SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

ANNUAL REPORT 2021

* *For identification purposes only*

Contents

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Hong Zhihua *(Chairman)*
Mr. Kong Yong *(Acting Chief Executive Officer)*
Mr. Xu Ming
Mr. Jiang Qi

Non-Executive Directors

Mr. Lu Jianhua
Mr. Pan Pan (appointed on 29 March 2022)
Mr. Luo Guorong (resigned on 29 March 2022)

Independent Non-Executive Directors

Mr. Zhuo Fumin
Mr. Chan Charles Sheung Wai
Mr. Ma Lishan

Audit Committee

Mr. Chan Charles Sheung Wai *(Chairman)*
Mr. Zhuo Fumin
Mr. Ma Lishan

Remuneration Committee

Mr. Ma Lishan *(Chairman)*
Mr. Zhuo Fumin
Mr. Chan Charles Sheung Wai

Nomination Committee

Mr. Hong Zhihua *(Chairman)*
Mr. Zhuo Fumin
Mr. Ma Lishan

Investment Committee

Mr. Hong Zhihua *(Chairman)*
Mr. Kong Yong
Mr. Lu Jianhua
Mr. Ma Lishan

Authorised Representatives

Mr. Hong Zhihua
Mr. Kong Yong

Company Secretary

Mr. Chu Hoe Tin

Headquarters in the PRC

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No. 8 Fuyou Road
Huangpu District, Shanghai
PRC

Principal Place of Business in Hong Kong

Level 11, Admiralty Centre Tower II
18 Harcourt Road, Admiralty
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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

CORPORATE INFORMATION

Hong Kong Legal Adviser

Tian Yuan Law Firm LLP
Suites 3304-3309
33/F, Jardine House
One Connaught Place
Central, Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Principal Bankers

Hong Kong:	Agricultural Bank of China China CITIC Bank International Limited
PRC:	Industrial and Commercial Bank of China Agricultural Bank of China China Construction Bank Shanghai Pudong Development Bank Xiamen International Bank China Merchants Bank

Stock Code

1207

Internet Web Site

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Introduction of the Group

SRE Group Limited (the "Company") and its subsidiaries (the "Group") are an integrated real estate developer. Over more than two decades, the Group has expanded its business to more than 10 key cities in the People's Republic of China (the "PRC"), including Shanghai, Shenyang, Dalian, Chengdu, Changsha, Jiaxing, Wuxi and Haikou, and successfully developed many high-end residential buildings, offices, commercial complexes and starred hotels. In Shanghai alone, the Group has successfully developed more than 20 projects. In the meantime, the Group actively expanded overseas and made presence in London, San Francisco, Sydney, Phnom Penh in Cambodia and other cities.

As an enterprise that started with the traditional property development business, the Group has accumulated rich experience in residential development, urban renewal, assets operation and other fields. It has created brands of high-end quality projects, including Rich Gate, Albany and Oasis. In the future, the Group will give full play to its own advantages and integrate industrial resources to seek diversified development. Through the strategic thinking of "new city operation" + "new industry operation", the Group will develop in sync with cities and with its customers, promote effective linkage between them and develop diversified businesses in a timely manner, with a view to "maximise market value in the long run".

FINANCIAL SUMMARY

Summary of Results

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
Revenue	**780**	289	651	1,551	1,620
Gross profit/(loss)	**224**	(63)	187	474	384
Profit/(loss) before income tax	**28**	(967)	(2,236)	207	878
Income tax (expense)/credit	**(1)**	30	(45)	(108)	(158)
Profit/(loss) for the year	**28**	(936)	(2,281)	99	720
Non-controlling interests	**10**	18	25	15	(30)
Profit/(loss) attributable to owners of the Company	**38**	(919)	(2,256)	114	691
Proposed dividends					
Earnings/(Loss) per share					
— Basic (RMB)	**0.002**	(0.04)	(0.11)	0.01	0.03
— Diluted (RMB)	**0.002**	(0.04)	(0.11)	0.01	0.03

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
Total assets	**14,080**	14,188	15,481	20,890	22,385
Total liabilities	**9,597**	9,717	9,995	13,072	14,571
Net assets	**4,483**	4,471	5,486	7,818	7,814
Cash and bank balances (including restricted cash)	**108**	382	522	701	1,453
Equity attributable to owners of the Company	**4,215**	4,184	5,181	7,445	7,380

	Year ended 31 December				
	2021	2020	2019	2018	2017
Return on equity (%)	**1%**	(21%)	(44%)	2%	9%
Current ratio (times)	**1.18x**	1.08x	1.27x	0.96x	1.28x
Total liabilities to net assets ratio (times)	**2.14x**	2.17x	1.82x	1.67x	1.86x

SHANGHAI PROJECT

SRE GROUP LIMITED

Dalian Project

SRE GROUP LIMITED

CHANGSHA PROJECT

SRE GROUP LIMITED

Jiaxing Project

SRE GROUP LIMITED

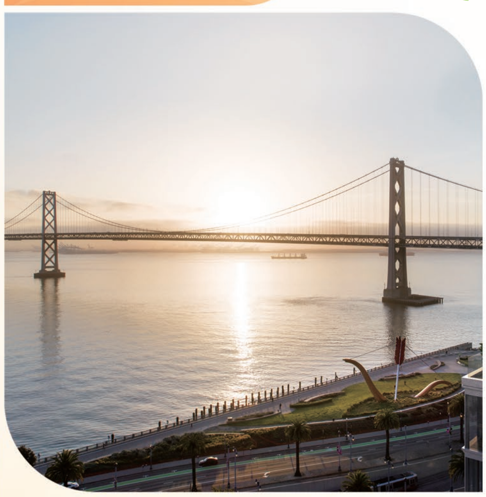
Overseas Project

SRE GROUP LIMITED

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS, I WOULD LIKE TO PRESENT THE ANNUAL REPORT OF SRE GROUP LIMITED FOR THE YEAR ENDED 31 DECEMBER 2021 TO YOU.



CHAIRMAN'S STATEMENT

BUSINESS REVIEW

In recent years, centring on the positioning of "houses should be for living in, not for speculation", the central government of the PRC has successively released policies in the fields of finance, land, and market regulation, while local governments have strictly regulated the aforementioned fields in accordance with the requirements of the relevant local long-term mechanism. China accelerated the establishment of a housing system that ensures supply through multiple sources, provides housing support through multiple channels, and encourages both home purchases and rentals, and maintained the continuity and stability of the policy of "promoting the coordinated development of real estate and the real economy", forcing real estate enterprises to change their development models. The real estate industry of the PRC is undergoing profound changes. Although it is challenging for the entire industry to return to the normal development level, there are still great opportunities for development based on demands in urban renewal, people's livelihood services and so forth. The Group will firmly implement the strategy of placing equal emphasis on real estate development, operation and service, and develop in tandem with cities and with customers, with a view to "maximise market value in the long run".

Facing the complicated market environment and the impact of the COVID-19 pandemic, the Group reviewed and sorted out existing projects, and made continuous efforts to inter alia "start construction and sales, improve operations, activate assets, and recover debts", which maintained the Company's stable operation and turned losses into profits. In terms of development and operation, the Group handled historical issues of some projects in China, such as the Shanghai Lake Malaren Mansions and Changsha Albany Oasis Project, in 2021, marking the start of construction and sales with pre-sale permits. Jiaxing Project was successfully delivered, and revenue was realised within the year. As far as the properties held by the Group are concerned, the priorities in 2021 included positioning optimisation, business adjustment, lease decision adjustment and introduction of high-quality merchants. With in-depth work completed, operations were improved, finally enabling an increase in the occupancy rate and rent collection rate of properties held by the Group. In terms of investment, efforts were made to actively build up project resources and to carry out liaison work for potential investment projects to gather momentum for the implementation of subsequent projects. On the whole, the Group's business activities were carried out in an orderly manner in 2021.

In 2021, the Group's major projects available for sale were 75 Howard in the USA, the Changsha Albany Oasis Project, Shanghai Albany Oasis Garden, Shanghai Lake Malaren Mansions and the Jiaxing Project. In 2021, the Group together with its joint ventures and associates had contracted sales amounting to approximately RMB736 million, with a total contractual gross floor area of approximately 22,520m^2.

Project	**Amount of Sales Contracts** (RMB'000)	**Contractual Gross Area** (m^2)
75 Howard in the USA	457,483	2,060
Changsha Albany Oasis Project	72,091	7,905
Shanghai Albany Oasis Garden	96,749	2,123
Shanghai Lake Malaren Mansions	44,832	1,092
Jiaxing Project	17,056	2,594
Others	47,495	6,746
Total	735,706	22,520

CHAIRMAN'S STATEMENT

In 2021, the Group recorded net revenue of approximately RMB780 million (2020: RMB289 million). Gross profit for 2021 amounted to approximately RMB224 million (2020: gross loss of RMB63 million).

REVENUE	2021	2020
Revenue from contract with customers recognized at a point in time		
— Revenue from sale of properties	586,486	114,268
— Revenue from hospital service	10,411	13,944
	596,897	128,212
Revenue from contract with customers recognized over time		
— Revenue from property management	31,580	28,288
— Revenue from hospital service	24,405	32,572
— Revenue from construction of infrastructure for an intelligent network	1,214	1,049
	57,199	61,909
Revenue from property leasing	130,004	94,888
Other revenue	–	6,001
Less: Tax and surcharges	(4,519)	(1,809)
Total revenue	779,581	289,201

DEVELOPMENT PROJECTS

Our development projects mainly included Shanghai Lake Malaren Mansions, Jiaxing Project, Dalian Albany Mansions, Changsha Albany Oasis Project, 75 Howard in the USA and Phnom Penh Romduol City.

Property Development Business

Shanghai Lake Malaren Mansions

With a change in the construction permit, the construction of the project officially started in early March. The demonstration area officially opened in June 2021 following the completion of quality improvement. Considering project progress, the Group obtained the pre-sale permit in September 2021 and units are currently on sale.

Jiaxing Project

The civil construction of Lanwan Phase II of the project was completed, and the relevant acceptance conditions were met. Work arrangements including garden landscaping, tilestone pavement, installation of doors and windows, and paint coating were basically completed as planned. Upon completion, the project has been filed, and the delivery is underway, with the delivery rate of over 98%.

Dalian Albany Mansions

The Group completed the acquisition of minority shareholders' equity stake of the project company, after which they became wholly-owned subsidiaries of the Group. The general contractor and earthmoving firm entered the site to set up temporary facilities, and optimise temporary electricity and water supplies. It is expected that sales office will open in the second quarter of 2022.

CHAIRMAN'S STATEMENT

Changsha Albany Oasis Project

Construction of the project commenced in 2021. The pre-sale permit for a batch of buildings was granted in September 2021, and the buildings were put up for sale at the sales office in October 2021. Some buildings in the first phase were topped out. The sales and construction work were progressing smoothly, and more buildings would be launched depending on market conditions.

75 Howard in the USA

The interior decoration of 75 Howard in the United States was completed, and a temporary residence permit was granted. The sales and delivery work proceeded simultaneously. In terms of project construction, the focus was placed on quality inspection. It is expected that the certificate of final completion will be obtained in the first half of 2022. In 2021, a breakthrough was made in local sales, but as the global pandemic has not yet stabilised, the Group plans to simultaneously launch international marketing and promotion to boost sales.

Romduol City in Phnom Penh, Cambodia

The main structure of Block A of Phase I of the project was topped out. The scaffolding was removed from the façade, and decoration started at the end of 2021. Sales were severely affected by the COVID-19 pandemic.

Requisitioning

Shanty Town Renovation Project in Zhangjiakou

Services regarding water and electricity supply, road and site leveling were available in the northern plot of the project in accordance with the local market conditions in Zhangjiakou, China. In 2021, a total of 837 households have signed contracts for the project expropriation, with a contracting rate of about 90%. Taking into account the local government's financial situation and the downturn in the real estate market, the sports events that took place in winter 2021 in the area failed to achieve a certain market effect.

Shanghai Daxing Street Project

In 2021, a syndicated loan for the project was issued, enabling requisitioning to proceed in an orderly manner. Around 97.82% of the households signed contracts on requisitioning, and the relocation rate was 95.63%. Around 94.87% of the enterprises signed contracts on requisitioning, and the relocation rate was 94.87%. Requisitioning continued with the payment of compensation. Meanwhile, the planning indexes for a plot were subject to adjustment. The Planning and Natural Resources Bureau of Huangpu District in Shanghai, China confirmed the planning and design conditions on 6 July 2021 that the aggregate planned gross floor area of the plot is approximately 120,400m^2, among which the gross floor area for business is not more than 118,800m^2 . Relevant details was made public in the "Partial Adjustment of Street Blocks 280A and 283A in the Regulatory Plan for Unit C010302, Yuyuan Community, Huangpu District, Shanghai (HP-50-II Block Protection Plan)" on 8 November 2021, which came to an end on 8 December 2021. The project was approved to be included into the plan of Shanghai in January 2022. So far, the overall adjustment and planning of the project has been fully completed, which will provide high-quality conditions for subsequent development and operation.

CHAIRMAN'S STATEMENT

Land Bank

As at 31 December 2021, the Group owned a land bank with a total gross floor area of approximately 1.50 million m^2 in among other places Shanghai, Changsha, Jiaxing, Dalian, San Francisco and Phnom Penh. The Company stays abreast of industry development dynamics, explores its own resources and advantages and is committed to discovering assets which are underestimated or with growth potential.

Commercial Property Operation

Under stable operation, the Group continuously enhanced the management and operation of its self-owned commercial properties in 2021, and utilised its brand advantages and management capabilities to among other things optimise positioning, adjust business, alter lease decisions, introduce high-quality merchants for some commercial properties, which improved operations.

Lake Malaren Golf Club Shanghai

Lake Malaren Golf Club Shanghai, a high-level professional golf course in Northern Shanghai, ranked ninth among the top 100 golf courses in Mainland China in 2021. Selling price adjustment was completed in 2021. After the acceptance check was finished, a lighted golf course was put into use. The Group upgraded the front desk self-checkout function and implemented the swing speed management system, achieving good results and improving member satisfaction. During 2021, the operating revenue and profit increased steadily compared with the corresponding period in 2020.

Shanghai Oasis Central Ring Centre

As a landmark of the Shanghai Central Ring business district, Oasis Central Ring Centre is designed as a complex eco-business cluster in the form of a circular commercial street connected with office buildings. In 2021, Oasis Central Ring Centre operated in an orderly manner, with a slight rise in revenue and profit. It intends to improve the overall business operation quality through further transformation and upgrading.

Shanghai Lake Malaren Exotic Street

Lake Malaren Exotic Street successfully introduced brands such as One Step Garden, McDonald's, Starbucks, and Duzhe Bookstore in 2021 to create a new urban space around Lake Malaren, and carry out market activities to give play to brand effects. Revenue increased significantly compared with the corresponding period in 2020. Efforts will be stepped up on online promotion, offline activities and membership system to enhance operations. It will build the project into a "new landmark in Northern Shanghai that integrates sports, culture and art, specialty food and market".

Shenyang Rich Gate

The COVID-19 pandemic and the adjustment of the education and training system in the PRC exerted a great influence on Shenyang Rich Gate in the early stage. The Group took the initiatives to remove problematic merchants from the project to improve the overall image. Currently, the project is being upgraded and a new round of commercial tenant invitation starts. The plan is to focus on the needs of the CBD. In terms of retail , it will introduce brands setting foot in business fashion and sports and leisure. As for catering, brands that serve fast food and business meals will be introduced. Relevant supporting facilities for children will be arranged based on existing resources. The project's revenue and profit in 2021 were basically flat from the same period in 2020. It is planned to reopen in 2022, and the operation quality will be greatly improved.

MAJOR TRANSACTIONS

1. On 4 August 2021, the Company announced that, Ningbo Meishan Bonded Port Area Jiayu Investment Co., Ltd.* (寧波梅山保稅港區嘉瑀投資有限公司) (an indirect wholly-owned subsidiary of the Company) entered into an equity transfer agreement with Shanghai Huaji Financial Services Co., Ltd.* (上海華集財務服務有限公司) and Shanghai Henglongtai Investment Consultancy Co., Ltd.* (上海恒瓏泰投資諮詢有限公司) (collectively, the "Sellers") (a connected persons of the Company at the subsidiary level) in respect of the acquisition of an aggregate of 39% equity interest in Dalian SRE Property Development Co., Ltd.* (大連上置房地產開發有限公司) ("Dalian SRE") from Sellers at a consideration of RMB22,240,931.51. Upon completion of the acquisition, Dalian SRE has become a wholly-owned subsidiary of the Company. For further details, please refer to the announcement of the Company dated 4 August 2021.

2. On 15 December 2021, the Company announced that, Shanghai Wingo Infrastructure Co., Ltd.* (上海永高建設有限公司) ("Shanghai Wingo"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Shanghai Baixiao Information Technology Co., Ltd.* (上海柏逍信息科技有限公司) ("Shanghai Baixiao"), to transfer 20% of the equity interest in Shanghai Telecom Broadband Networking Co., Ltd.* (上海電信住宅寬頻網絡有限公司) ("Shanghai Telecom") to Shanghai Baixiao at a consideration of RMB28,000,000. Upon completion of the disposal, the Group will cease to have any equity interest in Shanghai Telecom. For further details, please refer to the announcement of the Company dated 15 December 2021.

Save for those disclosed in this annual report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the reporting year under review.

THE GROUP'S HONOURS

1. Shanghai Lake Malaren Town was included in the "List of Characteristic Towns of the National Development and Reform Commission" by the Shanghai Municipal Development and Reform Commission

2. Shanghai Lake Malaren North European Exotic Street was selected as "2021 New Consumption Landmark in Baoshan" by Business Committee of Baoshan District

3. The Shanghai Lake Malaren Convention Centre was named the "Permanent Site of Bio-pharmaceutical Industry Forum in Northern Shanghai" by the Luodian County Government of Baoshan District of Shanghai

4. Shanghai Meilan Lake International Conference Center was awarded the "Advanced Unit of Hotel Industry Association of Baoshan District in 2021" by Shanghai Baoshan District Hotel Industry Development Association

5. The Shanghai Lake Malaren Convention Centre was honoured as "2021-2022 Advanced Unit of Food Safety Regarding Catering Service in Baoshan District" by Food and Beverage Health Management Association of Baoshan District, Shanghai and Catering Chamber of Commerce of the Federation of Industry and Commerce in Baoshan

* *For identification purposes only*

CHAIRMAN'S STATEMENT

BUSINESS OUTLOOK

Looking back to 2021, there were still many unstable factors in the international environment, and the normalisation of the COVID-19 pandemic was an obvious trend. Although the Chinese economy was recovering steadily, it was still under great pressure. The regulation on real estate finance was continuously strengthened, and a series of control and restriction policies were released. The real estate industry is undergoing profound changes. Reality has given us responsibility. In the face of complex real estate situation and big pressure from economic downward, the Group maintained a positive attitude, handled historical issues with the idea of reform, and planned the future of the Company from the perspective of development.

2022 is a very challenging year for the Group and the beginning of a new era. In terms of strategy, the Group will aim at "stable and long-term development". First, it will steadily operate the projects under construction and continuously develop them, improve operations, attach importance to customer satisfaction and corporate image, and ensure delivery. Second, close attention will be paid to the operation of the assets it holds. On the premise of the implementation of decisions about business models and lease decisions, the Group will increase the leasable area by not less than 80% and the rent collection rate by not less than 90%. Efforts will be made to help build a good reputation for the brands introduced, and improve the image of the local government in the project location and make contributions to fiscal taxation. Thirdly, the Group will make use of the resources of its shareholders to pursue diversified development, actively explore the market in the Yangtze River Delta region, and establish a good cooperative relationship with the local governments, aiming to become a city operation service provider. In the meantime, the Company will further enhance its fine management, optimise the management structure and improve its overall operation capacity.

A NOTE OF APPRECIATION

I would like to take this opportunity to express my gratitude to the colleagues in the Board and the management team, and convey my respect to all front-line staff members. We will face various challenges in the new year, but we firmly believe that with the unremitting efforts of all staff, the Group that has an optimistic attitude and takes strong steps will surely enjoy a brighter future.

Hong Zhihua
Chairman
26 April 2022

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and profit attributable to shareholders

In 2021, the Group recorded net revenue of approximately RMB780 million (2020: RMB289 million), which represents an increase by approximately 170% compared to that of 2020. Profit attributable to owners of the Company in 2021 was approximately RMB38 million (2020: loss of RMB919 million), and the turnaround from loss to profit was mainly due to: (1) an increase in revenue and gross profit from real estate development as a result of the increase in delivered area of properties sold by the Group during 2021; (2) the absence of no significant impairment charge on real estate investments in 2021 following the Group's prudent assessment of real estate investments under various market environments, compared to larger impairment losses on individual investments in 2020.

DIVIDEND

The Board has resolved not to recommend the payment of final dividend in respect of the year ended 31 December 2021 (2020: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, cash and bank balances (including cash and cash equivalents and restricted cash) amounted to approximately RMB108 million (2020: RMB382 million). Working capital (net current assets) of the Group as at 31 December 2021 amounted to approximately RMB767 million (2020: RMB398 million), representing an increase of 93% as compared to the preceding year, and the current ratio was approximately 1.18x (2020: 1.08x).

As at 31 December 2021, the Group's total liabilities to total equity decreased to 2.14x (2020: 2.17x). As at 31 December 2021, the Group's gearing ratio was approximately 48% (2020: 48%), calculated on the basis of the Group's net borrowings (after deducting cash and bank balances) over total capital (total equity and net borrowings).

EVENTS AFTER THE REPORTING YEAR

a) A joint venture failed to repay the accrued interest due on 21 March 2022

Subsequent to 31 December 2021, a joint venture failed to repay the interest of RMB181.5 million of the syndicated bank loan which the Group provided the guarantee. See details and impacts described in Note 2.1.

b) Impact of Coronavirus Disease 2019 (the "COVID-19 outbreak")

Due to the new wave of outbreak of COVID-19 in Shanghai and certain other cities in PRC since March 2022, a series of precautionary and control measures have been and continued to be implemented in Shanghai and certain other cities. In light of the negative impact brought upon by the COVID-19 outbreak in the short term, it may lead to extension of rent free period of certain existing lease contracts, extension of construction progress of properties and thus affecting the rental income and sales of properties in the coming periods. The Group will pay close attention to the development of the COVID-19 outbreak and its impact on the leasing market and property values, and will continue to perform relevant assessments and take proactive measures.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 31 December 2021, the Group had 407 (2020: 407) employees in Hong Kong and the People's Republic of China. Total staff costs of the Group, excluding directors' remuneration, for 2021 amounted to approximately RMB110 million (2020: RMB102 million). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of each individual employee.

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2021, total bank and other borrowings of approximately RMB1,525 million (2020: RMB1,627 million) were secured by pledge of the Group's assets including leasehold land, investment properties, property, plant and equipment, properties held or under development on mortgage, or by pledge of equity interests in certain subsidiaries or bank deposits.

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulting purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates when the relevant mortgage loans are granted by the banks and end when the purchasers pledge related property ownership certificates as security to the banks offering the mortgage loans. The Group entered into guarantee contracts of principal amounts totalling approximately RMB148 million and these contracts were still effective as at the close of business on 31 December 2021.

The Group also provided guarantee to the bank loan for a joint venture of the Group. As at 31 December 2021, such guarantee amounted to approximately RMB4.452 billion (31 December 2020: approximately RMB3.452 billion).

Meanwhile, the Group provided a completion guarantee on the development of a joint venture in relation to the development loans with drawn amount of US$285 million at the end of 2021 (2020: US$178 million). Relevantly, the Group provided a deposit of US$13.35 million as at 31 December 2021 (31 December 2020: US$24.92 million) as guarantor's letter of credit for the loan apart from the guarantee above.

INFORMATION ON BUSINESS REVIEW

The Group is committed to supporting environmental sustainability. Being an integrated real estate developer, the Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group. These include regulations on air and noise pollution and discharge of waste and water into the environment. The Group recognizes that our employees, customers and business partners are the keys to our sustainable development. The Group is committed to establishing a close and caring relationship with our employees, providing high quality services to our customers and enhancing cooperation with our business partners.

