd ("**Shanghai Jiace**"), to determine the fair value of the investment properties as at 31 December 2021. The revaluation gains or losses is included in "Change in fair value of investment properties" in consolidated income statement. The following table summarised the fair values of investment properties analysed by fair value hierarchy levels:

	Fair value measurements at 31 December 2021				
Description	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000	Total RMB'000
Recurring fair value measurements					
Investment properties:					
– Shopping malls – Shanghai	–	–	1,284,724	1,284,724	1,050,390
– Car Parking Area – Shanghai	–	100,294	–	100,294	82,000
– Shopping malls – Nanjing	–	–	2,064,273	2,064,273	1,687,750
– Shopping malls – Yangzhou	–	–	309,809	309,809	253,300
– Shopping malls – Qingdao	–	–	1,114,383	1,114,383	911,120
– Shopping malls – Nantong	–	–	413,057	413,057	337,715
– Leased properties classified as right-of-use assets – Shanghai	–	–	94,178	94,178	77,000
	–	100,294	5,280,424	5,380,718	4,399,275

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Description	Fair value measurements at 31 December 2020				
	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000	Total RMB'000
Recurring fair value measurements					
Investment properties:					
– Shopping malls – Shanghai	–	–	1,235,742	1,235,742	1,040,000
– Car Parking Area – Shanghai	–	97,433	–	97,433	82,000
– Shopping malls – Nanjing (transferred from completed properties held-for sale)	–	–	2,139,971	2,139,971	1,801,000
– Shopping malls – Yangzhou	–	–	306,559	306,559	258,000
– Shopping malls – Qingdao	–	–	1,056,321	1,056,321	889,000
– Shopping malls – Nantong	–	–	567,966	567,966	478,000
– Leased properties classified as right-of-use assets – Shanghai	–	–	89,116	89,116	75,000
	–	97,433	5,395,675	5,493,108	4,623,000

All of the Group's investment properties are located in the PRC and the fair values of these investment properties are all denominated in RMB. Despite these consolidated financial statements are presented in HK$, the fair values of each investment properties in RMB have also been presented above to better reflect the changes in the fair values of these investment properties (by excluding the impact of the changes in exchanges rates of RMB against HK$).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers among Levels 1, 2 and 3 during the years ended 31 December 2021 and 2020.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31December 2021						
	Shopping malls					Leased properties classified as right-of-use assets	Total
	Shanghai HK$'000	Nanjing HK$'000	Yangzhou HK$'000	Qingdao HK$'000	Nantong HK$'000	HK$'000	HK$'000
Opening balance at 1 January 2021	1,235,742	2,139,971	306,559	1,056,321	567,966	89,116	5,395,675
Addition	–	–	–	2,987	–	6,514	9,501
Disposal	(14,458)	–	–	–	–	–	(14,458)
Net gains/(loss) from fair value adjustments	37,790	(136,445)	(5,663)	23,663	(169,018)	(4,105)	(253,778)
Exchange differences	25,650	60,747	8,913	31,412	14,109	2,653	143,484
Closing balance at 31 December 2021	1,284,724	2,064,273	309,809	1,114,383	413,057	94,178	5,280,424

	Year ended 31December 2020						
	Shopping malls					Leased properties classified as right-of-use assets	Total
	Shanghai HK$'000	Nanjing HK$'000	Yangzhou HK$'000	Qingdao HK$'000	Nantong HK$'000	HK$'000	HK$'000
Opening balance at 1 January 2020	1,216,443	–	293,624	1,016,779	534,676	97,258	3,158,780
Transfer from completed properties held-for-sale	–	1,975,359	–	–	–	–	1,975,359
Addition	540	–	–	–	–	20,494	21,034
Net (loss)/gains from fair value adjustments	(32,403)	49,830	(5,060)	(22,490)	–	(32,831)	(42,954)
Exchange differences	51,162	114,782	17,995	62,032	33,290	4,195	283,456
Closing balance at 31 December 2020	1,235,742	2,139,971	306,559	1,056,321	567,966	89,116	5,395,675

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2021 and 2020 by an independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the Chief Accountant. Discussions of valuation processes and results are held between the Chief Accountant, the valuation team and valuer at least once every year. As at 31 December 2021, the fair values of investment properties have been determined based on the valuation performed by Shanghai Jiace.

At each financial year end, the finance department:

- verifies all major inputs to the independent valuation report;
- assesses properties/right-of-use assets valuations movements when compared to the prior year valuation report;
- holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the Chief Accountant and the valuation team.

Valuation techniques

For car parking area in Shanghai, the valuation was determined using the direct comparison approach which is based on market observable transactions of similar project.

For certain shopping malls in Shanghai, Nantong and the leased properties in Shanghai, the valuation was determined using the income approach. For shopping malls in Yangzhou, Qingdao, Nanjing and the remaining shopping malls in Shanghai and Nantong, the valuation was determined using a combination of income approach and direct comparison approach (50% each). Rental prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The valuation was based on significant unobservable inputs. These inputs are summarised as the following tables.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 1 – Shopping malls in Shanghai Zendai Thumb Plaza located in Pudong, Shanghai	**Level 3**	**Income Capitalisation Approach** The key inputs are: (1) Monthly unit rent (2) Reversionary yield	1) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB145/sq.m – RMB335/sq.m. (2020: RMB130/sq.m. – RMB335/sq.m.).	The higher the monthly unit rent, the higher the fair value.
			2) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, range from 4.5% – 6%. (2020: 4.5% – 6%).	The higher the reversionary yield, the lower the fair value.
Property 2 – Car parking area in Shanghai Zendai Thumb Plaza	**Level 2**	**Direct Comparison Method** The key inputs are based on market observable transactions of similar properties	N/A	N/A