Details of properties under development for sale:

Project	Location	Land Use	GFA (sqm)	Expected Date of Completion	Completion Rate of Construction	Group's Holding Proportion
Shanghai Rich Gate I	Daxing Street, Huangpu District, Shanghai, the PRC	Residential	109,516	2025	0%	51%
		Commercial	9,297	2026	0%	51%
		Facilities	1,470	2025	0%	51%
		Underground	67,950	2024	0%	51%
Changsha Fudi Albany Garden	Pengjia Lane, Laodaohe Street, Kaifu District, Changsha, Hunan Province, the PRC	Phase I Residential	153,688	2023	50%	49.50%
		Phase I Commercial	5,528	2024	36%	49.50%
		Phase I Underground	33,613	2022	60%	49.50%
		Phase II Residential	171,805	2025	0%	49.50%
		Phase II Underground	47,854	2025	0%	49.50%
		Phase II Commercial	6,338	2025	0%	49.50%
Dalian Albany Mansions	West of West Outer Ring Street and South of North Ring Road, Xincheng District, Wafangdian City, Dalian, Liaoning Province, the PRC	Phase I Residential	86,218	2023	5%	100%
		Phase I Commercial	15,902	2023	10%	100%
		Phase I Facilities	4,450	2023	0%	100%
		Phase I Underground	22,547	2022	0%	100%
		Phase I Commercial	50,723	2025	0%	100%
		Phase II Residential	82,399	2025	0%	100%
		Phase II Underground	22,530	2024	0%	100%
		Phase III Residential	43,183	2026	0%	100%
		Phase III Underground	27,415	2025	0%	100%
		Phase IV Residential	71,498	2027	0%	100%
		Phase IV Commercial	26,611	2027	0%	100%
		Phase IV Underground	29,653	2026	0%	100%
		Phase V Residential	125,532	2028	0%	100%
		Phase V Underground	33,338	2027	0%	100%

MANAGEMENT DISCUSSION AND ANALYSIS

Project	Location	Land Use	GFA (sqm)	Expected Date of Completion	Completion Rate of Construction	Group's Holding Proportion
Shanghai Malaren World	No.8, Meilanhu Road, Baoshan District, Shanghai, the PRC	Phase II Commercial	60,905	2024	20%	72.63%
		Phase II Facility	2,721	2024	2%	72.63%
		Phase II Underground	29,260	2024	30%	72.63%
Shanghai Shengnan International Garden	Yongfa Road, Pudong New District, Shanghai, the PRC	Residential	58,492	Not yet decided	0%	100%
75 Howard	75 Howard Street, San Francisco, the USA	Residential	20,318	2022	96%	65%
		Commercial	456	2022	96%	65%
		Underground	3,306	2021	100%	65%
		Facility	7,063	2021	100%	65%
Napa	Devlin Road, Napa, San Francisco, the USA	Hotel	27,247	Not yet decided	0%	79.33%
Romduol	Bourei Muoy Roy Khnang villages, Tuek Thla Commune, Sen Sok District, Phnom Penh City, Cambodia	Phase I Apartment	23,791	2023	53%	100%
		Phase I Commercial	1,797	2023	53%	100%
		Phase I Facility	1,995	2023	53%	100%
		Phase II Apartment	62,972	Not yet decided	0%	100%
		Phase II Commercial	4,057	Not yet decided	0%	100%
		Phase II Facility	3,564	Not yet decided	0%	100%
		Phase II Car Park	18,785	Not yet decided	0%	100%
		Phase II Club	415	Not yet decided	0%	100%

Details of completed investment properties:

Project	Location	Land Use	GFA (sqm)	Holding Proportion of SRE
Shenyang Richgate	No. 118, Harbin Road, Shenhe District, Shenyang City, Liaoning Province, the PRC	Commercial	245,252	100%
Oasis Central Ring Center	No. 915, Zhenbei Road, Putuo District, Shanghai the PRC	Retail	1,782	97%
Oasis Central Ring Center	Lane 1628, Jinshajiang Road, Putuo District, Shanghai, the PRC	Retail	32,566	97%
Oasis Central Ring Center	No. 1678, Jinshajiang Road, Putuo District, Shanghai, the PRC	Retail	6,499	97%
Oasis Central Ring Center	Lane 1628, Jinshajiang Road, Putuo District, Shanghai, the PRC	Car Park	57,045	97%
Oasis Central Ring Center	No. 1678, Jinshajiang Road, Putuo District, Shanghai, the PRC	Car Park	4,048	97%
Transportation Hub of Lake Malaren	No. 1088, Luofen Road, Baoshan District, Shanghai, the PRC	Commercial	29,389	72.63%
Retail Street of Lake Malaren	Lane 989, Luofen Road and Lane 555, Luofen Road, Baoshan District, Shanghai, the PRC	Commercial	72,943	72.63%
Lake Malaren Golf Resorts	Lane 9, Lake Malaren Road, Baoshan District, Shanghai, the PRC	Commercial	38,216	72.63%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE ESG REPORT

The Group hereby releases the 2021 Environmental, Social and Governance Report ("ESG Report"), in which it introduces its concepts and practices of sustainability and social responsibility to stakeholders from the environmental and social areas. For details of the Group's corporate governance, please refer to the annual Corporate Governance Report.

Reporting Scope

The ESG Report covers the period from 1 January 2021 to 31 December 2021 (the "Reporting Period").

The environmental key performance indicators (KPIs) disclosed during the Reporting Period measure the performance of the Group's commercial properties including Lake Malaren Golf Club Shanghai (referred to as the "Golf Course"), Shanghai Lake Malaren Obstetrics and Gynecology Hospital (referred to as the "Obstetrics and Gynecology Hospital" or the "Hospital"), Lake Malaren International Convention Center (referred to as the "International Convention Center"), Shenyang Rich Gate Shopping Mall (referred to as the "Shenyang Rich Gate"), and Shanghai Lake Malaren North European Exotic Street (referred to as the "Exotic Street"). Unless otherwise stated, other information and key performance indicators disclosed in the ESG Report include the Company and our subsidiaries, covering the Group's property development and property leasing — the principal businesses of the Group — as well as commercial properties.

Compared to the ESG report published in the 2020 Annual Report of the Company, the commercial property Exotic Street was included into the reporting scope of the environmental KPI during the Reporting Period after the comprehensive analysis of the environmental impacts, the maturity of the KPI collection system and so forth.

Reporting Standards and Principles

The ESG Report was prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the "ESG Guide") set out in the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited based on the following Reporting Principles:

- Materiality: The Group identifies material ESG issues through stakeholder engagement and materiality assessment. See details in the Stakeholder Engagement and Materiality Assessment sections;

- Balance: The ESG Report provides an unbiased picture of the Group's environmental and social performance;

- Quantitative: The ESG Report discloses standards and methodologies for the reporting of data about emissions and energy sources, as well as the sources of conversion factors. See details in the Low Carbon and Environmental Protection section;

- Consistency: The environmental KPIs and its methodology are consistent with that of the previous year.

ESG MANAGEMENT ORGANISATIONAL STRUCTURE

The Group values the importance of sustainability to our operations. We incorporated ESG factors into our business strategy and established a top-down organisational structure to properly manage our ESG issues.

Board of Directors	The board of directors, as the highest decision-making body for ESG work, assumes full responsibility for the Company's ESG strategy and reporting	✓ Setting ESG management approach, strategy and objectives; ✓ Reviewing the Group's performance periodically against ESG-related goals and targets; ✓ Evaluating, prioritising and managing material ESG-related issues and the risks to the Company's business; ✓ Approving the annual ESG report.
Senior Management	Senior management arranges the tasks of the ESG Task Force according to the ESG strategy established by the Board	✓ Implementing ESG risk management and internal control systems and reporting on major ESG trends and related risks and opportunities to the ESG committee; ✓ Reporting on the progress of the Group's ESG work and the achievement of our ESG goals to the Board; ✓ Reporting the annual ESG report to the Board.
ESG Task Force	The ESG Task Force is composed of General Management Department, Risk Control Department, Operation Management Department, Cost and Procurement Department, Human Resources Department and Finance Department	✓ Implementing the Board's ESG strategy and policies; ✓ Carrying out ESG work according to the arrangement of senior management; ✓ Preparing the annual ESG report; ✓ Reporting ESG progress and annual ESG report to senior management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement

We communicate with internal and external stakeholders through a variety of channels to understand their opinions and suggestions on the Group's sustainability and strategy, and take the expectations and concerns of stakeholders as an important reference for the Group's ESG work.

Stakeholders	Expectations and concerns	Communication approach	Communication frequency
Government and regulators	Compliance operations Strictly implementing regulations	Compliance inspection Reporting	Many times a year
Shareholders and investors	Investment returns Corporate governance Information disclosure	Annual reports, announcements and circulars Annual general meetings Investor meetings	Many times a year
Employees	Protection of employee rights and interests Career development channel Healthy and safe working environment Response to the normalisation of the pandemic	Employee satisfaction survey Regular meetings and training sessions Employee care activities WeChat Enterprise	Many times a month
Customers	Product quality and safety Protection of customer rights and interests Compliance promotion	Satisfaction survey Complaint channels On-site communication	Many times a week
Suppliers	Business ethics Win-win cooperation	Business visits Routine meetings Academic exchange meetings	Many times a week

Materiality Assessment

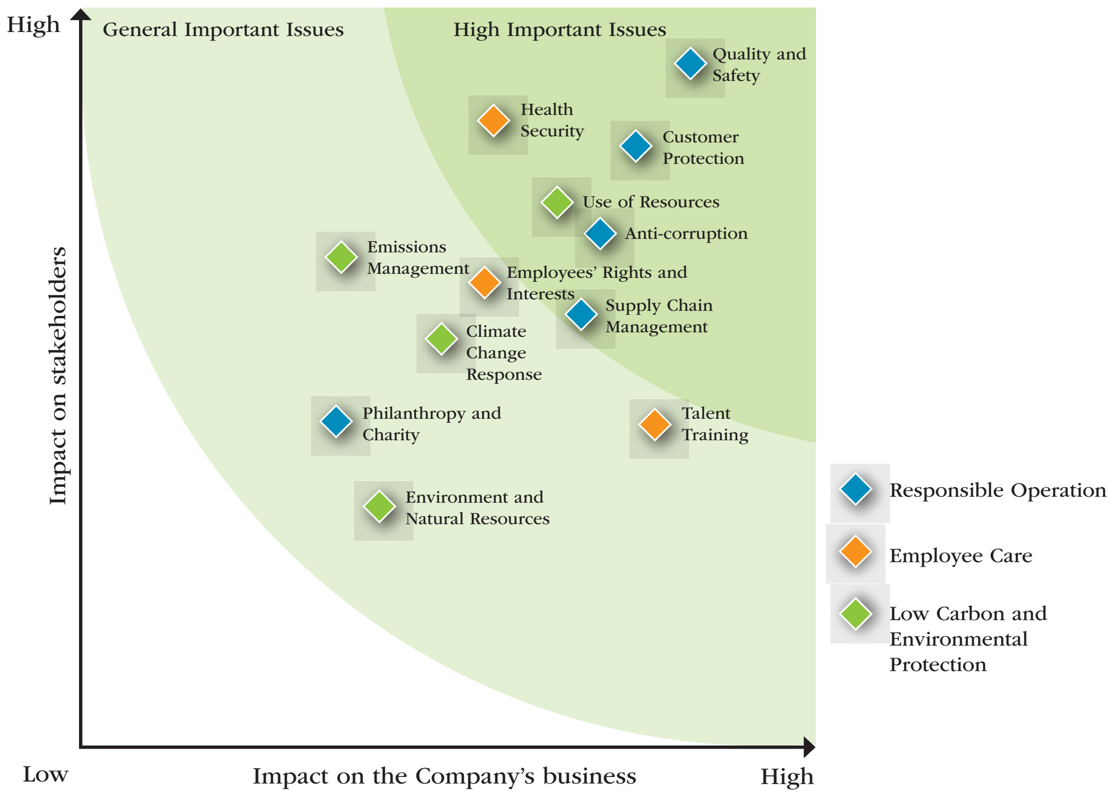
We conducted a materiality assessment through the following steps to identify material ESG issues to guide the Group's ESG work:

Step 1: The Group identified 12 related ESG issues in accordance with the ESG Guide and based on our actual business and industry characteristics;

Step 2: We identified important internal and external stakeholders and got their opinions on the importance of various ESG issues and suggestions for our ESG work through online questionnaires. We made an analysis from the two dimensions of "Impact on the Company's business development" and "Impact on stakeholders" to form a materiality matrix according to the results of the questionnaires;

Step 3: The Group's senior management and the ESG Task Force reviewed the materiality matrix, took into consideration experts' opinions to determine the importance of each issue, and reported to the Board.

In 2021, the management discussed the materiality assessment results in 2020. Considering that there are no material changes in the Company's business and operating environment, the materiality assessment results in 2020 was used in the ESG Report.



Outcomes of a materiality assessment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

RESPONSIBLE OPERATION

Quality and Safety

The Group strictly complied with all relevant laws and regulations, including but not limited to the Law on Protection of Consumer Rights and Interests of the People's Republic of China, the Law on the Administration of the Urban Real Estate of the People's Republic of China, the Regulations on Urban Real Estate Development and Operation, and the Regulations on Quality Control of Construction Projects. A series of policies, systems and operation guides have been formulated to standardise project construction management and ensure the quality of all projects.

Management systems and operation guides, etc:

- ✓ Engineering Technology Management Regulations
- ✓ Operation Guide for Quality Inspection of Key Parts of Projects
- ✓ Key Points for Quality Control of Construction Projects
- ✓ Project Work Assessment
- ✓ Management Measures for Construction Files
- ✓ Project Management Regulations
- ✓ Guidelines for On-site Management
- ✓ Management Measures of Project Completion and Delivery
- ✓ Red Lines for Project Quality and Safety Control
- ✓ Guideline for Project Evaluation Work
- ✓ Handbook of Standardization of Safety and Civilized Measures for Construction projects

- *Red Line System*

  We have released the Red Lines for Project Quality and Safety Control, in order to strengthen project management and strictly control project quality and safety risks. The project management team of the Group supervised the red lines in the project implementation process. The constructor and supervisor of projects involving red lines shall be held accountable according to the contract, so as to prevent the occurrence of major quality and safety problems.

- *Project Implementation*

  During construction, we strictly monitored project progress and clarified the implementation of various guidelines and management measures, so as to ensure construction quality of the projects. Based on the guiding ideology of "modelling before large-scale construction", we complied with the Construction Model Guide Management, stipulating that models are required for all important construction procedures before large-scale implementation, and the models shall be graded and controlled to avoid systematic risks in project quality and improve the quality of projects.

  In addition, in order to strengthen the risk management ability for projects, we conducted comprehensive evaluation and key investigation into the risks existing in project quality, contract performance of constructors, policies, etc. If potential risks are exposed, effective countermeasures will be actively taken to ensure the orderly and smooth progress of projects. We invited a third party to conduct field evaluation on projects to effectively identify risks. The evaluation team summarised the actual quality measurement, safety and civilisation evaluation, evaluation of key quality items, closure of previous problems, and excellent practices worth recommending. It also provided improvement suggestions for existing problems.

- *Completion Acceptance*

  Upon project completion, a completion acceptance team comprising the designer, the general contractor, subcontractors and the supervisor reported to government authorities for completion acceptance after finishing the pre-acceptance. We set stringent acceptance standards for completion inspection. In addition to following completion acceptance regulations issued by local governmental construction authorities, we added 99 sub-items under 43 items to the home inspection checklist, covering public space, entrance space, decoration, doors and windows, kitchen space, living room parts, sanitation, and meter readings. A pre-delivery inspection and acceptance team comprising a project company, marketing department and engineering department examined houses prior to project delivery in accordance with local administration requirements and the agreement with the property management company.

Customer Protection

We continuously provided quality products and services for the market and upheld the concept of product responsibility for sustainable development. We worked closely with suppliers to create value for customers and protect their interests through the fine control of the whole value chain of real estate development, with high-quality services in design, construction, sales and the whole process.

- *Optimisation of Brand Management*

  In addition, we adopted rigorous brand management and publicity strategies, abided by relevant laws and regulations including the Advertising Law of the People's Republic of China, established a news reporting system, standardised the contents of publicity documents and materials of each business unit, and unified the publicity wording. We issued the Notice on Strengthening the Relevant Work of Brand Management, requiring all publicity materials to be reviewed and approved internally before public release, so as to avoid misleading customers due to exaggeration and false advertising, protect customers' rights and interests, and maintain brand image. We formulated an internal work system and related procedures to properly manage and protect intellectual property rights of the Group. Due to the characteristics of our business, KPI B6.1 — Percentage of total products sold or shipped subject to recalls for safety and health reasons — is not applicable to the Group.

- *Improvement of Customer Experience*

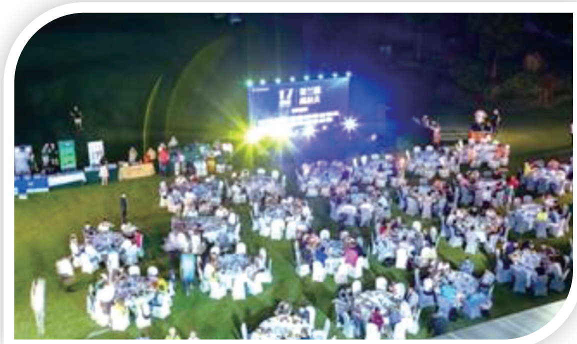
  The Golf Course formulated the Course Rules, Club Rules and Reservation Management System, in which it clarified the course order and customer service measures. It regularly maintained the bunker, ecological grass area and other natural areas, so as to provide customers with a comfortable golfing environment. In order to avoid thunder and lightning accidents, the Golf Course adhered to the principle of "safety above all else", installed two sets of thunder and lightning warning equipment and multiple lightning rods, and required all employees to be clear about the specific operation process of lightning warning, in order to effectively ensure the safety of customers. In 2021, in addition to upgrading the restaurants on the course, the Golf Course also revised the Reservation Management System, launched a new WeChat reservation system, and purchased 30 new golf carts to enhance customers' hitting experience and improve service quality. Moreover, the Golf Course carries out a customer satisfaction survey every year to collect customers' comments and opinions on each service part, which are classified and summarised and submitted to the relevant departments for rectification and improvement. During the Reporting Period, the Golf Course received a total of 34 active complaints from customers, with a resolution rate of 100%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Obstetrics and Gynecology Hospital developed its Customer Satisfaction Management System and regularly conducted customer satisfaction survey to understand customers' opinions and suggestions. According to the Procedures and Specifications for Handling Customer Complaints, the Hospital has established special positions to receive and handle customer complaints, so that the complaints can be solved on the spot. A staff member was designated for follow-up. During the Reporting Period, the Obstetrics and Gynecology Hospital received 214 customer complaints, which were all satisfactorily resolved.

According to the Customer Complaint Handling Management and Regulations, the International Convention Center classified customer complaints and set corresponding handling procedures to effectively handle the complaints in time. In the meantime, it summarised and sorted out the complaints in order to continuously improve the quality of service.

In April 2021, the Obstetrics and Gynecology Hospital held a big Mother and Baby Carnival, where a variety of baby and maternity products were available for customers to choose, which strengthened its interaction with customers.



On the occasion of the 72nd anniversary of the founding of the PRC, the Golf Course celebrated its 17th anniversary in September 2021, during which 280 members and guests gathered on the banks of Lake Malaren to celebrate this exciting day.

- *Customer Privacy Protection*

We strictly protected the privacy of customers and laid down the Customer Information Management System. We required all business units to define a level of confidentiality for customer information. All units must abide by rules about the levels of confidentiality and relevant rights and responsibilities when requiring access to such information. They can check customer information only after receiving the approval. Moreover, we set permissions on customers' electronic information and prohibited all business units from retaining any form of paper information. Under special circumstances, customer information can be printed only after approval by the person in charge of the business unit. In addition, we have formulated the Management Measures on Confidentiality, requesting employees to sign a confidentiality agreement when signing a labour contract, in which we specified the confidentiality content, rights and obligations, term of agreement and liability for breach of contract, etc., so as to prevent leakage of our information.

- *Pandemic Prevention and Control*

Since 2021, China has moved to the normalisation stage of COVID-19 prevention and control. In order to effectively prevent the outbreak and spread of the pandemic and guarantee the health and safety of customers, business premises took corresponding prevention and control measures according to their operation characteristics, including but not limited to:

Golf Course:
• Confirming the list of emergency team members and related functions, and implementing pandemic prevention and control work; • Assigning staff to check the guests one by one to ensure that every guest has a green code; • Regularly sterilising public areas including business premises and staff dormitory; • Actively following national policies to encourage employees to get vaccinated;
Obstetrics and Gynecology Hospital:
• Adding the Isolation Ward Management System and the Public Health Emergency Reporting System, and revising the Emergency Plan for Suspected COVID-19 Patients and other systems; • Conducting nucleic acid testing on staff once a week, promoting vaccination against COVID-19, and strengthening the health management of those who leave and return to Shanghai; • Implementing the disinfection and isolation system and strengthening the monitoring of disinfection and sterilisation effects; • Prohibiting non-essential escorts, and requesting all the individuals entering the hospital to provide a negative nucleic acid test report conducted within 3 days, wear masks, have their temperature taken, present health code and trip code, and sign a letter of commitment; • Strengthening anti-pandemic training on doctors and nurses and conducting assessments;
Shenyang Rich Gate:
• Disinfecting the shopping mall every day; • Constantly tracking the health of merchants; • Requesting customers to show their health code and have their temperature measured;
International Convention Center:
• Taking guests' temperature as required, and requesting all guests to fill in the Health Status Information Registration Form and setting up a ledger and keeping the registration information; • In terms of catering, establishing a unified ingredient procurement management mechanism and selecting traceable suppliers, in a bid to ensure the health and safety during procurement, transportation, and storage; • Strengthening the daily health management of employees, conducting daily inspections, and organising anti-pandemic training for employees; • Strengthening the daily cleaning and disinfection of public areas and guest rooms, and strictly changing and sterilising the cloth products in guest rooms;
Exotic Street:
• Stockpiling masks, hand sanitisers, disinfectants and other anti-pandemic supplies, formulating emergency plans, and strengthening health awareness training for employees; • Requesting all employees to get vaccinated if possible, and registering their health status every day; • Frequently cleaning and disinfecting public supplies and facilities that have been touched.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption

We complied with all relevant laws and regulations, including but not limited to the Group Law of the People's Republic of China, the Tendering and Bidding Law of the People's Republic of China, the Regulation on the Management of Tendering and Bidding of Construction Projects, the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions on Prohibiting Commercial Briberies, and the Anti-Money Laundering Law of the People's Republic of China. We established the Code of Conduct for the Integrity for Employees and requested employees to sign the Integrity Agreement to prevent misconducts like bribery, extortion, fraud and money laundering.

We included the Performance Guarantee and Integrity Agreement into supplier bidding documents, requiring both parties to fulfil the integrity commitment to prevent the occurrence of irregularities.

We strictly supervised each unit of the Group and focused on key processes, such as bidding and tendering, supplies purchasing, financial capital management, significant investment management, selection and appointment of employees, project visa management, commercial operation management, demolition and relocation management and marketing management. We imposed penalties for violations of laws and regulations and acts that endanger our normal interests. The System on the Management of Inspection and Reporting and the Notice on Strengthening the Company's Integrity Management were formulated. A clear reporting channel was set up. This means that all of the Group's employees and individuals from units with which the Group has established business relations can blow the whistle on misconducts via a dedicated email address. We kept confidential the personal information of the whistleblower and the contents reported.