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 3 – Shopping malls in Zendai Xizhen Thumb Plaza located in Qingpu, Shanghai	**Level 3**	**Income Capitalisation Approach and Direct Comparison Method** The key inputs are: (1) Monthly unit rent (2) Reversionary yield (3) Price per square metre	1) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB48/sq.m. – RMB79/sq.m. (2020: RMB44/sq.m. – RMB73/sq.m.).	The higher the monthly unit rent, the higher the fair value.
			2) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties of 6% (2020: 4% – 5%).	The higher the reversionary yield, the lower the fair value.
			3) Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. range from RMB7,468/sq.m. – RMB14,937/sq.m. (2020:RMB10,705/sq.m.) for the base level.	The higher the price, the higher the fair value.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 4 –Yangzhou Commercial Project located in Yangzhou City	**Level 3**	**Income Capitalisation Approach and Direct Comparison Method** The key inputs are: (1) Monthly unit rent (2) Reversionary yield (3) Price per square metre	1) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB128/sq.m. (2020: RMB125/sq.m.).	The higher the monthly unit rent, the higher the fair value.
			2) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties of 6% (2020: 4.5% – 5.5%).	The higher the reversionary yield, the lower the fair value.
			3) Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB17,587/sq.m. (2020: RMB21,100/sq.m.) for the base level.	The higher the price, the higher the fair value.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 5 – Shopping malls of Qingdao Zendai Thumb Plaza located in Qingdao City	**Level 3**	**Income Capitalisation Approach and Direct Comparison Method** The key inputs are: (1) Monthly unit rent (2) Reversionary yield (3) Price per square metre	1) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB37/sq.m. – RMB128/sq.m. (2020: RMB70/sq.m. – RMB234/sq.m.)	The higher the monthly unit rent, the higher the fair value.
			2) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties of 6% (2020: 6% – 7%).	The higher the reversionary yield, the lower the fair value.
			3) Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB18,900/sq.m. for the base level.	The higher the price, the higher the fair value.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 6 – Commercial Projects of Nantong Yicheng Thumb Plaza located in Nantong City	**Level 3**	**Income Capitalisation Approach or Income Capitalisation Approach and Direct Comparison Method** The key inputs are: (1) Monthly unit rent (2) Reversionary yield (3) Price per square metre	1) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB82/sq.m. (2020: RMB52/sq.m. – RMB104/sq.m.).	The higher the monthly rent, the higher the fair value.
			2) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 6.5% (2020: 6%).	The higher the reversionary yield, the lower the fair value.
			3) Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB11,069/sq.m. (2020: RMB16,300/sq.m.) for the base level.	The higher the price, the higher the fair value.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Properties 7 – Leased properties in Shanghai classified as right-of-use assets	**Level 3**	**Income Capitalisation Approach** The key inputs are: (1) Monthly unit rent (2) Reversionary yield	1) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of from RMB355/sq.m. – RMB592/sq.m. (2020: RMB355/sq.m. – RMB592/sq.m.).	The higher the monthly rent, the higher the fair value.
			2) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 7.5%.	The higher the reversionary yield, the lower the fair value.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 8 – Shopping malls in Nanjing Himalayas Center located in Nanjing City	**Level 3**	**Income Capitalisation Approach and Direct Comparison Method** The key inputs are: (1) Monthly unit rent (2) Reversionary yield (3) Price per square metre	1) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB164/sq.m. (2020: RM340/sq.m.).	The higher the monthly rent, the higher the fair value.
			2) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties of 6.5% (2020: 4.5% – 5.0%).	The higher the reversionary yield, the lower the fair value.
			3) Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB37,030/sq.m. for the base level (2020: RM40,200/sq.m.) and also adjusted lack of marketability to dispose the properties interests of the shopping malls as a whole.	The higher the price, the higher the fair value.

(d) Non-current assets pledged as security

As at 31 December 2021 and 2020, investment properties of the Group with fair values of HK$4,883,299,000 and HK$4,887,416,000, respectively, were pledged as collateral for the Group's borrowings (Note 25).

17. INVESTMENTS IN SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2021:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly held	Percentage of ownership interests indirectly held
Shanghai Zendai Real Estate Co., Ltd. 上海証大置業有限公司	The PRC, limited liability company	Property development and rental in the PRC	RMB 820,000,000	–	100%
Shanghai Zendai Delta Land Company Limited 上海証大三角洲置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB 400,000,000	–	100%
Shanghai Zendai Himalayas Hotel Management Co., Ltd. 上海証大喜瑪拉雅酒店管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB 15,000,000	–	100%
Qingdao Shenlan Deluxe Hotel Management Co., Ltd. 青島深藍複式酒店管理有限公司	The PRC, limited liability company	Property Management in the PRC	RMB 1,000,000	–	100%
Shanghai Zendai Xizhen Real Estate Development Co., Ltd. 上海証大西鎮置業發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB 290,000,000	–	100%
Shanghai Zendai Xizhen Thumb Commercial Management Co., Ltd. 上海証大西鎮大拇指商業經營管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB 1,000,000	–	100%
Shanghai Zendai Operation & Management Co., Ltd. 上海証大商業經營管理有限公司	The PRC, limited liability company	Properties rental, management and agency services in the PRC	RMB 20,000,000	–	100%
Shanghai Zendai Property Management Co., Ltd. 上海証大物業管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB 5,000,000	–	100%

17. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly held	Percentage of ownership interests indirectly held
Qingdao Zendai Commercial Traveling and Investment Development Co., Ltd. 青島証大商業旅遊投資發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB 250,000,000	–	100%
Shanghai Zendai Commercial Traveling and Investment Development Co., Ltd. 上海証大商業旅遊投資發展有限公司	The PRC, limited liability company	Hotel operation and properties rental in the PRC	RMB 600,000,000	–	100%
Shanghai Zendai Real Estate Brokerage Co., Ltd. 上海証大房地產經紀有限公司	The PRC, limited liability company	Property agency services in the PRC	RMB 2,000,000	–	100%
Qingdao Zendai Thumb Commercial Development Co., Ltd. 青島証大大拇指商業發展有限公司	The PRC, limited liability company	Property development in the PRC	USD12,000,000	–	100%
Yantai Zendai Thumb Real Estate Co., Ltd. 煙台証大大拇指置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB150,000,000	–	70%
Auto Win Investments Limited	British Virgin Islands, limited company	Properties rental in the PRC	USD1	100%	–
Shanghai Zendai Nanjing Property Management Co., Ltd. 上海証大南京物業管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB1,000,000	–	100%
Nanjing Lifang Real Estate Co., Ltd. 南京立方置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB1,800,000,000	–	100%
Nanjing Wudaokou Real Estate Co., Ltd. 南京五道口置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB190,000,000	–	100%
Nanjing Zendai Delta Land Real Estate Co., Ltd. 南京証大三角洲置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB770,000,000	–	100%

17. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly held	Percentage of ownership interests indirectly held
Nantong Zendai Real Estate Co., Ltd. 南通証大置業有限公司	The PRC, limited liability company	Property development and investment in the PRC	RMB100,000,000	–	100%
Nanjing Shuiqingmuhua Real Estate Co., Ltd. 南京水清木華置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB20,000,000	–	100%
Haimen Zendai Binjiang Real Estate CO., Ltd. 海門証大濱江置業有限公司	The PRC, limited liability company	Property development in the PRC	USD49,600,000	–	100%
Haimen Zendai Creative Investment Development Co., Ltd. 海門市証大創意投資發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB3,800,000	–	100%
Haimen Zendai Binjiang Property Management Co., Ltd. 海門証大濱江物業管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB500,000	–	100%
Nanjing Thumb Commercial Development Co., Ltd. 南京証大大拇指商業發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB1,200,000,000	–	100%
Hainan Huayi Real Estate Co., Ltd. 海南華意置業有限公司 ("**Hainan Huayi**")	The PRC, limited liability company	Property development in the PRC	RMB88,000,000	–	60%
Yangzhou Zendai Commercial Traveling Development Co., Ltd. 揚州証大商旅發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB30,000,000	–	80%
Yangzhou Thumb Commercial Management Co., Ltd. 揚州大拇指商業經營管理有限公司	The PRC, limited liability company	Property rental in the PRC	RMB500,000	–	100%