Additionally, the Group actively stepped up efforts on education and training in fighting corruption, and called on and required the Board, management and employees at all levels to stick to their personal ethics and working style of law abiding, integrity, honesty, self-discipline and dedication. It has established a complete anti-corruption mechanism through institutional prevention, behaviour restriction and ideological education. In December 2021, the Group organised anti-corruption training for directors and senior executives, during which it explained the main contents of the Prevention of Bribery Ordinance, and emphasised that directors and executives should properly handle possible conflicts of interest and clarified their responsibilities, in order to ensure that directors and senior executives can understand and abide by anti-corruption laws and regulations, and conduct business with integrity. During the Reporting Period, we received the result of a corruption case that we legally transferred to the public security organ for handling. Peng, the employee involved in the case, was sentenced to nine years in prison with confiscation of property and fines for duty encroachment as stipulated in Article 271 and false issuance of invoice and false issuance of special invoice for value-added tax as stipulated in Article 205 in the Criminal Law of the People's Republic of China. This case was detected and dealt with in a timely manner and did not have a significant impact on the Company's business. At the same time, the Risk Control Department and other relevant departments have actively taken effective measures to prevent the recurrence of similar cases.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Win-win Cooperation

A high-quality supply chain system is an important prerequisite for the Group to provide quality products and services. We actively developed external cooperation, expanded cooperation fields amid diversified development, and strengthened management and communication with suppliers. In 2021, we comprehensively sorted out and updated the supplier management system, formulated the Bidding Management System of SRE Group and the Supplier Management Measures of SRE Group, and established the Group's power-responsibility system of procurement contract, in order to standardise bidding management and facilitate the sustainable and healthy development of the Group's business.

We standardised the management system of "selecting, cooperating, training and retaining" suppliers, conducted full lifecycle management on suppliers, and maintained good communication with them, which provided basic guarantees for the effect and efficiency of bidding, procurement and cooperation.

- *Access Mechanism*

  In order to ensure the fairness and impartiality, we called for bids on the principle of "full competition, strict preview, source diversity, manufacturer first, and no relationship". When giving access to all suppliers, we requested them to provide relevant basic information and documentation to have a preview of their qualification. In addition, based on the Key Points for Investigation into Suppliers and Investigation Rating Form, we conducted on-site investigations into relevant suppliers according to actual needs. Suppliers who are qualified can be included in the Group's supplier list.

  Meanwhile, requirements in civilised construction and environment, health and safety (EHS) were put forward for engineering suppliers. The sustainable development concept with regard to safety and environmental protection was integrated into all business parts to further strengthen the management and control of environmental and social risks facing suppliers.

- *Evaluation and Improvement*

  We conducted process evaluation and annual evaluation on suppliers when cooperating with them, and summarised and analysed their performance. According to the results of annual evaluation on suppliers, we implemented hierarchical management on suppliers to formulate different strategies for partnership development and adjusted our procurement policies for them. If a supplier does not perform well, we will propose plans and requirements for improvement based on its actual performance, and urge them to make rectification within a limited time frame.

- *Elimination Management*

  If a supplier is assessed as unqualified, we will suspend it from bidding for one to three years. After the expiration, the supplier can participate in the Group's project bidding only after passing the qualification examination again. If the supplier's performance is extremely bad, the cooperation may be permanently cancelled depending on the situation. For unqualified suppliers who are still performing contracts, we will strictly supervise their subsequent contract performance, and raise their risk management level in payment, quality and service.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As of the end of the Reporting Period, the Group had 216 suppliers, which were classified by region as follows:

Region	Quantity
Shanghai	120
Other provinces and municipalities in China	86
Overseas	10

Philanthropy and Charity

With the Management Measures on Charitable & Public Welfare Activities, the Group held charity activities in many ways based on its business characteristics, in a bid to fulfil its due social responsibilities as a corporate citizen.

CASE: SUPPORTING THE 15TH DRAGON BOAT CULTURE FESTIVAL IN LUODIAN, BAOSHAN, SHANGHAI

The 15th Dragon Boat Culture Festival in Luodian, Baoshan, Shanghai was held in Luodian Town, Shanghai in June 2021, during which 30 interactive markets with outstanding intangible cultural heritage projects were set up, and folk art performances such as dragon boat rowing and aquashow were presented. The Exotic Street and the International Convention Center provided the venue for the culture festival free of charge, which reflects the Group's support and promotion of traditional culture.

LOW CARBON AND ENVIRONMENTAL PROTECTION

The Group was keenly aware of the impact of corporate operations on the environment. We have responded by implementing an environmental protection management system and environmental protection measures, striving to increase the efficiency for the use of resources and energy. We set environmental goals of "strengthening green operation level, raising staff's environmental awareness, reducing resource consumption and achieving compliance with emissions" to reduce the impact of business activities on the environment.

Use of Resources

The Group's major areas of energy consumption comprise electricity and domestic water consumed during construction and operation. With the exception of surface water consumed by the Golf Course, the water consumed by the Group came from municipal water supplies.

We are committed to the concept of green building. Starting from the design stage, we integrated environmental protection and health into the development and construction of buildings, with a view to build high-quality buildings with a high level of harmony between human and nature. We tried our best to control and reduce the impact of buildings on the environment during construction and use, so as to create a healthy, suitable and efficient living and working environment for our customers. We urged project companies and the general contractors to save resources during the construction process, and included the requirement in the Engineering Assessment Management Measures, which has promoted the development of a green industrial chain. Furthermore, constant efforts were made to strengthen energy conservation management, carry out green operations, and require all employees to actively participate in energy and water conservation work.

We aim to reduce the use of resources by creating energy-saving office spaces and promoting green offices, including but not limited to:

✓ Activating power saving mode for office equipment that was not in use, buying electric equipment that reach the required energy efficiency level, and switching off electric equipment during non-working hours;

✓ Paying attention to water conservation in toilets and improving routine maintenance and management of water facilities to prevent water waste;

✓ Calling for e-working, choosing communication methods such as telephone and email, and encouraging employees to use video conferencing system to reduce unnecessary business trips;

✓ Standardising procurement, approval and issuance of office supplies, controlling quantity of office supplies issued, encouraging recycling, and establishing a waste paper collection system.

Golf Course	With the Management Measures for Conservation and Control of Surface Water used for Sprinkling Irrigation, the Golf Course regulated the water use for greening and increased the use of water-saving methods such sprinkling irrigation, micro irrigation and trickle irrigation. It periodically observed and analysed the water consumption and adjusted the amount of irrigation water depending on the weather.
Obstetrics and Gynecology Hospital	The Obstetrics and Gynecology Hospital laid down the Water Saving Management System for the Hospital, the Electricity Saving Safety Management System for the Hospital, the Environmental Sanitation Management System for the Hospital, the Energy Saving Measures for Gas and Air Conditioning, etc. to encourage all departments to save water and electricity and rationalise the use of resources.
Exotic Street	It launched the Initiative for Energy and Water Conservation, calling on employees to save every drop of water and every kilowatt-hour of electricity, and use resources rationally.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Details of the Group's use of resources during the Reporting Period are shown in the table below.

	Use of resources[1]	2021
Energy consumption	Diesel (MWh)	266.00
	Petrol (MWh)	124.49
	Natural gas (MWh)	4,757.57
	Total direct energy consumption (MWh)	**5,148.07**
	Electricity (MWh)	16,052.21
	Heating (MWh)	32,998.61
	Total indirect energy consumption (MWh)	**49,050.82**
	Total energy consumption (MWh)	**54,198.89**
	Energy consumption intensity (MWh/revenue of RMB1 million)	**570.70**
Water consumption	**Total water consumption (tonnes)**	**212,708.00**
	Total water consumption intensity (tonne/revenue of RMB1 million)	**2,239.75**

Notes: 1. Total energy consumption is calculated based on the amount of purchased electricity, natural gas, diesel and petrol consumed, and is expressed in MWh (kWh in '000s). Relevant conversion factors come from the Appendix 1: default value of fossil fuels and Appendix 2: default value of fuel intensity set out in the Guide to Greenhouse Gas Accounting and Reporting for Public Building Operators released by the National Development and Reform Commission.

2. KPI A2.5 — Total packaging material used for finished products and with reference to per unit produced — is not applicable to the Group and is therefore not disclosed in this ESG Report.

Climate Change

We are concerned about the impact of climate change trends and the evolving laws and regulations at home and abroad on our business operations. The Group's ESG Task Force proactively identified the risks and opportunities it faces with regard to climate change and formulated the corresponding countermeasures. It has been assessed that extreme weather, such as typhoons and heavy rains, would have a potential impact on our business operations. Therefore, we have established emergency procedures and response mechanisms against extreme weather. For instance, the Exotic Street, the Golf Course and the Obstetrics and Gynecology Hospital laid down and improved emergency plans related to heavy rain, hail, flood, power failure, etc., in a bid to mitigate the impact of irresistible natural factors on our business operations.

The Group's greenhouse gas emissions are mainly comprised of direct emissions from the consumption of fossil fuels and indirect emissions from the consumption of electricity and heating during construction and operation. Various measures were taken to strengthen energy conservation and emission reduction in order to reduce greenhouse gas emissions. The Group standardised the use of company cars in accordance with the Company Car Management Measures and encouraged employees to use public transportation with limited subsidies, with a view to reducing greenhouse gas emissions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Details of the Group's greenhouse gas emissions during the Reporting Period are shown in the table below.

Greenhouse gases	**2021**
Scope 1: Direct greenhouse gas emissions (tCO2e)	1,051.30
Scope 2: Energy indirect greenhouse gas emissions (tCO2e)	24,840.94
Total greenhouse gas emissions (tCO2e)	25,892.24
Greenhouse gas emissions intensity (tCO2e/revenue of RMB1 million)	272.64

Note: Greenhouse gas emissions are expressed in carbon dioxide equivalent and the calculation method and conversion factors come from the Guide to Greenhouse Gas Accounting and Reporting for Public Building Operators released by the National Development and Reform Commission.

Control of Emissions

We complied fully with relevant laws and regulations, including but not limited to the Environmental Protection Law of the People's Republic of China, the Law on the Prevention and Control of Atmospheric Pollution of the People's Republic of China, the Law on the Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China, the Law on the Prevention and Control of Water Pollution of the People's Republic of China, and the Law on Prevention and Control of Pollution from Environmental Noise of the People's Republic of China. We strictly controlled all emissions to achieve compliance.

- ***Exhaust Gas, Wastewater and Noise***

The Group's exhaust gas emissions are mainly from fuel combustion during building construction and property operation, dust from construction, and kitchen fumes. The wastewater discharge mainly comes from non-domestic wastewater and domestic wastewater produced during property operation.

As mentioned in the Project Management Assessment Measures, the Group requested the constructor to strictly control all emissions. Meanwhile, we demanded control of dust, noise and water pollution at construction sites as outlined in the Operation Guide for Safe and Civilised Construction Inspection.

We strictly controlled the exhaust gas and wastewater generated during our operations, such as:

- The Golf Course installed fume purifiers, with which the cooking fume was discharged to the roof through a special flue;

- The Golf Course adopted a rain and sewage diversion system;

- The oily wastewater produced by kitchens of the Golf Course was discharged after being treated by grease traps or oil-water separators;

- The Obstetrics and Gynecology Hospital monitored various indicators of wastewater discharge and issued monthly reports to ensure that wastewater discharge met a relevant standard.

Environmental, Social and Governance Report

Waste

The Group's solid waste mainly comprises non-hazardous waste, such as earthwork and construction waste, and domestic waste, kitchen waste and other harmless wastes generated during property operation, and some hazardous waste from the Golf Course and the Obstetrics and Gynecology Hospital. All wastes are classified and collected and then disposed of by the entrusted qualified municipal sanitation unit.

Waste treatment, as an assessment item for safe and civilised construction, has been included into the Project Management Assessment Measures. The general contractors were required to comply with both national and industry laws and regulations to dispose of all wastes.

Both the Golf Course and the Obstetrics and Gynecology Hospital have set management processes for hazardous waste. The Golf Course identified the waste generated from routine operations using the Hazardous Waste List, and then entrusted a qualified unit to recycle and dispose of hazardous waste, such as used pesticide containers.

In the Medical Waste Disposal System developed by the Obstetrics and Gynecology Hospital, there are strict requirements for each step of the disposal process, from registration, collection, handover, transfer, storage to disposal by a qualified third party. The Hospital has also laid down the Responsibilities of the Person in Charge of the Medical Waste Department, the Provisions on Rewards and Punishments for Medical Waste Management in the Hospital, and the Prescribed Plan for the Loss of Medical Wastes in the Hospital as parts of a complete medical waste management system.

Details of the Group's discharge, hazardous and non-hazardous waste during the Reporting Period are shown in the table below.

Emission targets	**Emissions in 2021**
Wastewater discharged (tonnes)	172,409.30
Total hazardous wastes (tonnes)	4.18
Total hazardous waste intensity (tonne/revenue of RMB1 million)	0.06
Total non-hazardous wastes (tonnes)	1,517.21
Total non-hazardous waste discharge density (ton/million RMB1 million)	20.92

The Environment and Natural Resources

The Golf Course, which uses pesticides and fertilisers in its routine operation, laid down the Management System for Ecological and Environmental Protection to protect the biodiversity around the course and avoid any impact on the environment and natural resources. The specific measures include:


Black swans at the Golf Course

- ✓ Using environmental-friendly pesticides;
- ✓ Strictly controlling the distribution and recycling of pesticides and fertilisers;
- ✓ Classifying and storing empty pesticide containers and fertiliser bags, and handing them to professional agencies for handling;
- ✓ Regularly collecting water and soil samples from the course for professional testing and dealing with problems in time if any, as a scientific reference for rational fertilising in the coming year;
- ✓ Strengthening publicity and training on environmental protection, and raising the environmental awareness of staff.

EMPLOYEE CARE

Employees' Rights and Interests

The Group strictly complied with relevant laws and regulations, including but not limited to the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China. We laid down relevant policies and systems to protect employees' rights and interests.

- *Recruitment and Dismissal*

  Under the principles of "advance planning, extensive hunting and stringent screening, matching of talents with posts, and fairness and transparency", the Group attracted talents through a range of channels. The Group has also created Internal Referral Rewards to encourage existing staff to recommend the right candidates. With a talent pool, relevant information of applicants hired are classified and filed. The Group has built a complete dismissal process which ensures that the rights and interests of employees and the Company are not infringed. Dismissal interviews are conducted with departing employees to gain their insights on the Company.

Employee management systems:

- ✓ Management Measures on Recruitment of SRE Group Limited
- ✓ Employee Dismissal Process of SRE Group
- ✓ Management Measures on Attendance and Holidays of SRE Group Limited
- ✓ Management Measures on Staff Performance Assessment of SRE Group

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As of the end of the Reporting Period, the Group had a total of 407 employees, all of which were full-time employees. The workforce by gender, age group and geographical region and the employee turnover rate during the Reporting Period are shown in the table below:

		Workforce	Employee turnover rate
Gender	Male	194	27%
	Female	213	23%
Age group	<30 years old	48	31%
	30-39 years old	178	31%
	40-49 years old	119	14%
	≥50 years old	62	23%
Geographical region	Mainland China	392	24%
	Hong Kong, Macao and Taiwan	3	33%
	Overseas	12	67%

Note: Employee turnover rate = (number of employees who left in the category during the Reporting Period/total workforce in the category at the end of the Reporting Period) x 100%

• *Remuneration and Benefits*

We followed the principles of "two equalities", referring to internal and external equalities, and "three matchings", referring to the assurance that individual remuneration matches the relative value of the position and matches the ability, performance and potential, and that the total remuneration matches the benefits of the Group, aiming to provide competitive remuneration to employees. In performance evaluation, the Group followed the principles of "fairness and openness, objectivity and justice, open communication and compulsory distribution". Employees were assessed for their decision-making ability, leadership, sense of responsibility, consciousness of learning and innovation and other indicators. The performance evaluation results were used as the basis for salary adjustment.

SRE Kids Caring, a child care programme for SRE's employees, officially kicked off in July 2021. The diversified education curriculum allows children to enjoy learning and having fun, so that every employee can keep their mind on their work .

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Besides social insurance and the housing provident fund, employees can enjoy a variety of benefits, including annual physical check-ups, commercial insurance, heatstroke prevention allowance, meal and transportation allowances, communication allowance, as well as birthday benefits. We held various sports competitions and encouraged employees to actively participate in physical fitness activities.

- *Working Hours and Holidays*

  The Management Measures on Attendance and Holidays of SRE Group Limited were developed in accordance with the State Council's Regulations on Working Hours of Employees. The Group carried out the labour standard system. If an employee needs to work overtime, he/she should apply to the department head after completing the Overtime Authorisation Form for Employees, which will take effect after being signed and approved by the department head.

  Employees of the Group are entitled to the holidays stipulated by national laws and regulations, and adjustments are allowed according to the national and local laws and policies. The holidays include statutory holidays, marriage leave, maternity leave, breastfeeding leave, sick leave, medical leave, funeral leave, work-related injury leave and annual leave.

- *Diversity and Non-discrimination*

  The Group prides ourselves on being an equal employer. All departments, organisations and individuals are required to comply with national and local laws and regulations, and are prohibited from discriminating against any individual employees in matters of recruitment, labour, salary, training, promotion and compensation on the basis of race, gender, colour, age, background, ethnic tradition, religion, physical fitness or nationality.

- *Labour Standards*

  The Group fully complied with the Labour Law of the People's Republic of China, the Provisions on Prohibition of Child Labour and other relevant laws and regulations, resolutely putting an end to child and forced labour. The Group appointed a third party to conduct background surveys and compile reports on each employee to prevent academic and age fraud, in a bid to further eliminate child labour.

Health Security

The Group strictly complied with laws and regulations on health and safety, including but not limited to the Production Safety Law of the People's Republic of China and the Law on Prevention and Treatment of Occupational Diseases of the People's Republic of China. Rules and regulations about health and safety were clarified in the Employee Handbook. We identified possible health and safety risks and took control measures, increased efforts on health- and safety-related education and training, and organised regular physical check-ups, so as to provide a healthy and safe working environment for employees. The Group reported no work-related fatalities in the past three years. There was no lost working day due to work-related injuries during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We adhered to the production safety guideline of "safety first, people orientation and comprehensive management" and the principle of "ensuring safety in production", and formulated the Management Measures for Production Safety in Construction Projects of SSE Group, aiming to establish and improve the project safety management and control system, create a good production safety environment, improve the safety management level of each project of the Group, and achieve the long-term goal of "zero casualties" in production safety.

We ensured the complete closure of the construction site and the identification of special operators. Level-3 safety education activities were held for construction workers, and annual safety training was organised for management personnel. Actions were taken to conduct regular special inspections to find potential safety hazards, rationalise the placement of fire fighting equipment, and establish work-related accident management files. The Golf Course, the Obstetrics and Gynecology Hospital, the International Convention Center and the Exotic Street set up emergency response plans for each risk point in their operation, and trained and educated employees on a regular basis, with selfcleaning, emergency response plans, and fire safety education, etc.

Active response was made to the normalisation of the pandemic. In order to ensure the health of employees, we issued the Notice on Pandemic Prevention and Control to strictly control the comings and goings of employees, and cooperated with property management companies to disinfect the office areas on a regular basis. We distributed free masks, alcohol, disinfectants, disposable hand sanitisers and other anti-pandemic supplies for employees to use. Employees were encouraged to brown-bag their lunch and banned from eating together. In the meantime, the Group stepped up efforts to publicise the knowledge of pandemic prevention and control, and guide employees to maintain their personal hygiene, in order to minimise the risk of infection.

CASE: SHENYANG RICH GATE LAUNCHES FIRE DRILL

In November 2021, Shenyang Rich Gate organised a fire drill, enabling employees to understand fire emergency evacuation procedures and their responsibilities, and master fire emergency response procedures and evacuation routes, so as to ensure the safety of life and property of customers, merchants and employees in the event of a fire, and reduce the loss caused by fire.

CASE: HYGIENE, HEALTH — CHARITABLE HEALTH POPULARISATION TRAINING

In April 2021, teachers from the Safety and Health Education website were invited to explain health protection measures and healthy lifestyles to employees. Through the training, they gave in-depth explanations on occupational diseases and cardiovascular and cerebrovascular diseases, and advocated healthy life among employees.

Talent Training

The Group provides employees with a clear career path. Training has been organised to consistently improve the all-round competence of employees. We are consistently building up a talent echelon. Depending on the focus of our strategic development and status quo of our operation and management, we offer a dual-track career path with management positions and positions of skilled professionals, instead of a single management track, through training and work practice. The goal is to ensure and promote the realisation of our strategic objectives.

In order to help new employees grasp their job procedures and quickly integrate into the Company, we train new employees in the fields of policy publicity, corporate culture, work procedures, business planning, etc. The Group launched several internal training programmes, including SRE Gathering, Corporate Culture Training and General Training, to clarify employees' career development path and help them set a career development goal.

- SRE Gathering: Sharing the frontier dynamics of the industry based on industry trends to enhance employees' industry acumen;

- Corporate Culture Training: Strengthening emotional ties, optimising the working atmosphere, and boosting employees' loyalty and sense of belonging through corporate culture building;

- General Training: Improving professional competence through general training, such as workplace etiquette and time management.

The Group also dispatched both staff and leadership to take part in external training, aiming to improve management capabilities and enable employees to access the latest industry trends. Our departments, subsidiaries and branches held inhouse training and sharing activities to help employees enhance their professional competence.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CASE: TRAINING ON MEDICAL STAFF IN OBSTETRICS AND GYNECOLOGY HOSPITAL

The Hospital held simulated emergency drills about postpartum hemorrhage, neonatal resuscitation, amniotic fluid embolism and other diseases on a regular basis, in a bid to enhance medical staff's professional competence and emergency response capacity. Departments of the Hospital periodically carried out general-level training to improve medical staff's professional ability.

The percentage of employees trained and the average training hours completed per employee by gender and employee category during the Reporting Period are shown in the table below:

		Percentage of employees trained	Average training hours completed per employee
Gender	Male	45%	5.5
	Female	55%	4.7
Employee category	Senior management	2%	3.7
	Middle management	6%	3.3
	Grassroots staff	92%	5.4

Note: Percentage of employees trained = Number of employees trained in the category/total number of employees trained during the Reporting Period x 100%

Average training hours completed per employee = total training hours completed by employees in the category/number of employees in the category during the Reporting Period

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Hong Zhihua, aged 62, was appointed as an executive Director and chairman of the Board on 23 October 2020. He is also the chairman of each of the Nomination Committee and the Investment Committee and an authorised representative of the Company. Mr. Hong is currently the chairman of China Minsheng Jiaye Investment Co., Ltd. (a controlling Shareholder of the Company). Mr. Hong obtained a bachelor's degree in economics and management from Shanghai University in 1997, a master's degree in business administration from La Trobe University in Australia in 1998 and a doctoral degree in business administration from the University of South Australia in 2005. Mr. Hong worked as secretary of Youth League Committee at the Shanghai Bureau of Transportation (上海交通運輸局) from 1979 to 1993. From 1993 to 2005, Mr. Hong served as deputy head of Shanghai Pudong Economic and Trade Bureau (上海浦東新區經濟貿易局), deputy director of Shanghai Pudong New Area Cooperation Office (上海浦東新區協作辦公室), vice president of Shanghai Waigaoqiao Group Co., Ltd. (上海外高橋(集團)有限公司), chairman of the board of directors of Shanghai Waigaoqiao New Development Co., Ltd. (上海外高橋新發展有限公司), and vice president of Shanghai Lujiazui (Group) Co., Ltd. (上海陸家嘴(集團)有限公司). Mr. Hong served as executive Director and executive vice president of Yanlord Land Group Limited from 2005 to 2016. Mr. Hong served as executive Director and chief executive officer of Sino-Singapore Nanjing Eco Hi-tech Island Development Co., Ltd. (中新南京生態科技島開發有限公司) from 2009 to 2015. Mr. Hong was the executive vice president of China Minsheng Jiaye Investment Co., Ltd. from October 2020 to January 2021. Since 2016, Mr. Hong has been the chairman of the board of directors of Kangyao Urban Comprehensive Development (Shanghai) Co., Ltd. (康耀城市綜合開發(上海)有限公司). Mr. Hong was awarded the title of economist by the Shanghai Bureau of Transportation in 1985. Mr. Hong has extensive experience in urban construction, corporate management and operations, and real estate development.

Mr. Kong Yong, aged 49, joined the Group as a vice president in October 2020 and was appointed as an executive Director and acting chief executive officer on 19 January 2021. He is also a member of the Investment Committee and an authorised representative of the Company. Mr. Kong graduated from the school of management of Anhui University in 1996 with a major in real estate operation and management. From 1998 to 2014, Mr. Kong worked in real estate sales and sales management departments of Hefei Yide Real Estate Planning Company (合肥藝德地產策劃公司), Tongling Runfeng Real Estate Co., Ltd. (銅陵潤豐置業有限公司), Guangdong Dingfeng Real Estate Group Co., Ltd. (廣東鼎峰地產集團有限公司) and Wanda Group Co., Ltd. (萬達集團公司). From 2014 to 2016, Mr. Kong served as project general manager of Beijing Jinhao Real Estate Company (北京金豪地產公司). From 2016 to 2017, Mr. Kong was project general manager of Anhui Huichuang Real Estate Company (安徽徽創地產公司). Mr. Kong was general manager of Lai Fung Group Linquan Project Company (麗豐集團臨泉項目公司) from 2017 to 2018. From 2018 to September 2020, Mr. Kong was deputy director of Wanxin Group (萬新集團) in the Fujian region and general manager of Zhangzhou City Company (漳州城市公司). Mr. Kong has extensive experience in real estate development, construction and real estate operation management.

Mr. Xu Ming, aged 43, was appointed as an executive Director on 29 April 2021. Mr. Xu obtained a bachelor's degree in administration management from Zhejiang University in 2001. From 2001 to 2006, Mr. Xu served as the assistant HR manager in Shanghai Sansheng Hongye Investment (Group) Co., Ltd. From 2006 to 2009, he worked as the assistant HR director of Yanlord Land Group Ltd. From 2009 to 2012, he was the general manager of human resources of Sino-Singapore Nanjing Eco Hi-tech Island Development Co., Ltd. From 2012 to 2018, he worked in Fosun Hive (formerly known as Fosun Property Holdings Co., Ltd.) as the senior director of human resources, co-general manager of human resources and assistant president and general manager of human resources. From 2018 to 2021, he served as the executive president of Fosun Education Group, the co-president of Fosun IRG and the managing director of Yuyuan Strategic Investment Center. Since April 2021, Mr. Xu has been the chairman and general manager of Shanghai Lake Malaren Town Enterprise Management Co., Ltd., a wholly-owned subsidiary of the Group. Mr. Xu is currently the legal representative of Chengdu Forte Xingwei Business Management Co., Ltd. and a director of Power Baseball United Culture Development (Beijing) Co., Ltd. Mr. Xu won the honour of "Top Ten HR Managers in the Yangtze River Delta" in 2015. Mr. Xu has rich experience in human resources management, corporate management, equity investment and asset management.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Jiang Qi, aged 39, was appointed as an executive Director on 13 July 2018. Mr. Jiang graduated from California Polytechnic State University (Pomona) with a bachelor's degree in business administration in 2007. Mr. Jiang has many years of work experience in human resource administration, construction site management and marketing and planning. Mr. Jiang joined SRE Investment Holding Ltd. in 2007, and served as general manager assistant and deputy general manager of Shenyang Lixiang New Town Property Co., Ltd., a subsidiary of SRE Investment Holding Ltd., from July 2007 to April 2009. He worked as the deputy general manager of Shanghai Shuo Cheng Real Estate Limited from May 2009 to August 2012; he was the head of the preparatory working group for Haikou Westin Hotel from August 2012 to June 2013. From September 2013 to December 2017, he served as the deputy general manager in Guo Kai Chuan Sha (Shanghai) Urban Investment Development Co., Ltd. (國開川沙(上海)城鎮投資發展有限公司), a subsidiary of SRE Investment Holding Limited, from September 2013 to December 2017.

Non-executive Directors

Mr. Lu Jianhua, aged 54, was appointed as a non-executive Director on 20 July 2021. He is also a member of the Investment Committee of the Company. Mr. Lu graduated from Shanghai Polytechnic University majoring in computer application in 1993, East China Normal University majoring in real estate operation and management in 1997, and Correspondence Institute of the Party School of the CPC Central Committee* (中共中央黨校函授學院) majoring in economic management (on-the-job postgraduate class) in 2003. He worked at the secretariat and the administration office of the General Office of Shanghai Municipal People's Government from 1984 to 1994. From 1994 to 1995, he worked as general manager at the Shanghai Housing System Reform Office* (上海市住房制度改革辦公室). He successively served as deputy director of the general office and deputy head of the engineering department at Shanghai Pudong International Airport Construction Headquarters from 1995 to 2000. He worked as manager of No. 2 engineering department and deputy general manager of Shanghai Evertrans Construction Management Co., Ltd. at Shanghai Maglev Project Construction Headquarters from 2000 to 2004. From 2004 to 2020, he successively worked as vice president, secretary of the disciplinary committee and deputy secretary of the Party committee at CITIC Pacific China Holdings Limited. He was vice chairman and vice principal of Xianda College of Economics and Humanities Shanghai International Studies University from December 2020 to June 2021. Mr. Lu has been vice president of China Minsheng Jiaye Investment Co., Ltd. (the controlling shareholder of the Company) since July 2021. Mr. Lu has been a non-executive Director and vice chairman of the Board of Yida China Holdings Limited (a Stock Exchange-listed company (stock code: 3639)) since 29 September 2021. Mr. Lu has extensive management experience in the construction and real estate industries.

Mr. Pan Pan, aged 36, was appointed as a non-executive Director on 29 March 2022. Mr. Pan obtained a bachelor's degree in economics from the Renmin University of China in July 2007 and obtained a master's degree in economics from the Central University of Finance and Economics in China in January 2013. Mr. Pan obtained the Certificate of Accounting Professional in November 2007. Mr. Pan has served as the chief asset operations officer of the asset operations branch of China Minsheng Investment Co., Ltd. (中國民生投資股份有限公司) since October 2019. Currently, he is also an executive director of CMIG Huaheng Investment Co., Ltd. (中民華恒投資有限公司), an executive director and a general manager of CMIG International General Aviation Co., Ltd. (中民國際通用航空有限責任公司), an executive director and a general manager of CMIG Silk Road Capital Management Co., Ltd. (中民絲路資本管理有限公司), a director of China Minsheng Jiaye Investment Co., Ltd. (中民嘉業投資有限公司), a director of CMIG Capital Management Co., Ltd. (中民投資本管理有限公司), and an executive director of CM Luxembourg Investment S.A. (中民盧森堡公司). Prior to that, Mr. Pan served as the deputy head of the president's office of China Minsheng Investment Co., Ltd from November 2015 to September 2019. He was a deputy general manager of the investment management department of Xinhua Jiayuan Pension Enterprise Management (Beijing) Co., Ltd. (新華家園養老服務(北京)有限公司, formerly known as 新華家園養老企業管理有限公司), a subsidiary of New China Life Insurance Company Ltd. (新華人壽保險股份有限公司) (a company listed on the Hong Kong Stock Exchange with stock code: 1336) from February 2015 to October 2015. He served as the secretary to the supervisory board chairman of New China Life Insurance Company Ltd from August 2010 to June 2014. He served the position of chief accountant secretary of Sinochem Group Co., Ltd. (中國中化集團公司) from October 2007 to July 2010. Mr. Pan has extensive experience in investment management and corporate finance.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Luo Guorong, aged 45, was appointed as a non-executive Director on 19 January 2021. Mr. Luo obtained a bachelor's degree in accounting from the School of Management of the Wuhan University of Technology in 1999 and a master's degree and a doctoral degree in accounting from the School of Management of Xiamen University in 2002 and 2005 respectively. Mr. Luo was responsible for comparative study of accounting standards at the China Accounting Standards Committee from 2003 to 2005. Mr. Luo was head of the access section and deputy director of the cooperation office of the Henan Office of the China Banking Regulatory Commission ("CBRC") from 2005 to 2006 and from 2006 to 2009 respectively. Mr. Luo then worked as deputy director for institutional affairs at the accounting department of the CBRC from 2009 to 2010. From 2010 to 2011, Mr. Luo was deputy director of the office at the Henan Office of the CBRC. From 2011 to 2014, Mr. Luo worked as director of operations at the fund custody department of the China Everbright Bank. Mr. Luo was deputy director of the department of industry sector risk of China Minsheng Investment Corporation Ltd. ("CMIC", a controlling shareholder and the ultimate holding company of the Group) from 2014 to 2015. Mr. Luo was director of risk control at CMIG Asia Asset Management Co., Ltd. from 2017 to 2019. He worked as the deputy director of the investment management office at CMIC during March 2015 to January 2021. Since January 2021, Mr. Luo has been the financial controller of CMIG (Shanghai) Equity Investment Co., Ltd. and CMIG Aviation Investment Co., Ltd. Mr. Luo is a certified public accountant in the People's Republic of China (the "PRC") and is licensed to deal in funds and securities in the PRC. Mr. Law has extensive experience in investment management, corporate finance and accounting practice development. Mr. Luo had resigned as a non-executive Director on 29 March 2022.

Independent Non-executive Directors

Mr. Zhuo Fumin, aged 70, was appointed as an independent non-executive Director on 30 November 2010. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Mr. Zhuo graduated from Shanghai Jiao Tong University Electrical & Mechanical Branch (now known as Shanghai University of Engineering Science) in 1983 and obtained a master's degree in economics from Fudan University in 1997. Mr. Zhuo held senior positions such as the director and assistant director of the Economic System Reform Office of the Shanghai Municipal People's Government. Subsequently, Mr. Zhuo held various senior positions at Shanghai Industrial Investment (Holdings) Co., Ltd., including the chief executive officer and the vice chairman of Shanghai Industrial Holdings Limited, a company listed on the Stock Exchange (stock code: 363) and the chairman and an executive director of SIIC Medical Science and Technology (Group) Limited. Mr. Zhuo has been devoted to private equity investment since 2002, and was the chairman and the chief executive officer of Vertex China Investment Co., Ltd., a wholly-owned subsidiary of Vertex Management Group which is a global venture capital fund management company. Mr. Zhuo co-founded SIG Venture Star and was a managing partner of GGV Capital (venture capital fund). He is now the chairman and a managing partner of V Star Capital. Mr. Zhuo served as an independent Director of Arcplus Group Plc, a company listed on the Shanghai Stock Exchange (stock code: 600629), from September 2015 to September 2021, an independent Director of Focus Media Information Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 2027), from January 2016 to November 2021, and an independent Director of Daqo New Energy Corp. a company listed on the New York Stock Exchange (ticker symbol: DQ), since October 2009, as well as a non-executive director of Besunyen Holdings Co. Ltd., a company listed on the Stock Exchange of Hong Kong (stock code: 926), since October 2009. Mr. Zhuo has served as an independent non-executive Director of Sinopharm Group Co., Ltd., a company listed on the Stock Exchange of Hong Kong (stock code: 1099), since March 2016. Mr. Zhuo has been an independent Director of Shanghai Shine-link International Logistics Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 603648), since September 2016. Mr. Zhuo has been an independent Director of Dazhong Transportation Group, a company listed on the Shanghai Stock Exchange (stock code: 600611), since May 2018.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Charles Sheung Wai, aged 68, was appointed as an independent non-executive Director on 10 July 2012. He is also the chairman of the audit committee and a member of the remuneration committee of the Company. Mr. Chan obtained a bachelor's degree in commerce at the University of Manitoba, Canada in 1977. He is a member of the Chartered Accountants of Canada as well as a member of the Hong Kong Institute of Certified Public Accountants. He started his career as an auditor at the Canadian office of Arthur Andersen in 1977 and was admitted to partnership in 1988. He subsequently joined the China/Hong Kong office of Arthur Andersen as an audit partner in 1994. For the period from July 2002 to June 2012, he was a partner of the China/Hong Kong Office of PricewaterhouseCoopers. Mr. Chan served as a member of the Listing Committee of the Stock Exchange during the period from 1998 to 2001 and also served as a member of the Selection Committee for the first Legislative Council of the Hong Kong Special Administrative Region in 1998. From 1996 to 1999, he was a council member of the Hong Kong Institute of Certified Public Accountants, and a member of the accounting standards committee and the auditing standards committee, and chairman of the China Professional Technology Committee. From May 2016 to May 2019, Mr. Chan was appointed as an independent non-executive director of CITIC Securities Company Limited, a company listed on the Stock Exchange (stock code: 6030) and Shanghai Stock Exchange (stock code: 600030). From September 2013 to April 2020, Mr. Chan served as an independent non-executive Director of Beijing Gamease Age Digital Technology Co., Ltd., a company listed on NASDAQ (ticker symbol: CYOU). He was appointed as an independent non-executive director of Maoyan Entertainment, a company listed on the Stock Exchange (stock code: 1896), on 22 August 2018, with effect from 4 February 2019. Mr. Chan has been an independent non-executive Director of Hansoh Pharmaceutical Group Company Limited, a company listed on the Stock Exchange (stock code: 3692), since June 2019. He has served as an independent non-executive Director of Sun Art Retail Group Limited, a Stock Exchange-listed company (stock code: 6808), since 31 January 2021. Mr. Chan was appointed as an independent non-executive director of Shanghai Bio-heart Biological Technology Co., Ltd., a company listed on the Stock Exchange (stock code: 2185), on 23 December 2021.

Ma Lishan, aged 70, was appointed as an independent non-executive Director on 31 March 2016. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee, and the Investment Committee of the Company. He has extensive experience in corporate operation and management. Mr. Ma graduated from Beijing Foreign Studies University in the PRC in 1975. Mr. Ma served in various managerial positions such as chairman, executive director and general manager in certain large-scale joint ventures under China Oil & Foodstuff Corporation. Mr. Ma has served as an executive director of China Foods Limited (中國食品有限公司), a company listed on the Stock Exchange (stock code: 506), since January 1996, and was appointed as managing director in June 2003. In 2000, Mr. Ma was appointed as the vice president of China Oil & Foodstuff Corporation (COFCO). From June 2008 to January 2009, Mr. Ma was an executive director of Sino Resources Group Limited (now known as Elife Holdings Limited), a company listed on the Stock Exchange (stock code: 223). From September 2010 to August 2012, he was the executive director, managing director and chairman of Hao Tian Resources Group Limited (now known as Hao Tian Development Group Limited), a company listed on the Stock Exchange (stock code: 474). He was appointed as an independent non-executive Director of Silver Base Group Holdings Limited, a company listed on the Stock Exchange (stock code: 886), on 6 March 2008, and was re-designated to a non-executive director on 30 December 2021. Since 20 August 2009, he has been an independent non-executive director of Sunac China Holdings Limited, a company listed on the Stock Exchange (stock code: 1918). Mr. Ma was appointed as an independent non-executive director of China Minsheng Drawin Technology Group Limited (now known as China Minsheng DIT Group Limited), a company listed on the Stock Exchange (stock code: 726), on 28 June 2016 and an independent non-executive director of Huarong International Financial Holdings Limited, a company listed on the Stock Exchange (stock code: 993) on 19 August 2016.

DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Mr. Fang Kun, aged 38, joined the Group as the director of operations on 10 November 2020 and was appointed as vice president of the Group on 20 July 2021. Mr. Fang graduated from Tongji University in 2007 with a bachelor's degree in civil engineering (construction). Mr. Fang has 4 years of design management experience in Shanghai Tianhua Architecture Planning & Engineering Ltd., a premium design institute in the industry, and 10 years of experience in comprehensive real estate investment and development management in a leading property developer. He served as project general manager of Shanghai Vanke Real Estate Co., Ltd., general manager of Hangzhou region at (Zhejiang-based) Boee Group, and vice president of Shanghai Fusheng Qianlong Investment Management Co., Ltd., a subsidiary of (Fujian-based) Fusheng Group.

Mr. Yang Lei, aged 50, was appointed as the Chief Financial Officer of the Group on 23 October 2020. Mr. Yang graduated from Heilongjiang University in 1993 and obtained a bachelor's degree in accounting. Mr. Yang then obtained a postgraduate certificate in business administration from Dongbei University of Finance and Economics in 2003. Mr. Yang was certified as an accountant and a senior accountant in 1997 and 2006 respectively. Mr. Yang was project manager and practicing registered accountant at Liaoning Tianjian Accounting Firm Dalian Branch (遼寧天健會計師事務所大連分所) from 1993 to 1996. Mr. Yang was head of finance department of Dalian Free Trade Zone Real Estate Development Corporation (大連保稅區房地產開發總公司) from 1996 to 1998. Mr. Yang served as chief financial officer, chief supervisor and group deputy general manager of Dalian Dongte Enterprise (Group) Co., Ltd. (大連東特企業(集團)有限公司) from 1998 to 2007. From 2007 to October 2020, Mr. Yang has been the assistant to the chairman of the board of directors and group vice president at Dalian Shunhe Group (大連順和集團).

Mr. Chu Hoe Tin, aged 39, was appointed as the Company Secretary of the Company on 1 July 2019. He has over 16 years of professional experience in accounting, auditing, taxation and company secretarial work. Mr. Chu graduated with a Bachelor of Arts (Hons) in Accounting from Napier University, United Kingdom in 2007 and obtained the degree of Master of Corporate Governance from Hong Kong Metropolitan University (formerly known as the Open University of Hong Kong) in 2018. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). He has been an independent non-executive director of TBK & Sons Holdings Limited, a company listed on the Stock Exchange (stock code: 1960) since 30 September 2019.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Group are mainly engaged in real estate development and investment in Mainland China, on projects located in gateway cities of developed markets. The principal activities of its principal subsidiaries, joint ventures and associates are respectively set out in notes 50, 23 and 22 to the consolidated financial statements.

SEGMENTAL INFORMATION

Details of the Group's revenue and profit or loss by principal activity and geographical area for the year ended 31 December 2021 are set out in note 4 to the consolidated financial statements.

RESULTS AND DIVIDENDS

Details of the Group's results for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income. No interim dividend was declared by the board of the Directors (the "Board"). The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of bank loans, overdrafts and other borrowings of the Group are set out in note 34 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are respectively set out in the consolidated statement of changes in equity and in note 51 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As computed in accordance with the Companies Act 1981 of Bermuda, the Company does not have retained profits for distribution to shareholders as at 31 December 2021 (2020: Nil). The share premium account with balance of approximately RMB5,046 million (2020: RMB5,046 million) may be distributed when certain conditions are met.

SHARE CAPITAL

There was no movement in share capital during the year. Details of the share capital of the Company are set out in note 32 to the consolidated financial statements.

FINANCIAL SUMMARY

A financial summary of the Group is set out on page 5 of this annual report.

REPORT OF THE DIRECTORS

BUSINESS REVIEW

The information on business review of the Group for the year ended 31 December 2021 is provided in the Chairman's Statement and Management Discussion and Analysis of this annual report.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of the movement in fixed assets and investment properties of the Group are respectively set out in notes 17 and 19 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of the related party transactions (which also include connected transactions) of the Group for the year ended 31 December 2021 are set out in note 46 to the consolidated financial statements. Save as the transaction disclosed under the paragraph headed "Connected Transactions" below, the related party transactions as set out in note 46 to the consolidated financial statements do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

On 4 August 2021, the Company announced that, Ningbo Meishan Bonded Port Area Jiayu Investment Co., Ltd. (an indirect wholly-owned subsidiary of the Company) entered into an equity transfer agreement with Shanghai Huaji Financial Services Co., Ltd. and Shanghai Henglongtai Investment Consultancy Co., Ltd. (collectively, the "Sellers") (connected persons of the Company at the subsidiary level) in respect of the acquisition of an aggregate of 39% equity interest in Dalian SRE Property Development Co., Ltd. ("Dalian SRE") from Sellers at a consideration of RMB22,240,931.51. Upon completion of the acquisition, Dalian SRE has become a wholly-owned subsidiary of the Company. For further details, please refer to the announcement published by the Company dated 4 August 2021.

CONSULTING PROFESSIONAL TAX ADVISERS

Shareholders of the Company are recommended to consult professional advisers if they are in any doubt as to the tax implications of purchasing, holding, disposing of, dealing in or the exercise of any rights in relation to the Company's shares.

REPORT OF THE DIRECTORS

DIRECTORS

The directors who held office during the year and as of the date when the annual report was published are:

Executive Directors

Mr. Hong Zhihua *(Chairman)*
Mr. Kong Yong *(Acting Chief Executive Officer) (appointed on 19 January 2021)*
Mr. Xu Ming *(appointed on 29 April 2021)*
Mr. Jiang Qi
Ms. Qin Wenying *(resigned on 29 April 2021)*
Mr. Zhu Qiang *(resigned on 19 January 2021)*
Ms. Jiang Chuming *(resigned on 19 January 2021)*

Non-Executive Directors

Mr. Lu Jianhua *(appointed on 20 July 2021)*
Mr. Pan Pan *(appointed on 29 March 2022)*
Mr. Luo Guorong *(appointed on 19 January 2021 and resigned on 29 March 2022)*
Ms. Cheng Liang *(appointed on 19 January 2021 and resigned on 20 July 2021)*

Independent Non-Executive Directors

Mr. Zhuo Fumin
Mr. Chan Charles Sheung Wai
Mr. Ma Lishan

The Company had received confirmation from each of the independent non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules and considered all independent non-executive Directors to be independent.

In accordance with Bye-laws 86(2), 87(1) and 87(2) of the Bye-laws of the Company, Mr. Lu Jianhua, Mr. Pan Pan, Mr. Jiang Qi, Mr. Zhuo Fumin and Mr. Ma Lishan will retire at the forthcoming annual general meeting of the Company, and being eligible, will offer themselves for re-election.

Biographical details of the Directors are set out on pages 49 to 52 of this annual report.

REPORT OF THE DIRECTORS

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the Directors since the disclosure made in the Interim Report 2021 and up to the date of this annual report of the Company are set out below:

Name of Director(s)	Detail(s) of Change
Mr. Pan Pan	He was appointed as a non-executive Director on 29 March 2022.
Mr. Luo Guorong	He resigned as a non-executive Director on 29 March 2022.
Mr. Ma Lishan	Mr. Ma Lishan was re-designated from an independent non-executive director of Silver Base Group Holdings Limited, a company listed on the Stock Exchange (stock code: 886), to a non-executive director on 30 December 2021.
Mr. Chan Charles Sheung Wai	Mr. Chan Charles Sheung Wai was appointed as an independent non-executive Director of Shanghai Bio-heart Biological Technology Co., Ltd., a Stock Exchange-listed company (stock code: 2185), in 23 December 2021.
Mr. Lu Jianhua	Mr. Lu Jianhua was appointed as a non-executive Director and vice chairman of the Board of Yida China Holdings Limited, a Stock Exchange-listed company (stock code: 3639), on 29 September 2021.
Mr. Zhuo Fumin	Mr. Zhuo Fumin was appointed as an independent Director of Arcplus Group Plc, a company listed on the Shanghai Stock Exchange (stock code: 600629), in September 2021, and an independent Director of Focus Media Information Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 2027), in November 2021.

DIRECTORS' EMOLUMENTS

The fixed annual remuneration of the executive Directors is determined by the Remuneration Committee of the Company. Each executive Director is also entitled to an annual management bonus under the relevant service contract, the amount of which is to be determined by the Board from time to time, provided that the aggregate management bonus payable to all executive Directors for a financial year shall not be more than 10% of the Company's net profit after taxation and non-controlling interests as shown in the audited consolidated financial statements of the Company for the relevant year.

Details of Directors' emoluments are set out in note 11 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with any member of the Group which is not determinable within one year without the payment of compensation other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director, or an entity connected with a Director, of the Company had a material interest (direct or indirect), subsisted at the end of the financial year or at any time during the year ended 31 December 2021.