17. INVESTMENTS IN SUBSIDIARIES *(Continued)*

(a) The above table lists the subsidiaries of the Company, which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

(b) As part of the Debt Restructuring Agreement as mentioned in Note 25(c), the Company acquired an additional 20% equity interest in a subsidiary and also was granted the right to purchase the remaining 20% ("**Purchase Right**") equity interests of another subsidiary from the respective minority shareholders, which are also contracting parties of the Debt Restructuring Agreement. The Purchase Right can be exercisable at the discretion of the Company at an insignificant nominal consideration, at any time upon the Group has fully repaid the respective loans pursuant to the Debt Restructuring Agreement. One of the aforesaid subsidiaries was at a net deficit position, the difference arising from the consideration of the acquisitions and the respective share of respective interests owned by the minority shareholders were recorded as transaction with non-controlling interests during the year ended 31 December 2020.

(c) As at 31 December 2021, the non-controlling interest of HK$226,352,000 mainly includes the interest of the minority shareholder of Hainan Huayi of HK$147,770,000. As at 31 December 2021, the total assets and total liabilities of Hainan Huayi are HK$445,006,000 and HK$69,711,000 respectively. The net comprehensive loss and net decrease in cash and cash equivalents of Hainan Huayi are HK$28,231,000 and HK$16,782,000 respectively for the year ended 31 December 2021.

(d) As at 31 December 2021 and 2020, certain equity shares of the subsidiaries of the Group are pledged to secure certain borrowings granted to the Group.

18. INTEREST IN AN ASSOCIATE

(a) Investment in an associate

	As at 31 December	
	2021 **HK$'000**	2020 HK$'000
At 1 January	**–**	–
Share of results	**–**	–
At 31 December	**–**	–

The Group only has interests in an associate and details of which are as below:

Name of entity	Place of business/ country of incorporation	Particulars of paid-in capital	Percentage of ownership interest	Principal operation
Shanghai Zendai Himalayas Company Ltd. ("**Zendai Himalayas**") 上海証大喜瑪拉雅有限公司	The PRC	Registered capital RMB633,630,000	45%	Hotel operation

(i) There were no contingent liabilities or capital commitments relating to the Group's investment in the associate. The Group has share the loss of the associate only up to the extent that the Group's interest in the associate was reduced to zero as the Group has not incurred any legal or constructive obligations to recognise additional losses. The unrecognised share of losses of the associate for the year ended 31 December 2021 amounted to approximately HK$171,828,000 (2020: HK$217,000,000) and the cumulative unrecognised amounts up to 31 December 2021 amounted to approximately HK$483,999,000 (2020: HK$312,171,000).

18. INTEREST IN AN ASSOCIATE *(Continued)*

(a) Investment in an associate *(Continued)*

(ii) Summarised financial information for the associate

Set out below is the summarised financial information of Zendai Himalayas as at 31 December 2021 and 2020 and for the respective years then ended. The information below reflects the amounts presented in the financial statements of the associate, adjusted for differences in accounting policies between the Group and the associate, and not the Group's share of those amounts.

Summarised balance sheet	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Current assets	**37,923**	89,408
Non-current assets	**3,803,339**	3,851,694
Current liabilities	**(4,433,012)**	(4,139,401)
Non-current liabilities	**(372,589)**	(361,964)
Net liabilities	**(964,339)**	(560,263)
Included in the above amounts are:		
Cash and cash equivalents	**10,688**	20,232
Current financial liabilities (excluding trade and other payable)	**(3,511,357)**	(3,840,138)
Non-current financial liabilities (excluding other payable and provision)	**–**	–

Summarised statement of comprehensive income	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Revenue	**169,056**	150,923
Losses from operations	**(381,839)**	(482,222)
Other comprehensive loss	**(22,237)**	(30,303)
Included in the above amounts are:		
Depreciation and amortisation	**(98,210)**	(106,675)
Interest income	**15**	67
Interest expense	**(205,925)**	(371,750)

18. INTEREST IN AN ASSOCIATE *(Continued)*

(b) Amounts due from an associate

	As at 31 December	
	2021 **HK$'000**	2020 HK$'000
Amounts due from an associate	**353,179**	343,107
Less: provison for loss allowance	**(353,179)**	(234,812)
Amounts due from an associate – net	**–**	108,295
Less: non-current portion	**–**	(108,295)
Current portion	**–**	–

(i) During the year ended 31 December 2020, the Group obtained the results on the declaratory lawsuit against the associate for recovering the receivable amounts and claimed interests on any outstanding receivable amounts at a fixed rate of 6% per annum until such time as the associate has fully repaid the related amounts. The court ruled in favour of the Group's claims in April 2020 (the "**Court Ruling**") and confirmed the amounts owing by the associate and that the Group is entitled to interests on any outstanding amounts from November 2015 until such time as the associate has fully repaid the related amounts. As disclosed in Note 18(a), the associate suffered from significant losses. In addition, the associate was unable to repay its bank borrowings and interests in accordance with the original contractual terms (with more details in Note 5.1(b)(ii)(a)) and these defaults combined with the unfavourable operating environment posted significant pressure on the liquidity of the associate. Considering the liquidity problem as encountered by the associate, the Group has recognised a provision for loss allowance of HK$109,539,000 and HK$154,045,000 on the amounts due from the associate for the years ended 31 December 2021 and 2020 respectively and also has not recognised the interest income as entitled by the Group of approximately HK$20,874,000 for the year ended 31 December 2021 (2020: HK$209,930,000) pursuant to the Court Ruling.

18. INTEREST IN AN ASSOCIATE *(Continued)*

(c) Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Opening net liabilities at 1 January	**(560,263)**	(47,738)
Loss for the year	**(381,839)**	(482,222)
Exchange differences	**(22,237)**	(30,303)
Closing net liabilities at 31 December	**(964,339)**	(560,263)
Group's share of net liabilities of the associate *(Note)*	**–**	–

Note:

As mentioned in Note 18(a)(i), the Group does not have any legal or constructive obligations to share further losses of the associate when the Group's interest in the associate was reduced to zero.

19. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD-FOR-SALE

	As at 31 December	
	2021 **HK$'000**	2020 HK$'000
Properties under development		
– Within a normal operating cycle included under current assets	**4,548,178**	4,757,010
– Beyond a normal operating cycle included under non-current assets	**812,246**	795,016
Completed properties held-for-sale	**917,112**	1,139,656
	6,277,536	6,691,682

During the year ended 31 December 2021, impairment provision of HK$431,778,000 (2020: HK$37,196,000) has been recognised in costs of sales which is mainly attributable to the change in estimated net realisable value of certain completed properties held-for-sale and properties under development located in the PRC due to current market condition and change of development plan and the resulting demolition of existing building structures for redevelopment purpose.

As at 31 December 2021, the accumulated impairment provision was HK$482,935,000 (2020: HK$43,336,000).

As at 31 December 2021, certain properties under development and completed properties held-for-sales with carrying amount of HK$1,711,585,000 (2020: HK$2,258,415,000) are pledged to banks to secure certain borrowings granted to the Group (Note 25).

Properties under development and completed properties held-for-sales which are expected to be recovered in more than twelve months after the end of reporting period are still classified under current assets if they are expected to be realised within the Group's normal operating cycle. As of 31 December 2021, properties under development of HK$812,246,000 (2020: HK$795,016,000) which are not expected to be developed within the Group's normal business cycle are therefore classified as non-current assets.

As at 31 December 2021, the properties under development and completed properties held-for-sales that are expected by management to be realised through the delivery of the related properties to the customers after twelve months from the end of reporting period amounted to approximately HK$4,199,732,000 (2020: HK$6,217,585,000).

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Trade receivables	**68,675**	64,807
Less: provision for loss allowance	**(6,965)**	(1,421)
Trade receivables – net *(a)*	**61,710**	63,386
Other receivables *(b)*	**330,978**	298,638
Deposits	**13,751**	18,732
	344,729	317,370
Less: provision for loss allowance *(b)*	**(217,979)**	(169,595)
Other receivables – net	**126,750**	147,775
Prepayments for turnover tax	**95,414**	120,996
	283,874	332,157

As at 31 December 2021 and 2020, the majority of the Group's trade and other receivables and prepayments are denominated in RMB.

As at 31 December 2021, the carrying amounts of trade and other receivables and prepayments approximated their fair values.

The Group generally grants no credit period to its customers on sales of properties, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis.

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

(a) The aging analysis of trade receivables before provision for loss allowance based on the date of services provided at the end of reporting period is as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Within 3 months	**55,781**	57,152
More than 3 months but less than 12 months	**2,954**	2,097
More than 12 months	**9,940**	5,558
	68,675	64,807

Movements on the provision for loss allowance on trade receivables are as follows:

	2021	2020
	HK$'000	HK$'000
At 1 January	**(1,421)**	(851)
Provision for the year	**(5,502)**	(570)
Exchange differences	**(42)**	–
At 31 December	**(6,965)**	(1,421)

(b) As at 31 December 2021, other receivables included certain cooperation intention deposits of HK$146,787,000 (2020: HK$142,601,000) which were paid to third party companies in prior years for cooperation in certain real estate projects.

The Group has decided not to be proceed with those projects and had negotiated with the counterparties to return the investments. Based on the assessment on the current financial position and repayment capabilities of certain counterparty in concern, an allowance of HK$22,429,000 was recognised on respective receivable during the year ended 31 December 2021. As at 31 December 2021, the cumulative expected credit losses on these receivable balances amounted to HK$146,787,000 (2020: HK$124,337,000).

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

(b) Movements on the provision for loss allowance on other receivables are as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
At 1 January	**(169,595)**	(131,354)
Net provision for the year *(i)*	**(43,407)**	(30,580)
Exchange differences	**(4,977)**	(7,661)
At 31 December	**(217,979)**	(169,595)

(i) For the year ended 31 December 2021, net provision did not include any reversal of provision (2020: reversal of HK$415,000).

21. PLEDGED BANK DEPOSITS

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Current portion	**221,148**	228,700
Non-current portion	**12,231**	248,624
	233,379	477,324

Certain pledged bank deposits of HK$233,379,000 (2020: HK$474,189,000) are pledged to banks to secure certain borrowings of the Group (Note 25). The pledged bank deposits carry interest ranging from 0.30% to 2.00% (2020: 0.30% to 2.28%) per annum.

22. CASH AND BANK BALANCES

Cash and bank balances include the following for the purposes of the consolidated cash flow statement:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Cash on hand	**223**	378
Cash at bank	**183,964**	230,422
Restricted bank balances (i)	**131,162**	–
Cash and cash equivalents	**315,349**	230,800

(i) The bank balances are restricted for the sole use of the construction of a specified project of the Group and balances under custodian by government authorities and courts.

22. CASH AND BANK BALANCES *(Continued)*

As at 31 December 2021 and 2020, the Group had no bank overdrafts balance.

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
RMB	**311,897**	228,597
USD	**320**	283
HK$	**3,132**	1,920
Cash and cash equivalents	**315,349**	230,800

23. FINANCIAL ASSETS AT FAIR VALUE

Movements in financial assets at FVOCI and financial assets at FVPL are as below:

	FVOCI	FVPL
At 1 January 2020	37,304	24,049
Change in fair value	(18,207)	–
Disposals	–	(1,830)
Exchange differences	1,291	1,394
At 31 December 2020	20,388	23,613
At 1 January 2021	**20,388**	**23,613**
Change in fair value	**3,294**	**–**
Additions	**–**	**557**
Disposals	**–**	**(3,250)**
Exchange differences	**649**	**652**
At 31 December 2021	**24,331**	**21,572**

23. FINANCIAL ASSETS AT FAIR VALUE *(Continued)*

Details of financial assets at fair value are as below:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Unlisted equity investment in PRC	**24,331**	20,388
Wealth management products as purchased from financial institutions	**21,572**	23,613
	45,903	44,001
Less: non-current portion	**(24,331)**	(20,388)
Current portion	**21,572**	23,613

24. TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Trade payables *(a)*	**2,204,313**	2,096,234
Other payables and accruals *(b), (c)*	**2,466,755**	1,605,223
	4,671,068	3,701,457
Less: non – current portions *(c)*	**–**	(604,716)
	4,671,068	3,096,741

As at 31 December 2021 and 2020, the majority of the Group's trade and other payables are denominated in RMB.

As at 31 December 2021, the carrying amounts of trade and other payables approximated their fair values.

24. TRADE AND OTHER PAYABLES *(Continued)*

(a) The aging analysis of trade payables based on date of when the construction costs payable have been verified with the contractors is as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Within 3 months	**1,355,542**	1,818,038
More than 3 months but less than 12 months	**193,338**	15,721
More than 12 months	**599,999**	98,998
	2,148,879	1,932,757
Retention money	**55,434**	163,477
	2,204,313	2,096,234

The trade payables mainly represent accrued construction costs payable to contractors, which have not been verified with the contractors and have been included within 3 months in the above aging analysis. The amounts will be paid upon the completion of cost verification process between the contractors and the Group.