MANAGEMENT CONTRACTS

The Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section of Share Option Scheme of this report, at no time during the year was the 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 debt securities (including debentures) of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

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

Long position in shares of the Company (the "Shares") and underlying Shares

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
Lu Jianhua *(appointed on 20 July 2021)*	2,258,000	–	–	2,258,000	0.011%
Zhuo Fumin	–	160,000 (Note 1)	–	160,000	0.0008%

Notes:

(1) These Shares were held by Madam He Peipei, the spouse of Mr. Zhuo Fumin.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executives of the Company, nor any of their close associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2021, so far as is known to any Director or chief executive of the Company, the following 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 under the section 336 of the SFO:

Long position in Shares

Name of Shareholders	Capacity/Nature of interest	Notes	Number of issued ordinary Share (Sub-total)	Approximate percentage of shareholding (Sub-total)	Number of issued ordinary Shares (Total)	Approximate percentage of shareholding (Total)
China Minsheng Investment Corp., Ltd.	Interest in controlled corporation	i			15,523,751,128	75.49%
China Minsheng Jiaye Investment Co., Ltd.	Interest in controlled corporation	i			15,523,751,128	75.49%
Jiaxin Investment (Shanghai) Co., Ltd.	Interest in controlled corporation	iv			15,523,751,128	75.49%
Jiasheng (Holding) Investment Limited	Interest in controlled corporation	iv			15,389,659,128	74.84%
Jiashun (Holding) Investment Limited	Beneficial owner	iv			15,389,659,128	74.84%
Zhi Tong Investment Limited Partnership	Beneficial owner	i, ii, iii			2,022,761,390	9.84%
Jia Yun Investment Limited	Person having a security interest in Shares	vi	866,897,738	4.21%	2,889,659,128	14.05%
	Interest in controlled corporation	ii, iii	2,022,761,390	9.84%		
Shi Jian	Beneficial owner		13,006,991	0.06%	2,902,666,119	14.11%
	Interest in controlled corporation	v	2,889,659,128	14.05%		
Si Xiaodong	Beneficial owner		2,324	0.00%	2,889,661,452	14.05%
	Interest in controlled corporation		2,889,659,128	14.05%		
SRE Investment Holding Limited	Beneficial owner	vi	866,897,738	4.21%	2,889,659,128	14.05%
	Interest in controlled corporation	ii, iii	2,022,761,390	9.84%		
Starite International Limited	Interest in controlled corporation	ii, iii			2,022,761,390	9.84%
Zuo Xin	Nominee for another person (other than a bare trustee)	ii, iii			2,022,761,390	9.84%
Jiabo Investment Limited	Interest in controlled corporation	ii, iii, vi			2,889,659,128	14.05%
Jiazhi Investment Limited	Interest in controlled corporation	ii, iii			2,022,761,390	9.84%

REPORT OF THE DIRECTORS

Notes:

i. China Minsheng Investment Corp., Ltd. holds a 67.26% direct interest in China Minsheng Jiaye Investment Co., Ltd. Pursuant to Part XV of the SFO, China Minsheng Investment Corp., Ltd. and China Minsheng Jiaye Investment Co., Ltd. are respectively deemed to be interested in the Shares directly held or interested in by (a) Jiashun (Holding) Investment Limited (12,500,000,000 Shares), (b) Zhi Tong Investment Limited Partnership (2,022,761,390 Shares), (c) Jia Yun Investment Limited (866,897,738 Shares) and (d) Jiayou (International) Investment Limited (134,092,000 Shares).

ii. Jia Yun Investment Limited is held by Jiabo Investment Limited, which is 100% indirectly owned by China Minsheng Jiaye Investment Co., Ltd. Jia Yun Investment Limited holds a 60% direct interest in Jiazhi Investment Limited, which is a general partner of Zhi Tong Investment Limited Partnership. Accordingly, each of Jia Yun Investment Limited and Jiazhi Investment Limited is deemed to be interested in the Shares held by Zhi Tong Investment Limited Partnership under Part XV of the SFO.

    The remaining 40% interests in Jiazhi Investment Limited is held by Starite International Limited, which is wholly-owned by Zuo Xin (as a nominee and representative of SRE Investment Holding Limited). Therefore, Starite International Limited, Zuo Xin and SRE Investment Holding Limited are deemed to be interested in the Shares held by Zhi Tong Investment Limited Partnership under Part XV of the SFO.

iii. These Shares are held by Zhi Tong Investment Limited Partnership. Jiazhi Investment Limited is a general partner of Zhi Tong Investment Limited Partnership and is held as to 60% by Jia Yun Investment Limited and 40% by Starite International Limited. Jia Yun Investment Limited is also a limited partner of Zhi Tong Investment Limited Partnership.

iv. These Shares are held by Jiashun (Holding) Investment Limited. Jiashun (Holding) Investment Limited is 100% directly owned by Jiasheng (Holding) Investment Limited, which is 100% directly owned by Jiaxin Investment (Shanghai) Co., Ltd. Jiaxin Investment (Shanghai) Co., Ltd. is 100% directly owned by China Minsheng Jiaye Investment Co., Ltd., which is owned as to 67.26% by China Minsheng Investment Corp., Ltd. Therefore, according to Part XV of the SFO, Jiasheng (Holding) Investment Limited, Jiaxin Investment (Shanghai) Co., Ltd., China Minsheng Jiaye Investment Co., Ltd. and China Minsheng Investment Corp., Ltd. are deemed to be interested in the Shares held by Jiashun (Holding) Investment Limited.

v. As each of Mr. Shi Jian and Ms. Si Xiao Dong has one-third or more of the voting rights at shareholders' meetings of SRE Investment Holding Limited, they are deemed to be interested in all the Shares interested in by SRE Investment Holding Limited under the SFO.

vi. The 866,897,738 Shares held by SRE Investment Holding Limited are charged to Jia Yun Investment Limited. SRE Investment Holding Limited retains the voting rights attached to the Shares. China Minsheng Investment Corp., Ltd. has confirmed to the Company that if the enforcement of the share charge will result in the Company failing to meet the public float requirement, China Minsheng Investment Corp., Ltd. will use its best efforts to assist the Company in maintaining or restoring its public float to comply with Rule 8.08(1)(a) of the Listing Rules, such as to sell its Shares in the open market.

Save as disclosed above, as at 31 December 2021, none of the Directors nor the chief executives of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation who had an interest or short position in the Shares or underlying Shares which were required to be recorded in the register kept by the Company under section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Base on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, 5,905,442,332 Shares (representing approximately 28.71% of the issued share capital of the Company) were held by the public. Accordingly, the Company is in compliance with the public float requirement under Rule 8.08(1)(a) of the Listing Rules.

SHARE OPTION SCHEME

On 3 June 2016, the Board proposed to adopt a new share option scheme (the "Scheme"), which was approved and adopted by the shareholders of the Company on 6 July 2016.

On 14 July 2016 (the "Date of Grant"), options to subscribe (the "Share Options") for a total of 1,073,717,976 new Shares were offered to certain Directors and employees of the Group (the "Grantees"). The Share Options granted to each Grantee are valid for a period of five years commencing from the Date of Grant and shall be vested in three tranches in accordance with the following vesting dates: (i) 40% of the Share Options granted to each Grantee shall be vested and exercisable from 30 August 2016 to 13 July 2021; (ii) an additional 30% (i.e. up to 70% in total) shall be vested and exercisable from 30 August 2017 to 13 July 2021; and (iii) the remaining 30% (i.e. up to 100% in total) shall be vested and exercisable from 30 August 2018 to 13 July 2021.

The exercise price of the Share Options is HK$0.2132 per Share, which represents the highest of: (i) the closing price of the Shares of HK$0.212 per Share as stated in the daily quotation sheet issued by the Stock Exchange on the Date of Grant; (ii) the average closing prices of the Shares of HK$0.2132 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the Share, which is HK$0.10.

The Share Options were granted to the following Directors:

Executive Directors	**Number of Share Options Granted**
He Binwu *(resigned on 24 October 2017)*	160,000,000
Peng Xinkuang *(removed on 29 June 2020)*	160,000,000
Zhu Qiang *(resigned on 19 January 2021)*	120,000,000
Qin Wenying *(resigned on 29 April 2021)*	120,000,000
Chen Donghui *(removed on 29 June 2020)*	80,000,000
Chen Chao *(retired on 3 June 2019)*	80,000,000
Shi Janson Bing *(resigned on 13 July 2018)*	50,000,000

The grant of the Share Options to each of the above Directors has been approved by the independent non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules. Save as disclosed above, none of the Grantees is a Director, Chief Executive or substantial shareholder of the Company, or an associate of any of them.

REPORT OF THE DIRECTORS

The fair value of the Share Options granted during the Period determined on the date on which the Share Options were granted using the binomial valuation model was divided into three trenches according to vesting period: being HK7.80 cents per option for Share Options vested on 30 August 2016, HK7.99 cents per option for Share Options vested on 30 August 2017 and HK8.21 cents per option for Share Options vested on 30 August 2018. The significant inputs into the model were the closing price of HK$0.2120 per share at the Date of Grant. As shown above, the exercise-price volatility is 46%. There is no dividend yield. The expected term of the Share Options granted is 5, 4 and 3 years respectively, and an annual risk-free interest rate is 0.69%. The volatility measured at the standard deviation of continuously compounded share returns is based on the average rate of comparable companies. The binomial valuation model is only one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

160,000,000 Share Options were lapsed in 2017. 309,115,393 Share Options were lapsed in 2018. 1,400,000 Share Options were lapsed in 2019. 390,002,583 Share Options were lapsed in 2020. 112,800,000 Share Options were lapsed in the first half of 2021. The remaining 100,400,000 Share Options expired and were lapsed on 13 July 2021.

The following is a summary of the principal terms of the Scheme:

1. Purpose of the Scheme:

   The purpose of the Scheme is to reward the contributions made by any Directors or employees of the Group (the "Eligible Employees"), to provide incentive for the Eligible Employees to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the shareholders of the Company as a whole.

2. Participants of the Scheme:

   The Board may at its discretion grant Share Options to the Eligible Employees.

3. Grant of option under the Scheme

   An offer of the grant of an option shall be made to an Eligible Employee by letter in such form as the Board may from time to time determine, requiring the Eligible Employee to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Scheme. The offer shall remain open for acceptance for a period of 14 days from the date of grant. Subject to the terms of the offer letter, there shall be no minimum holding period for the vesting or exercise of the options.

   An option shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance as set out in the offer letter. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the Date of Grant.

REPORT OF THE DIRECTORS

4. Total number of Shares available for issue under the Scheme and percentage of the issued share capital as at 31 December 2021:

   As at 31 December 2021, the total number of Shares which may be issued under the Scheme must not exceed 2,056,471,372 Shares, representing approximately 10% of the issued share capital of the Company.

5. Maximum entitlement of each participant under the Scheme:

   Unless approved by the shareholders of the Company at a general meeting in the manner prescribed in the Listing Rules, the Board shall not grant Share Options to any grantee if the acceptance of those Share Options would result in the total number of Shares issued and to be issued to that grantee on exercise of his/her Share Options (including both exercised and outstanding Share Options) during any 12-month period exceeding 1% of the total Shares then in issue.

6. The period within which the Share Options must be exercised under the Scheme:

   The period during which an option may be exercised in accordance with the terms of the Scheme ("Option Period") shall be a period of time to be notified by the Board to each grantee, which the Board may in its absolute discretion determine, save that such period shall not be more than 10 years commencing on the Date of Grant.

7. The basis of determining the exercise price:

   The subscription price per Share payable on the exercise of an option is to be determined by the Board but in any event shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the Share on the Date of Grant.

8. The remaining life of the Scheme:

   Subject to early termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Scheme is deemed to take effect in accordance with its terms, after which time no further options will be granted but the provisions of the Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of such period shall continue to be valid and exercisable after the end of such period in accordance with the terms of the Scheme.

REPORT OF THE DIRECTORS

COMPETING INTERESTS

None of the Directors has interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's customers from whom the revenue of continuing operations was derived are widely dispersed. No customer nor a single group of customers under common control of continuing operations contributed 10% or more of the Group's revenue for the years ended 31 December 2020 and 2021. For the year ended 31 December 2021, less than 30% of the Group's revenue was attributable to the Group's five largest customers combined.

For the year ended 31 December 2021, less than 30% of the Group's purchases was attributable to the Group's five largest suppliers combined.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group. During the year ended 31 December 2021, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's business. Descriptions of such risks and uncertainties facing the Group can be found in the Chairman's Statement section and Management Discussion and Analysis section set out on pages 17 to 27 and the audited financial statements set out on pages pages 89 to 206 of this annual report. Such descriptions forms part of this report of the Directors.

AUDIT COMMITTEE

The audited annual consolidated financial statements for the year ended 31 December 2021 has been reviewed by the Audit Committee of the Company.

PENSION SCHEME

Details of the Group's pension schemes are set out in the section of employee benefits of Note 15 to the consolidated financial statements.

AUDITOR

The consolidated financial statements for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers Certified Public Accountants.

There has been no change in the auditor of the Company during the past three years.

PERMITTED INDEMNITY PROVISION

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022 (both days inclusive), for the purpose of determining the entitlement of the shareholders of the Company to attend and vote at the annual general meeting of the Company. No transfer of shares during the said period will be registered. In order to qualify to attend and vote at the meeting, all completed transfer forms, accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on Friday, 27 May 2022.

On behalf of the Board
Hong Zhihua
Chairman

Hong Kong, 26 April 2022

CORPORATE GOVERNANCE REPORT

The Company firmly believes that good corporate governance is fundamental in ensuring that the Company is well managed in the interests of all of its stakeholders. The Board and senior management are committed to maintaining a high standard of corporate governance which provides a framework and a solid foundation for achieving a high standard of accountability and transparency.

CORPORATE GOVERNANCE PRACTICES

The Board had reviewed its corporate governance practices throughout the year ended 31 December 2021, and confirmed that the Company has complied with all principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all Directors and all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2021.

BOARD OF DIRECTORS

Throughout the year ended 31 December 2021, the Company has complied with the Board's practices and procedures as set out in the Listing Rules.

Board Composition

As at 31 December 2021, the Board consists of nine Directors, including four executive Directors, namely Mr. Hong Zhihua, Mr. Kong Yong, Mr. Xu Ming and Mr. Jiang Qi; two non-executive Directors, namely Mr. Lu Jianhua and Mr. Luo Guorong; and three independent non-executive Directors, namely, Mr. Zhuo Fumin, Mr. Chan Charles Sheung Wai and Mr. Ma Lishan.

As at 29 March 2022, Mr. Luo Guorong resigned as non-executive Director and the Board appointed one non-executive Director, Mr. Pan Pan as non-executive Directors.

Save as disclosed in the above section "Directors and Senior Management", there is no financial, business, family or other material/relevant relationship amongst the Directors.

Role of the Board

The Board, which is accountable to the shareholders for the long-term performance of the Company, is responsible for directing the strategic objectives of the Company and overseeing the management of the business. The Directors are charged with the task of promoting the success of the Company and making decisions in the best interests of the Company.

The Board formulates, approves and monitors Group-wide strategies and policies, evaluates the performance of the Company, and supervises the management of the Company. The management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer of the Group.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

The Chairman of the Company is responsible for formulating, developing and reassessing the Group's strategies and policies and for all Board matters. The Chief Executive Officer of the Group is responsible for the execution of the Group's business strategies and plans. The positions of the Chairman of the Company and the Chief Executive Officer of the Group were held by separate individuals so as to maintain an effective segregation of duties as at the date of this annual report. As at 31 December 2021, the Chairman of the Company and the Acting Chief Executive Officer of the Group were Mr. Hong Zhihua and Mr. Kong Yong, respectively.

Independent Non-Executive Directors

As at 31 December 2021, the Board had 9 members with 3 of them being independent non-executive Directors. This satisfies both the requirements of having at least 3 independent non-executive Directors under Rule 3.10(1) of the Listing Rules, as well as of having independent non-executive Directors representing at least one-third of the Board under Rule 3.10A of the Listing Rules. The independent non-executive Directors were expressly identified in all corporate communications pursuant to the Listing Rules.

The functions of independent non-executive Directors include:

- expressing an independent view and judgement at Board meetings;
- taking the lead to identify potential conflicts of interests if any;
- serving on Board committees if invited; and
- scrutinizing the Company's performance and monitoring performance reporting.

The independent non-executive Directors have made a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They gave the Board and the Board committees the benefit of their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation.

Corporate Governance Function

The Board is collectively responsible for performing the corporate governance duties including:

(a) to develop, review and implement the Company's policies and practices on corporate governance;
(b) to review and monitor the training and continuing professional development of the Directors and senior management of the Company;
(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(d) to develop, review and monitor the code of conduct applicable to employees and the Directors; and
(e) to review the Company's compliance with the CG Code and its disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Meetings

The Board meets at least four times a year at approximately quarterly intervals. In 2021, the Board held six meetings to review the financial performance, annual and interim results, material investments, Board restructuring, operating report and other significant matters of the Group. The Bye-laws of the Company provides for the convening of the Board or Board committee meetings by way of telephonic or similar communications.

The attendance records of the Directors at the Board meetings, the Board committee meetings and the annual general meeting of the Company for the financial year ended 31 December 2021 are set out below:

		Attendance/Number of Meetings (during Director's tenure)					
		Board	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Investment Committee**	**Annual General Meeting**
Executive Directors							
Mr. Hong Zhihua		6/6		4/4		2/2	1/1
Mr. Zhu Qiang	(Note 1)	0/1			0/1	0/1	0/0
Mr. Kong Yong	(Note 2)	5/5				1/1	1/1
Ms. Qin Wenying	(Note 3)	3/3					0/0
Mr. Xu Ming	(Note 4)	3/3					1/1
Mr. Jiang Qi		6/6					1/1
Ms. Jiang Chuming	(Note 1)	0/1				0/1	0/0
Non-executive Directors							
Ms. Cheng Liang	(Note 5)	2/3				0/1	1/1
Mr. Lu Jianhua	(Note 6)	2/2				0/0	0/0
Mr. Luo Guorong	(Note 7)	5/5					1/1
Independent non-executive Directors							
Mr. Zhuo Fumin		6/6	3/3	4/4	3/3		1/1
Mr. Chan Charles Sheung Wai		6/6	3/3		3/3		1/1
Mr. Ma Lishan		6/6	3/3	4/4	3/3	2/2	1/1

Notes:

1. Mr. Zhu Qiang and Ms. Jiang Chuming resigned as executive Directors on 19 January 2021.
2. Mr. Kong Yong was appointed as an executive Director on 19 January 2021.
3. Ms. Qin Wenying resigned as an executive Director on 29 April 2021.
4. Mr. Xu Ming was appointed as an executive Director on 29 April 2021.
5. Ms. Cheng Liang was appointed as a non-executive Director on 19 January 2021 and resigned from her role on 20 July 2021.
6. Mr. Lu Jianhua was appointed as a non-executive director on 20 July 2021.
7. Mr. Luo Guorong was appointed as a non-executive Director on 19 January 2021 and resigned from his role on 29 March 2022.

Board papers are circulated and the Company Secretary attends all regular Board meetings to advise on corporate governance and statutory compliance when necessary. In addition, the Company maintains a procedure for the Directors to seek independent professional advice in appropriate circumstances.

BOARD COMMITTEES

The Board has established 4 committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Investment Committee. These committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management. The respective terms of reference are available on the websites of the Company and the Stock Exchange. The Company has provided sufficient resources to the Board committees to perform their duties.

Audit Committee

The Company has established its Audit Committee. During the financial year ended 31 December 2021, the Audit Committee of the Company comprised three members as follows:

Independent Non-Executive Directors
Mr. Chan Charles Sheung Wai — Chairman
Mr. Zhuo Fumin — Member
Mr. Ma Lishan — Member

The major duties of the Audit Committee of the Company include:

- to consider and recommend the appointment, re-appointment and removal of external auditor;
- to approve the remuneration and terms of engagement of external auditor, any questions of resignation or dismissal of external auditor;
- to review and monitor external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to discuss with external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to develop and implement policy on the engagement of external auditor to supply non-audit services and to make recommendation of any measures for improvements to be taken;
- to review the interim and annual financial statements and the interim and annual reports before submission to the Board;
- to review the Group's financial controls, risk management and internal control and ensure that the management has discharged its duty to have effective risk management and internal control systems;

CORPORATE GOVERNANCE REPORT

- to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response;

- to review and consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, their training programmes and budget, and the changes in the nature and extent of significant risks;

- to consider any significant or unusual items that are, or may need to be, reflected in reports and accounts and to give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditors;

- to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group and to review and monitor the effectiveness of the internal audit function;

- to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response and to ensure that the Board will provide a timely response to the issues raised; and

- to review the Group's financial and accounting policies and practices.

The Audit Committee of the Company has explicit authority to investigate into any matter under the scope of its duties and the authority to obtain independent professional advice. It is given full access to reasonable resources and assistance from the management to discharge its duties properly.

In 2021 , the Audit Committee of the Company held three meetings to, among other things, review the interim and annual results of the Group, and review other significant matters. The Audit Committee of the Company had reviewed the Group's significant internal control and financial matters, and discussed with the management of the Company and the external auditors. The Audit Committee of the Company had also reviewed the audit plans and findings of the external auditors, the independence of the external auditors, the Group's accounting principles and practices, the Listing Rules and statutory compliance, financial reporting, internal control and risk management. The attendance record of each committee member is shown on page 68 in the section of Meetings of this report.

The Audit Committee of the Company had met with the external auditors three times during the financial year ended 31 December 2021. There was no disagreement between the Board and the Audit Committee of the Company regarding the selection and appointment of external auditors. The Audit Committee of the Company is satisfied that the external auditors are able to meet the audit obligations of the Company.

The external auditors of the Company were invited to attend the meeting without the presence of the management to discuss with the Audit Committee of the Company issues arising from the audit and financial reporting matters.

Nomination Committee

The Company has established its Nomination Committee. During the financial year ended 31 December 2021, the Nomination Committee of the Company comprised three members as follows:

Executive Directors
Mr. Hong Zhihua — Chairman

Independent Non-Executive Directors
Mr. Zhuo Fumin — Member
Mr. Ma Lishan — Member

The major duties of the Nomination Committee of the Company include:

- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- to review the structure, size and composition (including the diversity of skills, knowledge, experience and perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to develop and review, as appropriate, the Board's diversity policy ("Board Diversity Policy") and any measurable objectives for implementing the Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives;

- to develop and review, as appropriate, the policy for nomination of Directors; to set out the process and criteria to select and recommend to the Board candidates for directorship;

- to assess the independence of the independent non-executive Directors, with regard to the requirements under the Listing Rules; and

- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer.

In 2021, the Nomination Committee of the Company held four meetings. The Nomination Committee of the Company had reviewed the structure, size, composition and diversity of the Board, and considered the appointment of Directors of the Company. The attendance record of each committee member is shown on page 68 in the section of Meetings of this report.

The Company had also assessed the independence of all the independent non-executive Directors and considers that all of them are independent under Rule 3.13 of the Listing Rules, having taken into account (i) their annual confirmation on independence as required under the Listing Rules, (ii) the absence of involvement in the daily management of the Company and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgment.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Board adopted the Board Diversity Policy on 29 August 2013 and amended it on 19 December 2018, setting out the approach to achieve diversity within the Board. In assessing the Board composition, the Nomination Committee of the Company would take into account various aspects set out in the policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge, industry and regional experience, and any other factors that the Board may consider relevant and applicable from time to time. In identifying and selecting suitable candidates for directorships, the Nomination Committee of the Company would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board. The current Board is considered well-balanced and of a diverse mix appropriate for the business of the Group. Selection of candidates would be based on the Company's director nomination policy and would also take into account the Board Diversity Policy. The Nomination Committee of the Company would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. The Nomination Committee of the Company would also monitor the implementation of the Board Diversity Policy by conducting periodic review as appropriate and recommend revisions, if any, to the Board for consideration and approval.

The nomination procedures for the Directors can be accessed on the website of the Company.

Director Nomination Policy

The Group adopted a director nomination policy (the "Director Nomination Policy") on 19 December 2018. A summary of this policy is disclosed as below.

1. *Introduction*

1.1 The Company has the Board Diversity Policy in place in compliance with the Listing Rules. This director nomination policy ("Procedures") aims at applying the principles of the Board Diversity Policy and other provisions under the Listing Rules to improve transparency around the process and criteria adopted by the Nomination Committee of the Company in selecting and recommending candidates as Directors of the Company.

1.2 These Procedures shall be reviewed by the Nomination Committee of the Company at least annually to ensure full compliance with the Listing Rules, the Company's Bye-laws ("Bye-laws") and applicable laws of Bermuda.

2. *Applicable Bye-laws*

2.1 According to Bye-law 86.(2) of the Bye-laws, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board.

2.2 The Board shall give due consideration to the recommendation of the Nomination Committee of the Company applying the following procedures when approving any appointment of Directors.