(b) Other payables and accruals primarily comprise of turnover tax payable, interest payable (including the late penalty surcharges arising from overdue borrowings as mentioned in Note 25(c)), deposits and proceeds for assets held for sale of HK$86,365,000, HK$1,487,573,000, HK$192,783,000, HK$119,863,000 (2020: HK$261,868,000, HK$712,941,000, HK$294,194,000, HK$nil) respectively.

As at 31 December 2021, interest payable of HK$857,430,000 (2020: HK$73,695,000) are related to overdue borrowings with the principal amounts totaling HK$4,600,730,000 (2020: HK$635,753,000) which have not been repaid in accordance with contractual repayments dates.

(c) Pursuant to the terms as set out in the Debt Restructuring Agreement as mentioned in Note 25(c), the interest and late penalty surcharge payable in connection with the borrowings from the Shareholder and Associated Parties of HK$333,326,000 and HK$271,390,000 respectively (with aggregated amount of HK$604,716,000) as at 31 December 2020 would be repayable only upon when the principal amounts of the related borrowings have been fully repaid and therefore the related interest and late penalty surcharge payable were classified as non-current liabilities. Since the Group was unable to repay in accordance with the repayment schedule stated in the Debt Restructuring Agreement, all of the outstanding interest and late penalty surcharge payable of these borrowings were classified as current liabilities as at 31 December 2021.

25. BORROWINGS

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Secured or guaranteed		
Bank borrowings	**1,733,568**	1,682,871
Borrowings from other financial institutions *(c)*	**5,242,915**	5,353,044
	6,976,483	7,035,915

At the end of reporting period, the borrowings were repayable as follows:

Within one year	**6,327,694**	4,289,486
More than one year, but not exceeding two years	**55,271**	639,550
More than two years, but not exceeding five years	**176,419**	1,881,001
After five years	**417,099**	225,878
Total borrowings	**6,976,483**	7,035,915
Less:amount repayable within one year included in current liabilities *(d)*	**(6,327,694)**	(4,289,486)
Amount repayable after one year	**648,789**	2,746,429

(a) As at 31 December 2021, borrowings of HK$3,833,923,000 (2020: HK$3,962,773,000) were secured by certain hotel properties (Note 15), investment properties (Note 16), properties under development and completed properties held-for-sale (Note 19) and pledged bank deposits (Note 21).

(b) The Group's borrowings bear interests at rates ranged from 3.85% to 24.00% (2020: 4.75% to 18.15%) per annum.

25. BORROWINGS *(Continued)*

(c) Pursuant to the Debt Restructuring Agreement as disclosed in Note 25 of the Company's 2020 Annual Report, the Group agreed with China Orient Asset Management (International) Holding Limited ("**COAMI**") (an indirect shareholder of the Company) and its subsidiary and other companies with which COAMI is associated (the "**Shareholder and Associated Parties**") on 31 December 2020 to revise certain key terms and conditions of the original borrowing agreements, including but not limited to the extension of principal and interest payment schedules; and to include a mechanism to determine the amount of minimum principal repayments per annum based on the proceeds to be realised from one of the property development projects. The Shareholder and Associated Parties released the aforesaid defaults and cross-defaults.

During the year ended 31 December 2021, the Group was unable to repay borrowings and interest payables in accordance with the repayment schedule stated in the Debt Restructuring Agreement. Such non-repayments together with other non-repayment of borrowings and interest payables according to the repayment schedule to several financial institutions are collectively referred to as the "Default Events". As a result, the entire outstanding principal and interest payables of these borrowings of RMB3,762 million and RMB701 million respectively (equivalent to approximately HK$4,601 million and HK$857 million respectively), would be immediately repayable if requested by these financial institutions, the Shareholder and Associated Parties. Defaulted Borrowings of RMB1,332 million (equivalent to HK$1,629 million), all with original contractual repayment dates after 31 December 2022, were classified as current liabilities as at 31 December 2021.

The Default Events triggered cross-defaults of other borrowings of the Group with aggregated principal amounts of RMB603 million (equivalent to approximately HK$738 million) and related interest payables of RMB1.3 million (equivalent to approximately HK$1.6 million) as at 31 December 2021. These amounts, including borrowings of RMB410 million (equivalent to approximately HK$501 million) with original contractual repayment dates beyond 31 December 2022, were classified under current liabilities as at 31 December 2021 as they are due upon demand if requested by the respective lenders.

(d) As at 31 December 2021, the current borrowings included the borrowings that will be due for repayment within next twelve months, the Defaulted Borrowings and the Cross-Defaulted Borrowings of HK$988,828,000, HK$4,600,730,000 and HK$738,136,000, respectively.

25. BORROWINGS *(Continued)*

(e) The People's Bank of China (the "**PBOC**") and relevant government body introduced a long-term rule referred to as the "Three Red Lines" in August 2020 which imposes limits on additional financing to property developers if certain thresholds are exceeded in order to establish stronger financial supervision over real estate companies. The rule aims to promote a more stable development of the real estate market, and a more robust financing mechanism. The Group expects that this rule will continue to have a significant impact on the industry's development as well as a tightening of available financing.

(f) The contractual maturities according to repayment schedule of the Group's borrowings at the end of the year are as follows:

	As at 31 December	
	2021 **HK$'000**	2020 HK$'000
within 1 year	**4,197,295**	3,819,880
1-5 years	**2,779,188**	3,216,035
	6,976,483	7,035,915

(g) The carrying amounts of the Group's borrowings are all denominated in RMB.

(h) The fair value of non-current borrowings approximate their carrying amount, as most of the non-current borrowings bear floating market rates and hence the impact of discounting is not significant. The fair values are based on cash flows discounted using rates based on the borrowing rate and are within Level 2 of the fair value hierarchy.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Movements in liabilities from financing activities:

	Liabilities from financing activities			
	Amounts due to minority owners of subsidiaries due within 1 year[(i)] HK$'000	Borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 January 2020	(112,857)	(7,914,462)	(112,310)	(8,139,629)
Financing cash flows	–	1,549,826	36,456	1,586,282
Interest paid – operating cash flows	–	–	8,493	8,493
Foreign exchange adjustments	(8,065)	(412,813)	(8,763)	(429,641)
Acquisition of right-of-use assets	–	–	(19,395)	(19,395)
Other non-cash movements	505	(258,466)	(12,309)	(270,270)
As at 31 December 2020	(120,417)	(7,035,915)	(107,828)	(7,264,160)
As at 1 January 2021	(120,417)	(7,035,915)	(107,828)	(7,264,160)
Financing cash flows	–	261,994	24,587	286,581
Interest paid – operating cash flows	–	–	8,143	8,143
Foreign exchange adjustments	(2,353)	(202,562)	(2,885)	(207,800)
Acquisition of right-of-use assets	–	–	(12,419)	(12,419)
Other non-cash movements	–	–	(8,143)	(8,143)
As at 31 December 2021	(122,770)	(6,976,483)	(98,545)	(7,197,798)

(i) As at 31 December 2021 and 2020, the amounts due to minority owners of subsidiaries are interest free and repayable on demand.