3. *Procedures for Nomination of a Director*

Any Director may nominate a person for appointment, election or re-election as a Director by the Board or at the general meeting upon first obtaining the following information:

(a) a written consent given by the candidate ("Candidate") to be appointed, elected or re-elected (as the case may be) as a Director stating his consent for acting as a Director and the supply and disclosure of his information as required under the Listing Rules and other applicable laws and regulations;

(b) details of the character, qualifications, background, experience and other business interests of the Candidate for the purpose of Rules 3.09, 3.10 and 3.12 of the Listing Rules, together with supporting documents evidencing the same (if applicable);

(c) (for a Candidate who may be nominated as a non-executive Director or independent non-executive Director) details assessing the Candidate's independence under Code Provisions A.3.3 (Best Recommended Practice) and A.4.3 of the CG Code, and Rule 3.13 of the Listing Rules, together with supporting documents evidencing the same (if applicable);

(d) details of the Candidate's information, together with supporting documents evidencing the same (if applicable), as required to be disclosed under Rule 13.51(2) of the Listing Rules;

(e) (for a Candidate who may be nominated as an independent non-executive Director at a general meeting) explanation from the Candidate for information required under Code Provision A5.5 of the CG Code;

(f) (for a Candidate who may be nominated to be appointed as a member of the Audit Committee of the Company) details assessing the Candidate's independence under Code Provision C.3.2 of the CG Code, together with supporting documents evidencing the same; and

(g) up-to-date contact details of the Candidate.

4. *Criteria for Nomination of a Director*

4.1 Upon obtaining the information listed in paragraph 3 above, the Nomination Committee of the Company shall review whether the Candidate is qualified to be appointed, elected or re-elected into the Board under the relevant Listing Rules and CG code provisions.

CORPORATE GOVERNANCE REPORT

4.2 Upon fulfilment of the condition set out in paragraph 4.1, the Nomination Committee of the Company shall consider the following factors in assessing the suitability of the Candidate for directorship:

(a) reputation for integrity;

(b) accomplishment and experience in the property development sector;

(c) commitment in respect of available time and relevant interest;

(d) whether (and how) the Candidate can contribute his/her perspectives, skills and experience to the Board;

(e) the Board Diversity Policy and any measurable objectives adopted by the Nomination Committee of the Company for achieving diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; and

(f) such other perspectives appropriate to the Company's business.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee of the Company has the discretion to nominate any person, as it considers appropriate.

4.3 Upon the Candidate's fulfilment of the above criteria, the Nomination Committee of the Company shall convene a meeting to discuss and consider the recommendation of the Candidate to the Board for appointment as a Director.

Appointment, Re-election and Removal of Directors

Pursuant to the letters of appointment, all non-executive Directors are appointed for a term of three years subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

Pursuant to the letters of appointment, all independent non-executive Directors are appointed for a term of two years subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

The procedures and processes of appointment, re-election and removal of the Directors are laid down in the Bye-laws of the Company. Recommendations for appointments and re-appointments of the Directors and appointments of the members of various Board committees are made by the Nomination Committee of the Company to the Board for consideration and appointment. Any Director appointed by the Board shall hold office only until, and shall retire on, the next following annual general meeting of the Company. The Bye-laws of the Company provides that at each annual general meeting of the Company, one-third of the Directors for the time being (or, if the number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. If the Directors obliged to retire who then wish to retire and not offer themselves for re-election account for less than one-third, those who have been longest in office since their last re-election or appointment shall retire to make up for the shortfall. Each Director should retire at least once every three years. A retiring Director is eligible for re-election by the shareholders at the annual general meeting of the Company.

Mr. Lu Jianhua and Mr. Pan Pan will be retiring by rotation pursuant to the bye-law 86(2) of Bye-laws of the Company at the forthcoming annual general meeting of the Company, and Mr. Jiang Qi, Mr. Zhuo Fumin and Mr. Ma Lishan will be retiring pursuant to the bye-law 87 of Bye-laws of the Company at the forthcoming annual general meeting of the Company. The retiring Directors are eligible for re-election at the forthcoming annual general meeting of the Company.

Remuneration Committee

The Company has established its Remuneration Committee. During the financial year ended 31 December 2021, the Remuneration Committee of the Company comprised three members as follows:

Independent Non-Executive Directors
Mr. Ma Lishan — Chairman
Mr. Chan Charles Sheung Wai — Member
Mr. Zhuo Fumin — Member

The major duties of the Remuneration Committee of the Company include:

- to make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management of the Company;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair yet reasonable and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- to ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee of the Company should consult the Chairman of the Company and or the Chief Executive Officer of the Group about their remuneration proposals for other executive Directors and have access to independent professional advice if necessary.

In 2021, the Remuneration Committee of the Company held three meetings. The Remuneration Committee of the Company had reviewed the Company's remuneration policies and the remuneration packages of the Directors, reviewed and recommended the remuneration of the Directors, and reviewed other significant matters. No Director should involve in deciding his own remuneration. The attendance record of each committee member is shown on page 68 in the section of Meetings of this report.

CORPORATE GOVERNANCE REPORT

Details of the Directors' and senior management's remuneration are set out in notes 11 and 46(b)(vii) to the consolidated financial statements. In addition, pursuant to the Code Provision B.1.5 of the CG Code, the annual remuneration of other members of the senior management (other than the Directors) by bands for the year ended 31 December 2021 is set out below:

	Number of employees
RMB0 to RMB1,000,000	4
RMB1,000,001 to RMB3,000,000	0

* Partial of annual remuneration which was not approved or paid as of the date of approval of this report was not included in amounts above for the year ended 31 December 2021.

Investment Committee

The Company has established its Investment Committee. During the financial year ended 31 December 2021, the Investment Committee of the Company comprised four members as follows:

Executive Directors
Mr. Hong Zhihua — Chairman
Mr. Kong Yong — Member *(appointed on 19 January 2021)*
Mr. Zhu Qiang — Member *(resigned on 19 January 2021)*
Ms. Jiang Chuming — Member *(resigned on 19 January 2021)*

Non-Executive Directors
Mr. Lu Jianhua — Member *(appointed on 20 July 2021)*
Ms. Cheng Liang — Member *(appointed on 19 January 2021 and resigned on 20 July 2021)*

Independent Non-Executive Directors
Mr. Ma Lishan — Member

The major duties of the Investment Committee of the Company include:

- to review the management's recommended investment opportunities, objectives, strategies, policies and guidelines that direct the investment of the portfolio;

- to review the management's recommended portfolio financial goals and requirements, including asset allocation, risk tolerance, investment time horizon and capital adequacy;

- to review and evaluate the performance of the investment portfolio regularly to assure adherence to policy guidelines and monitor progress toward achieving investment objectives; and

- to review the shares purchase, redemption or other share acquisition activities conducted by the Company.

In 2021, the Investment Committee of the Company held two meeting. The Investment Committee of the Company had reviewed the change of members of the Investment Committee of the Company. The attendance record of each committee member is shown on page 68 in the section of Meetings of this report.

DIRECTORS' TRAINING AND COMMITMENT

Upon appointment, each Director receives appropriate induction training and coaching to develop individual skills as required. The Directors are also provided with updates on the relevant new laws, regulations and changing commercial risks in the Group's operating environment through regular presentations and meetings. They also have the opportunity to visit the Group's operational facilities and meet with management to gain a better understanding of business operations and governance practices.

The Directors have confirmed that they have complied with the Code Provision A.6.5 of the CG Code on directors' training. During the financial year ended 31 December 2021, the Directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials to develop and refresh their knowledge and skills and provided their records of training to the Company.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged appropriate liability insurance to indemnify its Directors and officers for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis. During the financial year ended 31 December 2021, no legal action was made against any of the Directors and officers in relation to duties performed for the Company.

COMPANY SECRETARY

The company secretary of the Company is an employee of the Company, and is responsible for facilitating the procedures of the Board and advising the Board on corporate governance matters. During the year under review, the Company Secretary of the Company has taken not less than 15 hours of relevant professional training.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The responsibility of the Directors is to prepare the financial statements, while the responsibility of the auditors is to express an opinion on the Group's consolidated financial statements based on their audit, for particulars please refer to the "Independent Auditor's Report"section of this report. The Board should ensure that such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for the relevant financial period. In regard to this, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. Besides, the Directors are also responsible for ensuring that the Group operates an efficient financial reporting system, keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Group has employed sufficient qualified staff to assist the preparation of financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority designed to help the business achieve its objectives, to safeguard assets against unauthorised use or disposition, to ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and to ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2021, the Company engaged an external independent consultant to conduct a review on the internal control system of the Group in order to maintain high standards of corporate governance.

During the year ended 31 December 2021, the Board examined the effectiveness of the risk management and internal control system of the Group through the Audit Committee of the Company on an annual basis, including financial, operational compliance and risk management aspects, and considered that the risk management and internal control system is effective and adequate and the Group has complied with the code provisions on risk management and internal control of the CG Code.

AUDITOR'S REMUNERATION

During the year, the auditor of the Company, PricewaterhouseCoopers, Certified Public Accountants charged RMB3,200 thousand for annual audit services and RMB139 thousand for non-audit services.

INVESTOR RELATIONS

The Company uses a number of formal communications channels to account to its shareholders and investors for the performance of the Company. These include: (i) the publication of interim and annual reports; (ii) annual general meetings or extraordinary general meetings of the Company providing a platform for shareholders of the Company to express their opinions and exchange views with the Board; (iii) updated and key information of the Group available on the website of the Company; (iv) the Company's website offering a communication platform between the Company and its shareholders and investors; and (v) the Company's share registrar in Hong Kong serving the shareholders of the Company regarding all share registration matters.

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to providing clear and detailed information of the Group to shareholders of the Company in a timely manner and on a regular basis through the publication of interim and annual reports and/or dispatching circulars, notices, announcements and other corporate communications.

Investors may write to the Company at the principal place of business or via email to general@sregroup.com.hk for any enquiries.

During the year ended 31 December 2021, there is no change in the constitutional documents of the Company. The Memorandum of Association and Bye-laws of the Company are available on the website of the Company.

SHAREHOLDERS' RIGHT TO CONVENE AND PUT FORWARD PROPOSALS AT EXTRAORDINARY GENERAL MEETINGS

Pursuant to the Bye-laws of the Company, members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board and the Company Secretary at the principal place of business set out in the section of Corporate Information of this annual report, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy on 19 December 2018 (the "Dividend Policy").

The aim of the Dividend Policy is to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the future growth and development of the Group. In considering any dividend payout, the Board shall consider the following:

- the Company's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems relevant.

The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of Bermuda and the Company's Bye-laws. The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

THE BOARD'S RESPONSE TO THE OPINION OF THE INDEPENDENT AUDITOR

In the independent auditor's report contained in the Company's annual report for the year ended 31 December 2021, the independent auditor issued an opinion on the issues as set out in the paragraph headed "Material Uncertainty Related to Going Concern" in the independent auditor's report. The Board's considerations and responses to the aforesaid issues are as follows:

1. The operation of the Group is the most important consideration for the lenders to exercise their rights to demand immediate repayment

The Board considers that the Group has been relatively independent from its ultimate holding company China Minsheng Investment Corp., Ltd. ("China Minsheng") without significant transactions between the Group and China Minsheng. In response to the measures imposed on Mr. Peng Xinkuang and Mr. Chen Donghui by the relevant PRC authorities, the Board proposed an ordinary resolution at the annual general meeting of the Company held on 29 June 2020 to remove each of Mr. Peng Xinkuang and Mr. Chen Donghui as an executive director of the Company, and such ordinary resolution was duly passed at the annual general meeting. The Group is in active discussion with the lenders of the syndicated bank loan of the joint venture in respect of the overdue interest payment arrangement and with respect to no further actions before the payment of interest. Whether the lenders would demand the immediate repayment of the defaulted loans in accordance with the standard terms is mainly based on the judgment of the Group's operation, and the Group has been proactively communicating with the relevant lenders.

CORPORATE GOVERNANCE REPORT

As of the date of this announcement, the Group's overall operating conditions remained stable. The Board is confident of convincing the relevant lenders not to exercise their rights to request the Group for immediate repayment of the loans prior to their scheduled contractual repayment dates. The Board is also confident of convincing the lenders of the syndicated bank loan to reach a settlement arrangement for the overdue interests, and not to exercise their rights to request the joint venture for immediate repayment of the syndicated bank loan prior to its scheduled contractual repayment dates or request the Group to fulfill the guarantee obligation.

2. The Group has the ability to repay loans due and fulfill the guarantee obligation

As at 31 December 2021, without taking into consideration of the borrowings re-classified as immediately repayable, the actual amount of the Group's current portion of long-term borrowings was RMB183 million. Among which, as of the date of this announcement, RMB46 million has been repaid, RMB56 million has been extended for maturity to 2023 and RMB81 million is originally scheduled to be repaid within the rest of 2022. The deterioration of financial conditions of China Minsheng since 2018, and the arrest of Mr. Peng Xinkuang and the detention of Mr. Chen Donghui (each a former director of the Company) by the relevant PRC authorities in January and February 2020, constituted the occurrence of certain triggering events under the loan agreements resulting in defaults of certain loans of the Group and a joint venture's loan guaranteed by the Group. Subsequent to 31 December 2021, the above-mentioned joint venture failed to repay the interest of RMB181.5 million of the syndicated bank loan, and the lenders formally demanded the joint venture and each of the guarantors to fulfill their relevant payment or guarantee obligations by 31 March 2022.

The Group has been proactively communicating with the relevant lenders, and the lenders have not demanded the immediate repayment of the relevant loans. The Board is confident of convincing the lenders not to exercise such rights to request the Group for immediate repayment of the loans prior to their scheduled contractual repayment dates.

The Group is also in active discussion with the lenders of the syndicated bank loan of the joint venture in respect of the overdue interest payment arrangement. The Board is confident to convince the lenders of the syndicated bank loan of the joint venture to reach a settlement arrangement for the overdue interests, and not to exercise their rights to request the joint venture for immediate repayment of the syndicated bank loan prior to its scheduled contractual repayment dates or request the Group to fulfill the guarantee obligation.

The Board considers that the Group has identified and planned various actions mainly including increased efforts to presale or sell its properties completed or under development; acceleration of divestment from its investments in certain joint ventures, properties, plant and equipment, and financial assets; collection of certain shareholder loans and receivables from a joint venture and other third parties and etc. The Group has been proactively communicating with the relevant lenders to explain that the Group's business, operations, financial condition and cash position remain normal and stable. The Board believes that the Group has sufficient financial resources to support the normal repayments of the relevant loans.

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

TO THE SHAREHOLDERS OF SRE GROUP LIMITED
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of SRE Group Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 89 to 206, comprise:

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

Our opinion

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

BASIS FOR OPINION

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

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

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INDEPENDENT AUDITOR'S REPORT

Independence

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 to the consolidated financial statements, which states that as at 31 December 2021 the Group's current liabilities included RMB896.7 million of borrowings, out of which RMB864.1million were defaulted and became immediately repayable if requested by the lenders. The defaults of these borrowings were triggered by (1) deterioration of the financial conditions of China Minsheng Investment Corporation Ltd., the ultimate holding Company of the Group since 2018; and (2) the detention and arrest of two executive directors of the Company by the authorities in the People's Republic of China. The above events also constituted the defaults of a joint venture's syndicated bank loan amounting to RMB4,451.8 million guaranteed by the Group and resulted in the relevant lenders having the right to demand the Group to fulfill its guarantee obligation to repay the loan. As at 31 December 2021, however, the Group's cash and cash equivalents amounted to RMB70.5 million only. In addition, subsequent to 31 December 2021, the above-mentioned joint venture failed to repay the interest of RMB181.5 million of the syndicated bank loan, and the lenders formally demanded the joint venture and each of the guarantors, including the Group, to fulfill their relevant payment or guarantee obligations by 31 March 2022, failing which the lenders might recall the entire loan or take other legal actions. Such conditions, along with other matters as set forth in Note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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

- Fair value of investment properties
- Recoverability of receivables
- Impairment of investments in joint ventures and associates

KEY AUDIT MATTERS *(continued)*

Key Audit Matter 1

Fair Value of Investment Properties	How our audit addressed the Key Audit Matter
Refer to Note 3 (Critical accounting judgements and estimates) and Note 19 (Investment properties) to the consolidated financial statements. The Group's investment properties were measured at fair value and carried at approximately RMB4,154.3 million as at 31 December 2021 with a net fair value loss of approximately RMB147.2 million for the year then ended. The fair values of investment properties were determined by the Group based on the valuations performed by an independent professional valuer (the "Valuer") engaged by the Group. The determination of fair values involves significant accounting estimates, including the use of valuation methodologies and inputs. Major inputs include market rental rates, reversionary yield, term yield and estimated occupancy rates. We focused on this area and identified it as a key audit matter due to the valuation results of the investment properties are significant to the consolidated financial statements, and the valuation of the investment properties involved accounting estimates which are subject to high degree of estimation uncertainty, given the complexity of the valuation methodologies and the subjectivity of the significant assumptions applied by the Group.	We obtained an understanding of the Group's internal control related to the estimation of fair value of investment properties, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity. We evaluated the Valuer's competence, capabilities and objectivity by considering its qualification, relevant experience and relationship with the Group. We obtained and read the valuation reports issued by the Valuer for each of the investment properties, and assessed the appropriateness of valuation methods applied by the Valuer. For all the valuation reports, we matched the data including rental income, rentable areas and lease terms, to the underlying property records held by the Group. We checked the data used in the valuations to the rent rolls and the rent rates as stated in the relevant lease contracts, if applicable, as well as the location, the size and the age of the properties with property certificates. We paid site visit to each of the investment properties and observed physical conditions of the properties. We also discussed with management to understand the basis of their consideration applied in the property valuations in light of physical conditions of the properties. We corroborated the key assumptions used in the valuations of all the investment properties, including market rental rates, reversionary yield, term yield, and estimated occupancy rates, gathering and analysing the data of comparable properties in the market and the characteristics of the Group's properties. We involved our internal valuation specialists to assist us in assessing the methodologies used by the Valuer and compared the valuations of investment properties, on a sample basis, to our independently formed market expectations. We also tested the mathematical accuracy used in the valuations for all the investment properties by recalculating the valuation values. Based on the above procedures performed, we found the data used and the key assumptions adopted in management's valuation assessments, were supportable by the evidence we gathered.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key Audit Matter 2

Recoverability of Receivables

Refer to Note 3 (Critical accounting judgements and estimates), Note 26 (Other receivables), Note 27 (Trade receivables) and Note 30 (Other financial assets at amortised cost) to the consolidated financial statements.

As at 31 December 2021, the Group had a balance of other receivables of approximately RMB2,481.8 million (before provision), a balance of trade receivables of approximately RMB52.9 million (before provision) and a balance of other financial assets at amortised cost of approximately RMB1,248.9 million (before provision), with a provision for impairment of approximately RMB1,208.0 million, approximately RMB27.9 million and approximately RMB34.6 million, respectively (together, the "receivables"). The impairments were provided for those receivables which are subject to high collectability risk due to financial difficulty of the debtors, default in payments, relevant legal disputes and other indicators for a decrease in the estimated future cash flows.

The Group estimated impairment losses at year end based on the available information, including the financial position of the debtors, litigation progress, value of pledged assets, credit risk of counterparties, as well as future performance and cash flow forecast, recoverable value of underlying assets of joint ventures and associates for those advances to these related parties.

We focused on this area because the amount of impairment is significant to the consolidated financial statements and the subjectivity and uncertainty involved in the significant estimates applied by the Group in assessing recoverability of the receivables.

How our audit addressed the Key Audit Matter

We obtained and evaluated key management controls over impairment assessment, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and subjectivity.

For receivables with material balance, we obtained and read the agreements and the supplemental agreements, if applicable.

For receivables with disputes, we checked the litigation progress, latest court decisions, and legal counsel's opinion whereas necessary.

We also checked the settlement history of the receivables as well as subsequent settlement after year end date on sample basis.

We further evaluated management's assessment on impairment provisions on receivables with material balance by:

- interviewing and collaborating with the Group's risk management department responsible for the collection of the receivables in disputes or for monitoring the status of the receivables to assess the rationale of making the accounting estimates;
- assessing the financial position of the debtors, where information is available; and
- assessing other alternative and available sources of settlement, if any, including the value of the pledged assets or the financial status of the financial guarantors;
- for those balances due from joint venture and associates, assessing the future performance and cash flow forecast of these entities, and recoverable value of underlying assets within these entities.

Based on our audit procedures performed, we found the management's assessment on impairment provision of receivables was supportable by evidence obtained.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter 3

Impairment of investments in joint ventures and associates	How our audit addressed the Key Audit Matter
Refer to Note 3 (Critical accounting judgements and estimates), Note 22 (Investments in associates) and Note 23 (Investments in joint ventures) to the consolidated financial statements. As at 31 December 2021, the Group had a balance of investments in associates of approximately RMB1,222.9 million (before provision) and a balance of investments in joint ventures of approximately RMB3,438.0 million (before provision), with a provision for impairment of approximately RMB271.3 million and approximately RMB547.9 million, respectively. The impairments were provided for those investments whose underlying assets were subject to decrease in value or the Group's ability to exert influence on which was weakened. The Group assessed the impairment losses at year end for those investments with significant balances based on the valuations performed by the Valuer and other available market information. We focused on this area because the amount of impairment is significant to the consolidated financial statements and the uncertainty and subjectivity involved in the significant estimates applied by the Group in assessing impairments of investments in joint ventures and associates.	We obtained an understanding of management process in assessing the impairment losses of investment in joint ventures and associates, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and subjectivity. We obtained and reviewed the financial statements of major associates and joint ventures as of 31 December 2021, evaluated their operation and financial status and assessed if there were indicators of impairment by comparing the carrying value of the interests held by the Group in those associates and joint ventures. For those investments with significant balances, we obtained and read the valuation report used in calculation of impairment. We evaluated the Valuer's competence, capabilities and objectivity by considering its qualification, relevant experience and relationship with the Group. We assessed the appropriateness of valuation methods applied by the Valuer. For all the valuation reports obtained, we matched the data including cost incurred, project budget, completion progress, saleable area and unit price, used in valuation of the property assets in these associate and joint ventures, etc. We checked the data used in the valuations to the conditions of the properties and the reasonableness of the market price as well as the location and the size of the properties with property certificates. We corroborated the key assumptions used in the valuations of all the properties, including future investments and sales price or rental rate by gathering and analysing the data of comparable properties in the market and the characteristics of the Group's properties. We involved our internal valuation specialists to assist us in assessing the methodologies used by the Valuer and compared the valuations of investments in associates and joint ventures, on a sample basis, to our independently formed market expectations. We also tested the mathematical accuracy used in the valuations for those investments in associates and joint ventures by recalculating the valuation values. Based on our audit procedures performed, we found the management's assessment on impairment provision of investments in joint ventures and associates was supportable by evidence obtained.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the Company's 2021 Annual Report (the "annual report") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including the chairman's statement, management discussion and analysis, and the board's response to the opinion of the independent auditor prior to the date of this auditor's report. The remaining other information, including the corporate information, introduction of the Group, financial summary, environmental, social and governance report, directors and senior management, report of the directors and corporate governance report and the other sections to be included in the annual report, is expected to be made available to us after that date.

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

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

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

When we read the remaining other information to be included in the annual report if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee and take appropriate action considering our legal rights and obligations.