(b) Major non-cash transactions

	Year ended 31 December	
	2021 HK$'000	2020 HK$'000
Repayment of a matured borrowing by the guarantee provider *(Note 25)*	–	1,009,981
Acquisition of additional interests in subsidiaries with considerations remained unsettled *(Note 17(b))*	–	237,643

27. TAX PREPAYMENTS/PAYABLES

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Tax prepayments		
EIT prepayments	**188,357**	205,086
LAT prepayments	**47,456**	52,408
	235,813	257,494

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Tax payables		
EIT payable	**284,274**	276,207
LAT provision	**445,014**	459,530
	729,288	735,737

28. DEFERRED INCOME TAX

Details of the deferred income tax assets and liabilities recognised and movements during the current and the prior year were as follows:

Deferred income tax assets	**Tax losses** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 January 2020	–	3,302	3,302
Credited to income statement	6,977	6,813	13,790
Exchange differences	395	592	987
At 31 December 2020	7,372	10,707	18,079
Charged to income statement	(7,475)	(10,857)	(18,332)
Exchange differences	103	150	253
At 31 December 2021	**–**	**–**	**–**

28. DEFERRED INCOME TAX *(Continued)*

Deferred income tax liabilities	Revaluation of property, plant and equipment HK$'000	Revaluation of investment properties HK$'000	Revaluation of properties for sale HK$'000	Withholding tax on unremitted earnings of subsidiaries HK$'000	Recognised revenue over time HK$'000	Total HK$'000
At 1 January 2020	(133,188)	(188,268)	(352,814)	(22,931)	(11,666)	(708,867)
Credited/(charged) to income statement	337	2,531	90,754	(21,503)	12,687	84,806
Exchange differences	(8,274)	(9,963)	(15,750)	(5,412)	(1,049)	(40,448)
At 1 January 2021	(141,125)	(195,700)	(277,810)	(49,846)	(28)	(664,509)
Credited to income statement	4,959	61,996	21,552	–	–	88,507
Exchange differences	(3,123)	(5,157)	(7,072)	(1,463)	(1)	(16,816)
At 31 December 2021	**(139,289)**	**(138,861)**	**(263,330)**	**(51,309)**	**(29)**	**(592,818)**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2021, the Group did not recognise deferred income tax assets of HK$644,013,000 (2020: HK$636,785,000) in respect of cumulative tax losses amounting to HK$2,577,955,000 (2020: HK$2,549,043,000) that can be carried forward against future taxable income.

As at 31 December 2021, cumulative tax losses amounting to HK$5,600,000 (2020: HK$5,600,000) can be carried forward indefinitely and the tax losses of HK$2,572,355,000 (2020: HK$2,543,443,000) will expire in five years' time (out of which tax losses of HK$325,750,000 (2020: HK$458,426,000) is expiring within one year).

As at 31 December 2021, the Group had unrecognised deductible temporary differences on impairment loss on properties under development and completed properties held-for-sale, property, plant and equipment and expected credit loss on financial assets of approximately HK$538,986,000, HK$259,157,000 and HK$578,531,000 (2020: HK$107,208,000, nil and HK$405,828,000), respectively. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised.

29. SHARE CAPITAL

(a) Authorised and issued share capital

Authorised	As at 31 December			
	2021 Number	**2021 HK$'000**	2020 Number	2020 HK$'000
Ordinary shares of HK$0.02 each	**20,000,000,000**	**400,000**	20,000,000,000	400,000

Issued and fully paid	As at 31 December			
	2021 Number	**2021 HK$'000**	2020 Number	2020 HK$'000
Ordinary shares of HK$0.02 each	**14,879,351,515**	**297,587**	14,879,351,515	297,587

(b) Share option scheme

2012 Share option scheme

The Company adopted a share option scheme on 26 June 2012 (the "**2012 Share Option Scheme**"), for primary purpose of providing incentives to eligible participants. Details of the 2012 Share Option Scheme are as follows:

On 26 June 2012, the Company adopted the 2012 Share Option Scheme which will expire in July 2022. Pursuant to the terms of the 2012 Share Option Scheme, the Company may grant options at a consideration of HK$1 to eligible participants (including directors, shareholders, eligible employees, suppliers and customers of the Company or its subsidiaries) to subscribe for shares in the Company. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's share as quoted on the Stock Exchange on the date of grant, (ii) the average closing price of the Company's shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares on the date of grant. Options granted are exercisable at any time during a period to be notified by the Directors but limited to a maximum period of ten years after the date on which the options are granted. Options granted should be accepted within 28 days from the date of offer at the consideration of HK$1.

29. SHARE CAPITAL *(Continued)*

(b) Share option scheme *(Continued)*

The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option schemes of the Company shall not exceed 1,243,725,152 shares, being 10% of the Company's shares in issue as at the date on which the relevant share option scheme has been adopted. This represents 8.35% of the current issued shares of the Company.

The 2012 Share Option Scheme may be refreshed at any time by the approval of the shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of such shareholders' approval. For the avoidance of doubt, options previously granted under the 2012 Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed or exercised in accordance with the 2012 Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit.

The Company may, by the approval of the shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before shareholders' approval is sought.

Unless approved by the shareholders as set out herein, the total number of the Company's shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Company's shares in issue. Where any further grant of options to a participant would result in the Company's shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant in aggregate exceeding 1% of the Company's shares in issue, such further grant must be separately approved by the shareholders in general meeting with such participant and his associates abstaining from voting.

However, the overall limit on the number of the Company's shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

No options have been granted under the 2012 Share Option Scheme during the years ended 31 December 2021 and 2020.

As at 31 December 2021 and 2020, no options were outstanding as all the options previously granted were all lapsed prior to 31 December 2018.

30. LEASES

(a) The Group as the lessor

As at 31 December 2021 and 2020, the Group had future aggregate minimum rental receivables under non-cancellable operating leases of self-owned investment properties as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Not later than one year	**220,504**	149,473
Later than one year and not later than five years	**598,249**	346,241
Later than five years	**39,088**	108,822
	857,841	604,536

(b) The Group as the lessee

(i) Amounts recognised in the consolidated balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Right-of-use assets		
Land use rights (included in property, plant and equipment)	**443,270**	451,502
Leased properties included in investment properties *(Note 16(a))*	**94,178**	89,116
	537,448	540,618
Lease liabilities		
Current	**31,492**	31,774
Non-current	**67,053**	76,054
	98,545	107,828

Additions to the right-of-use assets during the year ended 31 December 2021 were HK$6,514,000 (2020: HK$20,494,000).

30. LEASES *(Continued)*

(b) The Group as the lessee *(Continued)*

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Year ended 31 December	
	2021 **HK$'000**	2020 HK$'000
Depreciation charge of right-of-use assets included in property, plant and equipment	**6,895**	24,735
Changes in fair value of right-of-use assets classified as investment properties under the Sub-lease Arrangements	**4,105**	32,831
Interest expense (included in finance costs-net) *(Note 11)*	**8,143**	8,493

The total cash outflow for leases (including short-term lease) in 2021 was HK$35,896,000 (2020: HK$46,658,000).

(iii) The Group's leasing activities and how these are accounted for

The Group leases certain office buildings, retail stores and apartments. Rental contracts are typically made for fixed periods of 1 to 10 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

31. RELATED PARTY TRANSACTIONS/BALANCES

As at 31 December 2021, Nantong Sanjian Holding (HK) Co. Limited ("**NTHK**"), as the shareholder with largest shareholding in the Company, and Smart Success Capital Ltd., as a substantial shareholder of the Company, directly held 29.99% and 18.17% respectively in the issued shares of the Company.

Smart Success Capital Ltd. is indirectly controlled by COAMI, which is ultimately held by China Orient Asset Management Co., Ltd. NTHK is indirectly controlled by Nantong Sanjian Holding Co., Ltd.

31. RELATED PARTY TRANSACTIONS/BALANCES *(Continued)*

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had entered into the following significant transactions and had balances with related parties:

(a) Compensation of key management personnel

The remuneration of key management during the year was as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Short-term benefits	**10,940**	15,562
Post-employment benefits	**317**	175
	11,257	15,737

The remuneration of key management personnel is determined by reference to the performance of individuals and market trends.

(b) Balances with related parties

	Amounts due from related parties As at 31 December		Amounts due to related parties As at 31 December	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts due from an associate *(Note i and 18(b)*	**–**	108,295	**–**	–
Borrowings due to COAMI and its subsidiary *(Note ii)*	**–**	–	**1,284,247**	1,247,624

(i) During the year ended 31 December 2021, an impairment provision of HK$109,539,000 for amounts due from an associate has been recognised (2020: HK$154,045,000).

(ii) Borrowings due to Shareholder and Associated Parties disclosed in Note 25(c) include the borrowings due to COAMI and its subsidiary and the borrowings due to its associated parties of HK$1,284,247,000 and HK$1,858,313,000 respectively (2020: HK$1,247,624,000 and HK$1,825,518,000 respectively). The associated parties with COAMI are not deemed as the related parties to the Company in according to respective Hong Kong Accounting Standards.

32. FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 31 December 2021 and 2020:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Guarantees in respect of mortgage facilities for certain purchasers	**982,559**	1,219,919

As at 31 December 2021 and 2020, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties, net of mortgages received and included in receipts in contract liabilities. Pursuant to the terms of the guarantees, upon default in mortgage payments by the respective purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then to be pledged with the banks.

The Group has not recognised any liabilities nor ECL provision in connection with the aforesaid financial guarantee contracts as the directors of the Company are of the view that it is remote for the Group to suffer from any significant losses on these financial guarantee contracts.

33. COMMITMENTS

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Commitments in respect of properties under development and investment properties – contracted for but not provided	**2,095,135**	2,883,815
Commitments for acquisition of subsidiaries – contracted for but not provided (a)	**1,748,124**	1,766,516

(a) In August 2015, the Group entered into six equity transfer agreements with a third party to acquire the entire equity interests of six project companies that possess 13 land parcels located in Nanjing, the PRC. As at 31 December 2021, the equity interests of two project companies which owns 4 parcels of land were transferred to the Group. The equity interests of the remaining four project companies have not been transferred to the Group and the corresponding consideration of RMB1,429,267,000 (equivalent to HK$1,748,124,000) have not been paid.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The following table shows the Group's financial assets and liabilities by category:

	Loans and receivables at amortised costs HK$'000	**Financial assets at fair value HK$'000**	**Total HK$'000**
Assets			
As at 31 December 2021			
Financial assets at FVPL	**–**	**21,572**	**21,572**
Financial assets at FVOCI	**–**	**24,331**	**24,331**
Trade and other receivables (excluding prepayments)	**188,460**	**–**	**188,460**
Pledged bank deposits	**233,379**	**–**	**233,379**
Cash and bank balances	**315,349**	**–**	**315,349**
Amounts due from an associate	**–**	**–**	**–**
	737,188	**45,903**	**783,091**

	Loans and receivables at amortised costs HK$'000	Financial assets at fair value HK$'000	Total HK$'000
Assets			
As at 31 December 2020			
Financial assets at FVPL	–	23,613	23,613
Financial assets at FVOCI	–	20,388	20,388
Trade and other receivables (excluding prepayments)	211,161	–	211,161
Pledged bank deposits	477,324	–	477,324
Cash and bank balances	230,800	–	230,800
Amounts due from an associate	108,295	–	108,295
	1,027,580	44,001	1,071,581

34. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Other financial liabilities at amortised costs HK$'000
Liabilities	
As at 31 December 2021	
Trade and other payables (excluding other taxes and payroll payables)	**4,575,221**
Borrowings	**6,976,483**
Amounts due to minority owners of subsidiaries	**122,770**
Lease liabilities	**98,545**
	11,773,019
As at 31 December 2020	
Trade and other payables (excluding other taxes and payroll payables)	3,430,329
Borrowings	7,035,915
Amounts due to minority owners of subsidiaries	120,417
Lease liabilities	107,828
	10,694,489

35. BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY

Balance sheet of the Company

		As at 31 December	
	Notes	**2021 HK$'000**	2020 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		**169,831**	1,121,746
Property, plant and equipment		**4,844**	1,305
Total non-current assets		**174,675**	1,123,051
Current assets			
Amounts due from subsidiaries		**–**	3,433,149
Other receivables		**12,451**	12,990
Cash and cash equivalents		**536**	572
Total current assets		**12,987**	3,446,711
Total assets		**187,662**	4,569,762
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**297,587**	297,587
Share premium		**2,164,700**	2,164,700
Other reserves	*(a)*	**226,912**	226,912
Accumulated losses	*(a)*	**(4,682,593)**	(196,423)
Total (deficit)/equity		**(1,993,394)**	2,492,776

35. BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY

(Continued)

Balance sheet of the Company *(Continued)*

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Liabilities		
Non-current liabilities		
Borrowings	**–**	171,778
Lease liabilities	**2,979**	–
Total non-current liabilities	**2,979**	171,778
Current liabilities		
Amounts due to subsidiaries	**1,813,131**	1,764,081
Other payables	**118,434**	73,763
Borrowings	**244,618**	65,864
Lease liabilities	**1,894**	1,500
Total current liabilities	**2,178,077**	1,905,208
Total liabilities	**2,181,056**	2,076,986
Total equity and liabilities	**187,662**	4,569,762

The balance sheet of the Company was approved by the Board of Directors on 29 March 2022 and was signed on its behalf.