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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mang, Kwong Fung Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 April 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	2021	2020
Revenue	5	779,581	289,201
Cost of sales	7	(555,799)	(352,662)
Gross profit/(loss)		223,782	(63,461)
Gains from disposal of subsidiaries and interests in a joint venture — net	23,44	–	81,418
Net gains from reversal of impairment/(impairment losses) on financial assets	7	14,326	(278,148)
Other income	6	127,610	139,416
Other gains/(losses) — net	6	94,461	(484,442)
Selling and marketing expenses	7	(23,747)	(24,493)
Administrative expenses	7	(182,495)	(160,832)
Operating profit/(loss)		253,937	(790,542)
Finance income	9	1,704	8,059
Finance costs	10	(267,365)	(208,229)
Finance costs — net		(265,661)	(200,170)
Share of results of associates		9,918	81,114
Share of results of joint ventures		30,047	(57,067)
Profit/(loss) before income tax		28,241	(966,665)
Income tax (expense)/credit	12	(532)	30,226
Profit/(loss) for the year		27,709	(936,439)
Other comprehensive income/(losses), net of tax			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		41	(77,786)
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax		1,424	–
Item recycled to profit or loss:			
Exchange differences previously recognised through other comprehensive income recycled to profit or loss and included in gains from disposal of subsidiaries		–	(392)
Other comprehensive income/(losses) for the year, net of tax		1,465	(78,178)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		29,174	(1,014,617)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	2021	2020
Profit/(loss) attributable to:			
Owners of the Company		**38,142**	(918,778)
Non-controlling interests		**(10,433)**	(17,661)
		27,709	(936,439)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**39,607**	(996,956)
Non-controlling interests		**(10,433)**	(17,661)
		29,174	(1,014,617)
Earnings/(losses) per share attributable to owners of the Company	14		
— Basic		**RMB0.002**	RMB(0.045)
— Diluted		**RMB0.002**	RMB(0.045)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	17	**325,856**	178,259
Investment properties	19	**4,154,300**	4,112,500
Right-of-use assets	18	**260,652**	221,380
Investments in associates	22	**951,598**	983,778
Investments in joint ventures	23	**2,890,109**	2,619,175
Deferred tax assets	35	**252,391**	253,004
Financial assets at fair value through other comprehensive income	16	**39,955**	38,056
Other non-current assets	31	**85,074**	162,401
		8,959,935	8,568,553
Current assets			
Prepaid land lease payments	20	**732,226**	756,407
Properties held or under development for sale	24	**1,711,184**	1,031,028
Inventories		**1,041**	448
Trade receivables	27	**25,013**	42,057
Other receivables	26	**1,273,824**	1,857,011
Prepayments and other current assets	25	**27,705**	61,642
Prepaid income tax	12	**4,360**	25,369
Other financial assets at amortised cost	30	**1,214,271**	1,463,229
Cash and cash equivalents	28	**70,521**	379,654
Restricted cash	28	**37,364**	2,641
Assets classified as held for sale	29	**23,031**	–
		5,120,540	5,619,486
Total assets		**14,080,475**	14,188,039

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	31 December 2021	31 December 2020
EQUITY AND LIABILITIES			
Equity			
Issued share capital and share premium	32	**6,747,788**	6,747,788
Other reserves	33	**179,101**	167,842
Accumulated losses		**(2,711,915)**	(2,732,024)
Equity attributable to owners of the Company		**4,214,974**	4,183,606
Non-controlling interests		**268,435**	287,287
Total equity		**4,483,409**	4,470,893
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings	34	**3,344,629**	3,064,658
Lease liabilities	18	**31,409**	32,599
Deferred tax liabilities	35	**1,580,800**	1,398,301
Other non-current liabilities	39	**286,687**	–
		5,243,525	4,495,558
Current liabilities			
Interest-bearing bank and other borrowings	34	**896,749**	1,511,281
Lease liabilities	18	**3,187**	5,682
Contract liabilities	36	**71,925**	546,270
Trade payables	37	**484,810**	445,888
Other payables and accruals	38	**2,010,092**	1,821,103
Current income tax liabilities		**886,778**	891,364
		4,353,541	5,221,588
Total liabilities		**9,597,066**	9,717,146
Total equity and liabilities		**14,080,475**	14,188,039

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the consolidated financial statements.

The consolidated financial statements on pages 89 to 206 were approved by the Board of Directors on 26 April 2022 and were signed by the following Directors on its behalf:

Hong Zhihua
Chairman

Kong Yong
Acting Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Attributable to owners of the Company					
	Issued share capital and share premium (Note 32)	Other reserves (Note 33)	Accumulated losses	Total	Non-controlling interests	Total equity
At 1 January 2021	6,747,788	167,842	(2,732,024)	4,183,606	287,287	4,470,893
Comprehensive Income						
Profit for the year	–	–	38,142	38,142	(10,433)	27,709
Other comprehensive income	–	1,465	–	1,465	–	1,465
Total comprehensive Income for the year	–	1,465	38,142	39,607	(10,433)	29,174
Transaction with owners						
Statutory reserve	–	18,033	(18,033)	–	–	–
Transactions with non-controlling interests (Note 45)	–	(22,739)	–	(22,739)	(2,502)	(25,241)
Non-controlling interests on acquisition of subsidiary (Note 43)	–	–	–	–	(5,917)	(5,917)
Adjustment of prior year transactions with non-controlling interests arising from court judgement of Mr. Peng Xinkuang	–	14,500	–	14,500	–	14,500
Total transaction with owners	–	9,794	(18,033)	(8,239)	(8,419)	(16,658)
At 31 December 2021	6,747,788	179,101	(2,711,915)	4,214,974	268,435	4,483,409

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Attributable to owners of the Company					
	Issued share capital and share premium (Note 32)	Other reserves (Note 33)	Accumulated losses	Total	Non-controlling interests	Total equity
At 1 January 2020	6,747,788	236,121	(1,803,347)	5,180,562	304,948	5,485,510
Comprehensive loss						
Loss for the year	–	–	(918,778)	(918,778)	(17,661)	(936,439)
Other comprehensive losses	–	(78,178)	–	(78,178)	–	(78,178)
Total comprehensive loss for the year	–	(78,178)	(918,778)	(996,956)	(17,661)	(1,014,617)
Transactions with owners						
Statutory reserve	–	9,899	(9,899)	–	–	–
Total transactions with owners	–	9,899	(9,899)	–	–	–
At 31 December 2020	6,747,788	167,842	(2,732,024)	4,183,606	287,287	4,470,893

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	40	**(116,383)**	(28,068)
Interest paid		**(130,531)**	(245,206)
Income tax paid		**(20,964)**	(13,730)
Income tax refunds received		**–**	45,918
Net cash outflow from operating activities		**(267,878)**	(241,086)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(826)**	(696)
Acquisition of a subsidiary, net of cash acquired	43	**47,455**	–
Proceeds from disposal of property, plant and equipment		**–**	5,439
Proceeds from disposal of investment properties		**–**	3,220
Proceeds from disposal of subsidiaries and a joint venture, net of cash disposed		**12,862**	116,377
Proceeds from disposal of receivables		**470,000**	–
Advance received in relation to disposal of an associate		**19,600**	–
Payments for costs incurred on investment properties		**–**	(25,788)
Proceeds from disposal of financial assets at fair value through other comprehensive income		**–**	31,575
Transactions with non-controlling interests	45	**(25,241)**	–
Reduction of capital from joint ventures and an associate		**12,229**	329,821
Advance to joint ventures and associates		**(563,494)**	(395,656)
Return of advances made to joint ventures		**384**	84,354
Advance received from a joint venture and an associate		**178**	34,529
Collection of amounts due from subsidiaries associated with disposal of these subsidiaries	44	**–**	166,414
Dividends received from a joint venture and associates		**5,445**	109,772
Net cash (outflow)/inflow from investing activities		**(21,408)**	459,361

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in restricted cash		**(34,723)**	(9)
Principal elements of lease payments		**(5,829)**	(5,268)
Proceeds from short-term borrowings		**200,000**	4,559
Repayments of short-term borrowings		**(516,291)**	(4,559)
Proceeds from long-term borrowings		**488,609**	321,715
Repayments of long-term borrowings		**(151,613)**	(473,346)
Repayment of fundings from a related party		**–**	(200,000)
Net cash outflow from financing activities		**(19,847)**	(356,908)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(309,133)**	(138,633)
Cash and cash equivalents at beginning of year		**379,654**	518,956
Effect of foreign exchange rate changes, net		**–**	(669)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**70,521**	379,654
Non-cash investing activities	40	**290,562**	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

1 CORPORATE AND GROUP INFORMATION

SRE Group Limited (the "Company") was incorporated in Bermuda with limited liability on 11 August 1999 as an exempted company under the Bermuda Companies Act 1981. Pursuant to a group reorganisation (the "Reorganisation") in connection with the listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company on 12 November 1999. Further details of the Reorganisation are set out in the Company's prospectus dated 30 November 1999. The shares of the Company has been listed on the Stock Exchange since 10 December 1999. The principal place of business of the Company in Hong Kong is Level 11, Admiralty Tower 2, 18 Harcourt Road, Admiralty, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in real estate development and investment in Mainland China, on projects located in gateway cities of developed and developing markets.

As at 31 December 2021, the Company's parent company is China Minsheng Jiaye Investment Co., Ltd. ("China Minsheng Jiaye"), which holds 61.44% (2020: 61.44%) of the Company's shares.

The consolidated financial statements are presented in thousands of Renminbi ("RMB"), unless otherwise stated.

2 BASIS OF PREPARATION AND 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.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through other comprehensive income which have been measured at fair value.

Going concern basis

As at 31 December 2021, the Group's current liabilities included RMB896.7 million of borrowings, out of which RMB864.1 million were defaulted and became immediately repayable if requested by the lenders. The defaults of these borrowings were triggered by (1) deterioration of the financial conditions of China Minsheng Investment Corporation Ltd., the ultimate holding company of the Group since 2018; (2) the arrest of Mr. Peng Xinkuang, an executive director and the former chief executive officer and chairman of the board of director of the Company, and the detention of Mr. Chen Donghui, an executive director of the Company, by the relevant authorities in the PRC in January and February 2020. The above events also constituted the events of default of a joint venture's (the "JV") syndicated bank loan of RMB4,451.8 million guaranteed by the Group and resulted in the relevant lenders having the right to demand the Group to fulfill its guarantee obligation to repay the loan. As at 31 December 2021, however, the Group's cash and cash equivalents amounted to RMB70.5 million only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Going concern basis *(continued)*

In addition, on 24 December 2021, the above-mentioned syndicated bank loan of the JV has been extended for maturity to 26 December 2022 ("Extension Agreement"). Apart from the terms in the previous syndicated loan agreements, Extension Agreement explicitly stated two additional events of defaults, being the JV's failure to pay the interest due on 21 March 2022 and failure to meet the target progress of its project resettlement and land titles on 31 March 2022. Subsequently, the JV failed to pay the interest of RMB181.5 million due on 21 March 2022, and could not meet the target progress of the project resettlement due 31 March 2022. The relevant lenders issued a demand letter on 22 March 2022, requesting that the JV and each of the guarantors shall fulfill their relevant payment or guarantee obligations by 31 March 2022, failing which the lenders might recall the entire syndicated bank loan and take further legal actions. The JV and the guarantors, including the Group, have since then proposed settlement plans to and have been actively negotiating with the lenders. This matter constituted an events of default subsequent to 31 December 2021 and resulted in the lenders having the rights to demand the Group to fulfill its guarantee obligation immediately, and it further triggered the default of the additional RMB100 million borrowings of the Group with contractual repayment dates beyond 31 December 2022, becoming immediately repayable if requested by the banks or lenders.

The above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstance, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as going concern. The Group has formulated following plans and measures to mitigate the liquidity pressure and to improve its cash flows.

(1) Although no demand for immediate repayment has been made by the relevant lenders, the Group has been proactively communicating with the relevant lenders to explain the Group's business, operations, financial condition and cash position, and the Group will be able to arrange sufficient financial resources to support the repayments of the relevant loans under original repayment schedules. The directors are confident to convince the relevant lenders not to exercise their rights to request the Group for immediate repayment of the loans prior to their scheduled contractual repayment dates.

(2) The Group has also been proactively communicating with the lenders of the syndicated bank loan of the JV, and as of the issuance date of the consolidated financial statements, the lenders have not demanded the JV for immediate repayment of the principals of the loan nor requested the Group to immediately fulfil its guarantee obligation to repay the principals of the loan on behalf of the JV. The Group is taking various actions to support the JV to arrange for the repayment of the overdue interests. The action plans have been proposed to the lenders and the directors are confident to convince the lenders to reach a settlement arrangement for the overdue interests, and not to exercise their rights to request the JV for immediate repayment of the syndicated bank loan prior to its scheduled contractual repayment dates or request the Group to fulfill the guarantee obligation.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Going concern basis *(continued)*

(3) The Group identified and planned various actions mainly including (a) increase the efforts to presale or sell the Group's properties completed or under development; (b) divest its investments in certain joint ventures, properties, plant and equipment, and financial assets; (c) collect certain shareholder loans and receivables from a joint venture and other third parties and etc. The Group will speed up the above-mentioned actions and its collection of relevant proceeds. The directors are confident that the Group will be able to successfully and timely generate cash inflows for the Group from the above-mentioned actions.

The directors of the Company have reviewed the Group's cash flow forecast prepared by the management, which covers a period of at least 12 months from 31 December 2021. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient funds to finance its operations and to meet its financial obligations as and when they fall due within the next 12 months from 31 December 2021, and to support the JV to repay the overdue interests. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is 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 followings:

(i) successful maintenance of a continuing and normal business relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to exercise their contractual rights to demand immediate repayment of the relevant loans;

(ii) successful and timely negotiation with the syndicated bank loan lenders of the JV to reach a settlement arrangement for the overdue interests, and no action will be taken by the lenders to exercise their contractual rights to demand immediate repayment of the principals of the loan or request the Group to fulfil its guarantee obligation;

(iii) successful and timely sales and presales activities, successful and timely divestments of the Group's investment in certain joint ventures, properties, plant and equipment, and financial assets at a reasonable price, timely collection of proceeds from these activities and transactions, as well as timely collection of shareholder loan and receivables from a joint venture and other third parties.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Operating cycle

The operating cycle of the Group is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Due to the nature of the Group's business, the Group's normal operating cycle is longer than 12 months. The Group's current assets include assets (such as properties held or under development for sale and prepaid land lease payments for property development for sale and prepaid taxes) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the end of the reporting period.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New Standard and amendments of HKFRSs adopted by the Group in 2021

The following new standard and amendments have been adopted by the Group for the first time for the financial year beginning on 1 January 2021 and are relevant to the Group's operations:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

Amendments to HKFRS 16 — COVID-19-Related Rent Concessions provide lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications.

The adoption of the above new standard, amendments and interpretation of HKFRSs does not have a material impact on the financial position and performance of the Group for the year ended 31 December 2021, nor results in restatement of comprehensive figures.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATION

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

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

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally between 20% and 50% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control of the investee.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

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

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Separate financial statements

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

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

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

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

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties held or under development for sale, financial assets, investment properties, and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale".The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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

Hotel buildings	40 years
Other buildings	20 years
Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets
Furniture, fittings, fixtures and office equipment	5 to 10 years
Motor vehicles	5 years

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

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss and other comprehensive income in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with HKAS 16. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss and other comprehensive income.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

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

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

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

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

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

(a) 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 ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. 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.

(b) Recognition and derecognition

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

(c) 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.

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2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

(c) ***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 statement of profit or loss.

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

- 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 income when the Group's right to receive payments is established.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

(d) 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.

Financial liabilities

(a) Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, interest-bearing bank loans and other borrowings.Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(b) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income. The net fair value gain or loss recognised in the statement of profit or loss and other comprehensive income does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

***(b) Subsequent measurement** (continued)*

Other financial liabilities measured at amortised cost-loans and borrowings

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

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

(c) Derecognition of financial liabilities

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

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

(d) Offsetting of financial instruments

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

(e) Financial guarantee contracts

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

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

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

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

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

Derivative financial instruments

(a) Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss and other comprehensive income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments *(continued)*

(b) Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

(a) Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

(b) Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

(c) Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Properties held or under development for sale

Properties held or under development for sale are included in current assets at the lower of cost and net realisable value.

The costs of properties held or under development for sale comprise specifically identified cost, including acquisition costs, development expenditures, capitalised borrowing costs and other related expenditure directly attributable to the development of such properties. Net realisable value is based on estimated selling prices in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

Inventories

Inventories mainly comprise food, beverages, operating supplies and low value consumables, and are stated at the lower of cost or net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

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

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

Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

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.

Provisions

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

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

Income tax

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

- provides all the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

A contract liability is recognised for advances received from sales of development properties until control over the relevant properties passed to the customer.

For details of the Group's revenue recognition policies are as follows:

(a) Sale of development properties

Revenue is recognised when the property is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefit of the property.

(b) Significant financing component

For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects or a financing component, if significant. The Group has assessed that the financing component effect was insignificant.

(c) Property leasing under operating leases

Operating lease income from investment properties is recognised on the straight-line basis over the lease term, which is the non-cancellable period for which the lessee has contracted to lease the properties together with any further terms for which the lessee has the option to continue to lease the properties, with or without further payments, when it is reasonably certain that the lessee will exercise the option at the inception of the lease.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(d) Construction of infrastructure for intelligent network

Revenue from the construction of infrastructure for intelligent network is recognised as follows:

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the time in which construction is conducted, respectively, as revenues and expenses. The Group uses the percentage of completion method (out-put method) to determine the appropriate amount of revenue and costs to be recognised over time. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred and it is probable that such costs incurred will be recovered.

(e) Property management revenue

Property management revenue is recognised in the accounting period in which the services are rendered.

(f) Hospital service revenue

The Group operates a hospital to provide obstetrical and gynecological services to the customer. The services include:

(i) out-patient services;

(ii) sale of relevant pharmaceutical products;

(iii) obstetrical operation; and

(iv) in-patient postpartum care service.

Revenue from (i) to (iii) is recognised at a point in time when the customer obtains the control of the completed services or pharmaceutical products and the Group has the present right to payment and the collection of consideration is probable.

Revenue from (iv) is recognised over the service period when the customer simultaneously receives the services and consumes the benefits provided by the Group's performance.

Interest income

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).

Dividend income

Dividend income is recognised when the shareholders' right to receive payment is established.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Employee retirement scheme

The employees of the Group's entities which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute 14% to 22% (2020: 14% to 22%) of the standard salary announced by the government to the central pension scheme. The contributions are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme. In addition, the Group participates in the Mandatory Provident Fund Scheme, under which contributions of 5% of the Hong Kong employee's basic salaries are made by the employer and the Hong Kong employees, respectively. The provision and contributions have been included in the statement of profit or loss and other comprehensive income upon incurrence. The Group has no obligation for the payment of pension benefits beyond the contributions described above.

Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity 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;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

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 statement of profit or loss, 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.

The grant by the Company of options 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.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a weighted average capitalisation rate has been applied to the expenditure on the individual assets.

Leases

Leases including land-use rights and office 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.

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.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

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 assets in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

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

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

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 measured at cost comprising the following:

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

Payments associated with short-term leases of equipment 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. Low-value assets comprise IT equipment and small items of office furniture.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

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 assets are depreciated over the underlying asset's useful life.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

Government grants

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

Where the grant relates to an asset, the fair value is deducted from the relevant asset before arriving at the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced cost of assets' charge. Grants received in connection with the Group's role in planning and constructing the ancillary public facilities are deducted from the development cost of the ancillary public facilities and would be recognised indirectly in the form of an increased profit margin over the course of recognising revenue in connection with the ancillary public facilities services.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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 Board that makes strategic decisions.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

(a) Functional and presentation currencies

Items included in the financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's and its major subsidiaries' functional currency is RMB, as the major revenues are derived from operations in Mainland China. Since the year ended 31 December 2016, the Group has changed its presentation currency from Hong Kong dollars ("HK$") to RMB for the preparation of its financial statements.

(b) Transactions and balances

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

(c) Group companies

The results and financial position of all the group entities (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 of the Group are translated into the presentation currency of the Group at the exchange rates prevailing at the end of the reporting period;

(ii) income and expenses of the Group are translated into the presentation currency at the average exchange rates for the period (unless such average rates are not the reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated into the presentation currency at the exchange rates ruling at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

(c) Group companies (continued)

For the purpose of the consolidated statement of cash flows, the cash flows of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of which arise throughout the year are translated into the presentation currency at the weighted average exchange rates for the year.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, if any, and all monetary items that provide an effective hedge for such investments, if any, are recognised in other comprehensive income. When a foreign operation is disposed of, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amount of assets and liabilities arising on the acquisition 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, a disposal involving loss of joint control over a joint venture 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.

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 or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities (except for contingent liabilities recognised in a business combination) and assets are not recognised on the statement of financial position of the Group and the Company.

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Classification of subsidiary, joint venture and associate

In the normal course of business, the Group develops properties together with other developers or institutions, through entering into co-operation agreements with these parties. The rights and obligations of the Group and the other parties are stipulated by respective co-operation agreements, article of associations of the project companies, etc. Because of the complexity of the arrangements, significant judgement is needed in determining whether the project company is subsidiary, joint venture or associate of the Group.

The Group makes judgement based on the substance of the arrangements and the definition of subsidiary, joint venture and associate as disclosed in Note 2.4.

Estimation uncertainty

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

Estimation of fair value of investment properties

Investment properties were revalued at the end of each reporting period during the years ended 31 December 2021 and 31 December 2020 using the term and reversion method on the basis of capitalisation of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property interest. These valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

For details of change in fair values of investment properties and further details including the key assumptions used for fair value measurement and a sensitivity analysis in 2021, please see Note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Estimation of fair value of financial assets at FVOCI

The fair value of financial assets at FVOCI that are not traded in an active market is determined by using valuation techniques or net asset value. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Impairment of receivables

Impairment of receivables is made based on assessment of the recoverability of receivables. The identification of impairment of receivables requires management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimation, such difference will have impact on the carrying value of the receivables and impairment of receivables/reversal of impairment in the period in which such estimate has been changed. The impairment for receivables 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 calculations based on the Group's past history existing market conditions as well as forward — looking estimates at the end of each reporting period. Details are disclosed in Note 49.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. The carrying value of the cash generating units ("CGUs"), or group of CGUs, containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. The carrying amount of goodwill at 31 December 2021 was nil (2020: nil). For details of goodwill, please see Note 21.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment test exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Deferred tax assets and liabilities and current income tax charge

Uncertainties exist with respect to the interpretation of certain tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax credit and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of these provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the domicile of the respective group entity.

Deferred tax assets are recognised for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and income tax charge in the period in which such estimate has been changed. For details of deferred tax assets and liabilities and income tax, please see Note 35 and Note 12.

Estimated value of other non-current liabilities to a third party developer

As described in Note 39, a third party developer reached agreement with the Group to purchase certain beneficial interests of a vacant land of the Group and jointly develop this land with the Group. This particular project is not a separate legal entity, so the purchase consideration from the third party is regarded as a liability of the Group, which is measured at estimated present value of the future beneficial interests attributable to the third party developer. The estimated liabilities were based on future net proceeds derived from the development and sales of the properties on the land attributable to the third party developer, using certain assumptions mainly including future selling prices, development costs and related applicable taxes of the properties. These assumptions used are subject to uncertainty and might materially differ from the actual results. In making the estimates, the Group considers information from current prices in the neighborhood, cost budget, and current prevailing tax rates.

4 OPERATING SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. The Board has determined the operating segments based on the Group's products and services. The performance of each segment is evaluated based on its operating profit or loss before income tax and the methodology used for its calculation is the same as that for the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

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

The reportable operating segments are as follows:

- The property development segment develops and sells residential and commercial properties;

- The property leasing segment leases offices and commercial properties owned by the Group which are classified as investment properties;

The other operations comprise, principally, the corporate activities that are not allocated to segments and miscellaneous insignificant operations including provision of property management services.

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

4 OPERATING SEGMENT INFORMATION *(continued)*

An analysis by operating segment is as follows:

	2021			
	Property development	Property leasing	Other operations	Total
Segment revenue				
Sales to external customers	582,636	158,705	38,240	779,581
Intersegment sales	–	–	278	278
	582,636	158,705	38,518	779,859
Reconciliation:				
Elimination of intersegment sales				(278)
Revenue				779,581
Segment profit/(loss)	262,401	(23,024)	14,560	253,937
Finance income				1,704
Finance costs				(267,365)
Finance costs — net				(265,661)
Share of results of associates				9,918
Share of results of joint ventures				30,047
Profit before income tax				28,241
Segment assets and liabilities				
Segment assets	3,074,962	4,916,481	2,247,325	10,238,768
Investments in associates				951,598
Investments in joint ventures				2,890,109
Total assets				14,080,475
Segment liabilities	3,775,075	2,781,432	3,040,559	9,597,066
Total liabilities	3,775,075	2,781,432	3,040,559	9,597,066

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

4 OPERATING SEGMENT INFORMATION *(continued)*

An analysis by operating segment is as follows: *(continued)*

	2021			
	Property development	Property leasing	Other operations	Total
Other segment information:				
Depreciation and amortisation	509	1,956	17,064	19,529
Capital expenditure*	29	364	433	826
Net fair value loss on investment properties	–	147,200	–	147,200
Provision for impairment of properties held or under development for sale	13,797	–	–	13,797
Reversal of impairment of prepaid land lease payments	(2,260)	–	–	(2,260)
Reversal of provision for investments in property, plant and equipment	–	–	(20,165)	(20,165)
Net gains from reversal of impairment/ (impairment losses) on financial assets	(50,172)	1,020	34,826	(14,326)
Reversal of impairment of investment in joint ventures				(44,470)

* Capital expenditure consists of additions of property, plant and equipment RMB826 thousand.