Mr. Huang Yuhui
Director

Ms. Li Zhen
Director

35. BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY

(Continued)

Balance sheet of the Company *(Continued)*

(a) Reserves movement of the Company

	Other reserves HK$'000	Accumulated losses HK$'000
At 1 January 2020	226,912	(137,912)
Loss for the year	–	(58,511)
At 31 December 2020	226,912	(196,423)
At 1 January 2021	**226,912**	**(196,423)**
Loss for the year	**–**	**(4,486,170)**
At 31 December 2021	**226,912**	**(4,682,593)**

36. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive of the Company is set out below:

For the year ended 31 December 2021:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:			
	Fees HK$'000	Salaries and Wages HK$'000	Employer's contribution to pension scheme or retirement benefit scheme HK$'000	Total HK$'000
Executive Directors and chief executive:				
Mr. Huang Yuhui *(Chairman of the Board) (Note(iii))*	–	–	–	–
Mr. Wang Letian	–	–	–	–
Ms. Li Zhen *(Note(i))*	–	–	–	–
Mr. He Haiyang	–	5,220	164	5,384
Mr. Qin Renzhong *(Note (iii))*	–	–	–	–
Mr. Tang Jian *(Note(i))*	–	43	1	44
Mr. Zhang Zelin *(chief executive)*	–	5,012	146	5,158
Non-executive Directors:				
Ms. Wang Zheng	600	–	–	600
Mr. Ma Yun	600	–	–	600
Mr. Wu Junao	600	–	–	600
Independent non-executive Directors:				
Dr. Guan HuanFei *(Note (iv))*	292	–	–	292
Mr. Chen Shuang *(Note (iv))*	292	–	–	292
Mr. Cao Hailiang *(Note (iv))*	292	–	–	292
Dr. Lin Xinzhu *(Note (iv))*	292	–	–	292
Mr. Wang Yuzhou *(Note (iv))*	75	–	–	75
Mr. Chu Chi Wen *(Note(iv))*	217	–	–	217
Dr. Xu Changsheng *(Note(iv))*	18	–	–	18
Mr. Ng Man Kung *(Note(iv))*	18	–	–	18
Mr. How Sze Ming *(Note(iv))*	18	–	–	18
Dr. Di Ruipeng *(Note(iv))*	18	–	–	18
Total	3,332	10,275	311	13,918

36. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

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

The remuneration of every director and the chief executive of the Company is set out below:

For the year ended 31 December 2020:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:			
	Fees HK$'000	Salaries and Wages HK$'000	Employer's contribution to pension scheme or retirement benefit scheme HK$'000	Total HK$'000
Executive Directors and chief executive:				
Mr. He Haiyang *(Chief Executive)*	–	3,511	55	3,566
Mr. Wang Letian *(Chairman of the Board)*	–	–	–	–
Mr. Qin Renzhong *(Note (iii))*	–	–	–	–
Mr. Zhang Huagang	–	2,838	6	2,844
Mr. Tang Jian	–	1,487	18	1,505
Non-executive Directors:				
Ms. Wang Zheng	600	–	–	600
Mr. Gong Ping *(Note(ii))*	188	–	–	188
Ms. Jiang Zhengyan *(Note(ii))*	188	–	–	188
Mr. Ma Yun *(Note (ii))*	412	–	–	412
Mr. Wu Junao *(Note (ii))*	412	–	–	412
Independent non-executive Directors:				
Mr. Chow, Alexander Yue Nong (passed away on 5 October 2020)	458	–	–	458
Dr. Xu Changsheng	600	–	–	600
Mr. Ng Man Kung	600	–	–	600
Mr. How Sze Ming	600	–	–	600
Dr. Di Ruipeng	600	–	–	600
Total	4,658	7,836	79	12,573

36. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

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

For the years ended 31 December 2021 and 2020, no housing allowance, estimated money value of other benefits, remunerations paid or receivable in respect of accepting office as director, emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking were provided by the Group to directors or chief executive.

Notes:

(i) Mr. Tang Jian resigned and Ms. Li Zhen was appointed as an executive Director on 11 January 2021.

(ii) Mr. Gong Ping and Ms. Jiang Zhengyan resigned and Mr. Ma Yun and Mr. Wu Junao were appointed as non-executive directors on 23 April 2020.

(iii) Mr. Qin Renzhong resigned and Mr. Huang Yuhui was appointed as an executive director on 11 January 2021, Mr. Huang was appointed as the chairman of the Board, a member and the chairman of the Nomination Committee and an authorised representative of the Company on 23 June 2021.

(iv) Dr. Xu Changsheng, Mr. Ng Man Kung, Mr. How Sze Ming and Dr. Di Ruipeng resigned and Dr. Guan Huanfei, Mr. Chen Shuang, Mr. Chu Chi Wen, Mr. Cao Hailing and Dr. Lin Xinzhu were appointed as independent non-executive directors on 11 January 2021. Mr. Chu Chi Wen resigned and Mr. Wang Yuzhou was appointed as an independent non-executive director on 30 September 2021.

(v) Directors' retirement benefits and termination benefits

None of the directors received retirement benefits or termination benefits for the year ended 31 December 2021.

(vi) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2021, the Group did not pay consideration to any third parties for making available directors' services.

(vii) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by such directors and connected entities with such directors

For the year ended 31 December 2021, the Group did not provide loans, quasi-loans and other dealings in favour of directors.

(viii) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2021 or at any time during the year ended 31 December 2021.

FINANCIAL SUMMARY

The following table summarises the results, assets and liabilities of the Group for the last five years.

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**740,993**	4,598,703	1,348,592	7,172,037	3,027,741
(Loss)/profit before income tax expenses	**(2,163,004)**	(809,561)	(1,082,071)	(658,465)	185,691
Income tax credit/(expense)	**81,076**	(346,945)	20,673	(321,711)	(56,534)
(Loss)/profit for the year	**(2,081,928)**	(1,156,506)	(1,061,398)	(980,176)	129,157

ASSETS AND LIABILITIES

	At 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**13,537,545**	14,711,841	18,153,275	18,468,047	24,360,875
Total liabilities	**(15,329,881)**	(14,407,054)	(16,482,719)	(15,679,804)	(20,433,635)
Non-controlling interests	**(226,352)**	(233,525)	(61,143)	(74,386)	(140,452)
Balance of shareholders' (deficit)/funds	**(2,018,688)**	71,262	1,609,413	2,713,857	3,786,788