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For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

4 OPERATING SEGMENT INFORMATION *(continued)*

An analysis by operating segment is as follows: *(continued)*

	2020			
	Property development	Property leasing	Other operations	Total
Segment revenue				
Sales to external customers	113,614	94,615	80,972	289,201
Intersegment sales	–	–	50,518	50,518
	113,614	94,615	131,490	339,719
Reconciliation:				
Elimination of intersegment sales				(50,518)
Revenue				289,201
Segment loss	(115,003)	(144,850)	(530,689)	(790,542)
Finance income				8,059
Finance costs				(208,229)
Finance costs — net				(200,170)
Share of results of associates				81,114
Share of results of joint ventures				(57,067)
Loss before income tax				(966,665)
Segment assets and liabilities				
Segment assets	3,214,318	4,840,315	2,530,453	10,585,086
Investments in associates				983,778
Investments in joint ventures				2,619,175
Total assets				14,188,039
Segment liabilities	5,134,447	1,612,882	2,969,817	9,717,146
Total liabilities	5,134,447	1,612,882	2,969,817	9,717,146

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

4 OPERATING SEGMENT INFORMATION *(continued)*

An analysis by operating segment is as follows: *(continued)*

	2020			
	Property development	Property leasing	Other operations	Total
Other segment information:				
Depreciation and amortisation	615	261	17,176	18,052
Capital expenditure*	113	35,876	1,159	37,148
Net fair value loss on investment properties	–	189,033	–	189,033
Provision for impairment of properties held or under development for sale	52,222	–	–	52,222
Provision for impairment of prepaid land lease payments	142,696	–	–	142,696
Provision for impairment of goodwill	16,271	–	–	16,271
Net impairment loss on financial assets	195,792	37,208	45,148	278,148
Provision for impairment of investments in joint ventures				12,581
Provision for impairment of investments in associates				268,735

* Capital expenditure consists of additions of property, plant and equipment (RMB5,029 thousand), additions in cost of investment properties (RMB31,133 thousand) and additions of right-of-use assets (RMB986 thousand).

Geographical information

(a) For the year ended 31 December 2021: 100% (2020: 100%) of the sales to external customers of the Group are generated from Mainland China.

(b) Non-current assets

As of 31 December 2021, more than 89% (2020: more than 89%) of the Group's non-current assets (based on the locations of the assets and excludes financial instruments and deferred tax assets) were located in Mainland China.

Information about major customers

The Group's customers from whom the revenue is derived are widely dispersed. No customer or a single group of customers which are known to be under common control contributed 10% or more of the Group's revenue for the years ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

5 REVENUE

An analysis of revenue is as follows:

	2021	2020
Revenue from contract with customers recognized at a point in time		
— Revenue from sale of properties(a)	586,486	114,268
— Revenue from hospital service(b)	10,411	13,944
	596,897	128,212
Revenue from contract with customers recognized over time		
— Revenue from property management (c)	31,580	28,288
— Revenue from hospital service (b)	24,405	32,572
— Revenue from construction of infrastructure for an intelligent network (b)	1,214	1,049
	57,199	61,909
Revenue from property leasing	130,004	94,888
Other revenue	–	6,001
Less: Tax and surcharges (d)	(4,519)	(1,809)
Total revenue	779,581	289,201

(a) Unsatisfied contracts

The following table shows unsatisfied performance obligations resulting from sale of properties:

	2021	2020
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December	123,498	636,931

Management expects that 13% of the transaction price allocated to unsatisfied performance obligations as of 31 December 2021 will be recognised as revenue during the next reporting period (RMB16 million). The remaining 87% (RMB107 million) will be recognised in the 2023 financial year. The amount disclosed above does not include variable consideration which is constrained.

(b) For hospital service and construction of infrastructure for intelligent network, all the contracts have an original expected duration of one year or less. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts.

(c) Property management services are billed on a monthly or quarterly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

5 REVENUE *(continued)*

(d) Tax and surcharges

Tax and surcharges included government surcharges, comprising city maintenance and construction tax, education surtax and river way management fee, which are calculated at certain percentages of value-added tax ("VAT").

Effective from 1 May 2016, the Group's revenue is subject to VAT which is deducted directly from the revenue proceeds. The applicable VAT rate for the Group's revenue is as follows:

- Pursuant to the 'Public Notice on Relevant Polices for Deepening VAT Reform' jointly issued by the Ministry of Finance, State Taxation Administration and General Administration of Customs on 29 March 2019, the applicable tax rates of revenue arising from sale and lease of properties and revenue arising from construction of infrastructure for intelligent network are 9% from 1 April 2019, while they were 10% from 1 May 2018 to 31 March 2019, and 11% before 1 May 2018. Sales and leasing of properties of qualified old projects, which are those with construction commenced on or before 30 April 2016, can adopt a simplified VAT method at a rate of 5% with no deduction of input VAT. Revenue from property management services is subject to VAT at 6%.

6 OTHER INCOME AND OTHER GAINS/(LOSSES) — NET

An analysis of other income is as follows:

	2021	2020
Interest income from loans receivable due from related parties	110,389	102,681
Income from guarantee provided to a joint venture	13,730	36,735
Others	3,491	–
	127,610	139,416

An analysis of other gains/(losses) — net is as follows:

	2021	2020
Impairment of investment in associates (Note 22)	–	(268,735)
Reversal of/(provision for) impairment of investment in joint ventures (Note 23)	44,470	(12,581)
Reversal of impairment of investment in property, plant and equipment (Note 17)	20,165	–
Net fair value loss on investment properties (Note 19)	(147,200)	(189,033)
Loss from disposal of financial assets at fair value through other comprehensive income (Note 16)	–	(43,818)
Net gain on disposal of receivables	104,619	–
Gain on disposal of certain beneficial interests on a parcel of land (Note 39)	58,483	–
Accrual for the legal exposure	(1,888)	–
Gain on recovery fund from Mr. Peng Xinkuang	12,639	–
Net gain on disposal of property, plant and equipment	78	785
Others	3,095	28,940
	94,461	(484,442)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

7 EXPENSES BY NATURE

An analysis of expenses by nature is as follows:

	2021	2020
Cost of inventories sold (excluding depreciation, provision and reversal of impairment of properties held or under development for sale and prepaid land lease payments)	498,665	118,928
Depreciation of items of property, plant and equipment (Note 17)	9,174	7,741
Depreciation of items of right-of-use assets (Note 18)	10,355	10,311
Employee benefit expense (including directors' and chief executive officer's emoluments, excluding those capitalised in property under development) (Note 8)	116,593	95,327
Provision for impairment of properties held or under development for sale	13,797	52,222
(Reversal of)/provision for impairment of prepaid land lease payments	(2,260)	142,696
Professional service fees	29,887	22,351
Agent and sale commission for sale of properties	4,512	17,180
Operating lease payments in respect of buildings (Note 18)	5,498	688
Auditors' remuneration (*)		
— Annual audit services	3,200	3,200
— Non-audit services	139	587
Advertising costs	5,835	3,483
Miscellaneous tax	17,728	12,765
Transportation fee	2,001	3,413
Office expenses	2,992	2,816
Water and electricity costs	3,697	3,286
Net impairment loss on financial assets		
— (Reversal of)/provision for impairment of other receivables (Note 26)	(33,947)	175,117
— Provision for impairment of trade receivables (Note 27)	5,179	–
— Provision for impairment of other financial assets at amortised cost (Note 30)	14,599	64,337
— Provision for impairment of financial assets at FVOCI (Note 16)	–	37,208
— Reversal of impairment of other non-current assets (Note 31)	(157)	(14)
— Provision for impairment of prepayment (Note 25)	–	1,500
Provision for impairment of goodwill	–	16,271
Others	40,228	24,722
	747,715	816,135

* Auditor's remuneration for 2021 included non-audit service fees of RMB139 thousand in respect for consulting services relating to the Company's environmental, social and governance report. Auditor's remuneration for 2020 included non-audit service fees of RMB448 thousand for services provided in relation to circulars issued by the Company in 2020 and RMB139 thousand in respect of consulting services relating to the Company's environmental, social and governance report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

8 EMPLOYEE BENEFIT EXPENSES

	2021	2020
Wages and salaries	99,451	87,642
Pension costs — defined contribution plans	17,142	7,685
Total employee benefit expenses	116,593	95,327

(a) Pensions — defined contribution plans

All Chinese employees of the Group participate in defined contribution employee social security plans, including pension, medical, housing and other welfare benefits, organised and administered by the governmental authorities. The Group has no other substantial commitments to employees.

(b) Five highest paid employees

The five highest paid employees of the Group during the year included three directors (2020: two directors), details of whose remuneration are set out in Note 11. Details of the remuneration for the year of the remaining two (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021	2020
Salaries, housing allowances, share option scheme, other allowances and benefits in kind*	2,048	3,212

* Partial of annual remuneration which was not approved or paid as of the date of approval of these consolidated financial statements was not included in amounts above for the year ended 31 December 2021 and 2020.

No discretionary bonuses, inducement fees or employer's contribution to pension schemes were given to any of the remaining two (2020: three) highest paid employees who are neither a director nor chief executive of the Company during the years ended 31 December 2021 and 2020.

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

	2021	2020
RMB0 — RMB1,000,000	1	1
RMB1,000,001 — RMB2,000,000	1	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

9 FINANCE INCOME

An analysis of finance income is as follows:

	2021	2020
Interest from financial assets held for cash management purposes	1,704	8,059

10 FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
Interest on bank borrowings and other borrowings	313,202	293,994
Interest on lease liabilities (Note 18)	2,144	2,418
Less: interest capitalised	(22,663)	(16,695)
Interest expense	292,683	279,717
Net foreign exchange gain	(25,318)	(71,488)
Finance costs	267,365	208,229

During the year ended 31 December 2021, the weighted average interest capitalisation rate was 6.79% (2020: 6.04%) per annum.

11 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out as follows:

	2021	2020
Fees	897	1,179
Other emoluments:		
Salaries	4,140	3,768
Share-based payments	–	–
	5,037	4,947

* Partial of annual remuneration which was not approved or paid as of the date of approval of these consolidated financial statements was not included in amounts above for the year ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

11 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

Executive directors, non-executive directors and independent non-executive directors:

Name of directors and the chief executive	Salaries	2021 fees	Share option scheme	Total
Chairman				
— Mr. Hong Zhihua	1,241	–	–	1,241
Executive directors				
— Mr. Kong Yong (acting Chief executive, appointed in 2021)	878	–	–	878
— Mr. Xu Ming (appointed in 2021)	944	–	–	944
— Mr. Jiang Qi	498	–	–	498
— Mr. Zhu Qiang (resigned in 2021)*	33	–	–	33
— Ms. Qin Wenying(resigned in 2021)*	430	–	–	430
— Ms. Jiang Chuming(resigned in 2021)*	20	–	–	20
Non-executive directors				
— Ms. Cheng Liang (appointed in January 2021 and resigned in July 2021)*	25	–	–	25
— Mr. Luo Guorong (appointed in 2021)	48	–	–	48
— Mr. Lu Jianhua (appointed in 2021)	23	–	–	23
Independent non-executive directors				
— Mr. Chan, Charles Sheung Wai	–	299	–	299
— Mr. Zhuo Fumin	–	299	–	299
— Mr. Ma Lishan	–	299	–	299
Total	4,140	897	–	5,037

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

11 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

Name of directors and the chief executive	Salaries	2020 fees	Share option scheme	Total
Chairman				
— Mr. Lei Dechao (appointed and resigned in 2020)*	867	–	–	867
— Mr. Hong Zhihua (appointed in 2020)	182	–	–	182
Executive directors				
— Mr. Zong Shihua (appointed in 2019 and resigned in 2020)*	22	–	–	22
— Ms. Jiang Chuming (appointed in 2019 and resigned in 2021)*	704	–	–	704
— Mr. Zhu Qiang (resigned in 2021)*	747	–	–	747
— Mr. Chen Donghui (removed in 2020)*	7	–	–	7
— Ms. Qin Wenying	693	–	–	693
— Mr. Jiang Qi	521	–	–	521
Independent non-executive directors				
— Mr. Chan, Charles Sheung Wai	–	312	–	312
— Mr. Zhuo Fumin	–	312	–	312
— Mr. Ma Lishan	–	312	–	312
— Mr. Han Gensheng (resigned in 2020)*	–	243	–	243
Chief executive				
— Mr. Peng Xinkuang (appointed in 2019 and removed in 2020) *	25	–	–	25
Total	3,768	1,179	–	4,947

* In April 2021, Mr. Qin Wenying has resigned as an executive Director.

* In January 2021, Ms. Cheng Liang was appointed as an independent non-executive director and has resigned on 20 July 2021.

* In January 2021, Mr. Zhu Qiang and Mr. Jiang Chuming resigned.

* In October 2020, Mr. Han Gensheng has resigned as an independent non-executive director.

* In May 2020, Mr. Zong Shihua has resigned as an executive director.

* In February 2020, all administrative and executive duties and powers of Mr. Peng Xinkuang in the Company were suspended and his 160 million shares granted under the share option scheme forfeited, and he was further removed in June 2020. Mr. Zhu Qiang was appointed as acting chief executive officer and Mr. Lei Dechao was appointed as an executive director, the chairman of the Board, the chairman of the Nomination Committee and the Investment Committee of the Company. In October 2020, Mr. Lei Dechao resigned.

* In February 2020, all administrative and executive duties and powers of Mr. Chen Donghui in the Company as executive director have been suspended and his 80 million shares granted under the share option scheme forfeited, and he was further removed in June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

11 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

No discretionary bonuses, inducement fees or employer's contribution to pension schemes were given to any of the directors during the years ended 31 December 2021 and 2020.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2021 and 2020.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

12 INCOME TAX EXPENSE/(CREDIT)

An analysis of income tax is as follows:

	2021	2020
Current taxation		
— Mainland China income tax (a)	**11,885**	13,657
— Mainland China LAT (c)	**25,501**	2,979
	37,386	16,636
Deferred taxation		
— Mainland China income tax	**(20,154)**	(39,692)
— Mainland China LAT	**(7,553)**	(513)
— Mainland China withholding tax (d)	**(9,147)**	(6,657)
	(36,854)	(46,862)
Total tax charge/(credit) for the year	**532**	(30,226)

(a) Mainland China income tax

The Group conducts a significant portion of its business in Mainland China and the applicable income tax rate of its subsidiaries operating in Mainland China is generally 25% in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

For the pre-sale of properties under development, the tax authorities may impose income tax ahead of the completion of sale transactions and revenue recognition based on certain estimations. The outstanding balance recorded in "prepaid income tax" was approximately RMB3 million as at 31 December 2021 (2020: approximately RMB4 million). Such prepaid taxes are initially recorded in the statement of financial position and later released to profit or loss upon revenue recognition.

12 INCOME TAX EXPENSE/(CREDIT) *(continued)*

(b) Other income tax

The Company is exempted from taxation in Bermuda until 2035. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2020: Nil).

(c) Mainland China land appreciation tax ("LAT")

LAT is incurred upon transfer of property and land ownership and is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs, taxes and all property development expenditures.

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transactions and revenue recognition, generally based on 1% to 2% (2020: 1% to 2%) on proceeds from the sale and pre-sale of properties. Prepaid LAT has been recorded in "prepaid income tax" with an amount of approximately RMB1 million as at 31 December 2021 (2020: approximately RMB21 million). Such prepaid taxes are initially recorded in the statement of financial position and later released to profit or loss upon revenue recognition.

(d) Mainland China withholding tax

Pursuant to the PRC Corporate Income Tax Law which became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China and on gain from disposal of equity interests to non-tax resident enterprises. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from retained profits as at 31 December 2007 are exempted from withholding tax.

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For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

12 INCOME TAX EXPENSE/(CREDIT) *(continued)*

A reconciliation of the tax expense applicable to profit/(loss) before income tax using the statutory tax rate of 25% for the jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax expense at the Group's effective tax rate is as follows:

	2021	2020
Profit/(loss) before tax	**28,241**	(966,665)
Tax at the applicable tax rate of 25%	**7,060**	(241,666)
Tax effect of results attributable to associates and joint ventures	**(9,991)**	(6,012)
Impact of LAT (which is itself classified as part of income tax) as it is deductible for income tax purposes	**(4,487)**	(617)
Income not subject to tax	**–**	(3,244)
Utilisation of previously unrecognised tax losses	**(45,274)**	(7,326)
Tax losses not recognised as deferred tax assets	**57,737**	45,865
Temporary differences not recognised as deferred tax assets due to non-recoverability	**(13,805)**	186,416
Expenses not deductible for tax	**491**	549
Effect of withholding tax at 10% on the retained profits expected to be distributed, for the Group's subsidiaries in Mainland China	**(9,147)**	(6,657)
Mainland China income tax	**(17,416)**	(32,692)
Mainland China LAT (including deferred LAT)	**17,948**	2,466
Total tax expense/(credit) for the year at the Group's effective tax rate	**532**	(30,226)

13 DIVIDENDS PAID AND PROPOSED

The Board of Directors has resolved not to recommend the payment of final dividend in respect of the year ended 31 December 2021 (2020: Nil).

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

14 EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Profit/(loss) attributable to owners of the Company	**38,142**	(918,778)
Weighted average number of ordinary shares in issue (thousands)	**20,564,713**	20,564,713
Basic earnings/(losses) per share	**0.002**	(0.045)

(b) Diluted

Diluted profit/(losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The share options issued in 2016 constitute dilutive shares. For the Company's share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the years ended 31 December 2021 and 2020, as the average annual market share price of the Company's shares was lower than assumed exercise price including the fair value of any services to be supplied to the Group in the future under the share option arrangement, the impact of exercise of the share options on losses per share is anti-dilutive.

15 SHARE-BASED PAYMENTS

On 3 June 2016, the Board proposed to adopt a new share option scheme (the "Scheme") to reward the contributions made by the employees that are eligible under the Scheme (the "Eligible Employees"), which was approved and adopted by the shareholders of the Company on 6 July 2016.

On 14 July 2016, options to subscribe for a total of 1,073,717,976 new shares were offered to the Eligible Employees. The exercise price of the granted options is equal to the average closing prices per share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of the grant which is 14 July 2016. The options shall be vested in three tranches in accordance with the following vesting date and conditions: (i) 40% of the options shall be vested on 30 August 2016 and exercisable from 30 August 2016 to 13 July 2021 at a condition of the Group achieving its target to turn losses into gains for the six months ended 30 June 2016; (ii) an additional 30% shall be vested on 30 August 2017 and exercisable from 30 August 2017 to 13 July 2021 at a condition of the Group achieving a net profit of no less than RMB350 million for the six months ending 30 June 2017; and (iii) the remaining 30% shall be vested on 30 August 2018 and exercisable from 30 August 2018 to 13 July 2021 at a condition of the Group achieving a growth rate of net profit of no less than 50% comparing the six months ending 30 June 2018 to the six months ending 30 June 2017. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

15 SHARE-BASED PAYMENTS *(continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2021		2020	
	Average exercise price in HK$ per share option	Number of share options (thousands)	Average exercise price in HK$ per share option	Number of share options (thousands)
At 1 January	0.2120	213,200	0.2120	603,623
Late forfeited (a)	0.2120	(213,200)	0.2120	(390,423)
At 31 December	Not applicable	–	0.2120	213,200

(a) In 2021, the 213,200 thousand (2020: 390,243 thousand) options were late forfeited due to the resignation of directors and employees (Note 11).

As at 31 December 2021, all the outstanding options have been expired and no options were exercised in 2021.

Share options outstanding as at 31 December 2020 have the following expiry date and exercise prices:

	Exercise price in HK$ per share option	Number of share options (thousands) 2020
Expiry date — 13 July 2021	0.2132	213,200

The fair value of options granted during the period determined using the Binomial valuation model was divided into three tranches according to vesting period, being HK$7.80 cents per option for options vested on 30 August 2016, HK$7.99 cents per option for options to be vested on 30 August 2017 and HK$8.21 cents per option for options to be vested on 30 August 2018. The significant inputs into the model were closing share price of HK$0.2120 at the grant date, exercise price shown above, volatility of 46%, dividend yield of nil, an expected option life of 5, 4 and 3 years respectively, and an annual risk-free interest rate of 0.69%. The volatility measured at the standard deviation of continuously compounded share returns is based on the average rate of comparable companies. See Note 7 for the total expense recognised in the statement of profit or loss and other comprehensive income for share options granted to directors and employees.

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16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 Financial assets	2020 Financial assets
At 1 January	**38,056**	150,657
Disposals	**–**	(75,393)
Fair value change	**1,899**	–
Less: provision for impairment	**–**	(37,208)
At 31 December	**39,955**	38,056

Breakdown of financial assets at FVOCI as at 31 December 2021:

		Percentage of shares (%)	**Cost at 31 December 2021**	**Fair value at 31 December 2021**	**% to total assets at 31 December 2021**
Investment					
Secured loan package from Industrial and Commercial Bank of China ("ICBC")	(a)	**Not applicable**	**75,264**	**39,955**	**0.3%**

Breakdown of financial assets at FVOCI as at 31 December 2020:

		Percentage of shares (%)	Cost at 31 December 2020	Fair value at 31 December 2020	% to total assets at 31 December 2020
Investment					
Secured loan package from Industrial and Commercial Bank of China ("ICBC")	(a)	Not applicable	75,264	38,056	0.3%

(a) In 2020, the Group disposed partial of the secured loan packages originated from ICBC and recorded losses from disposal of financial assets at FVOCI of approximately RMB44 million.

As at 31 December 2021, the Group held the secured loan packages originated from ICBC with fair value of approximately RMB40million (2020: approximately RMB38 million). The fair value is within level 3 of the fair value hierarchy. The significant unobservable inputs are the adjusted unit market value of the comparative properties. In 2021, the Group reversed impairment provision of approximately RMB1,899 thousand (2020: made provision of RMB37,208 thousand) against the balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(continued)*

Amounts recognised in profit or loss and other comprehensive income:

During the year, the following incomes/(losses) were recognised in profit or loss and other comprehensive income.

	2021	2020
Comprehensive income from changes in the fair value	**1,899**	–
Loss from disposal of financial assets at FVOCI recognised in other losses (Note 6)	**–**	(43,818)
Provision for impairment of finance assets at FVOCI recognised in net impairment losses on financial assets (Note 7)	**–**	(37,208)
	1,899	(81,026)

17 PROPERTY, PLANT AND EQUIPMENT

			2021		
	Buildings	**Leasehold improvements**	**Furniture, fittings, fixtures and office equipment**	**Motor vehicles**	**Total**
Cost					
Beginning of year	**648,035**	**2,767**	**108,088**	**18,457**	**777,347**
Acquisitions (Note 43)	**135,926**	**–**	**57**	**–**	**135,983**
Additions	**–**	**–**	**760**	**66**	**826**
Disposals	**–**	**–**	**(620)**	**(1,460)**	**(2,080)**
End of year	**783,961**	**2,767**	**108,285**	**17,063**	**912,076**
Accumulated depreciation					
Beginning of year	**57,185**	**2,767**	**17,529**	**18,339**	**95,820**
Depreciation charge (Note 7)	**6,447**	**–**	**2,722**	**5**	**9,174**
Disposals	**–**	**–**	**(556)**	**(1,321)**	**(1,877)**
End of year	**63,632**	**2,767**	**19,695**	**17,023**	**103,117**
Impairment					
Beginning of year	**503,268**	**–**	**–**	**–**	**503,268**
Reversal	**(20,165)**	**–**	**–**	**–**	**(20,165)**
End of year	**483,103**	**–**	**–**	**–**	**483,103**
Net carrying amount					
Balance, end of year	**237,226**	**–**	**88,590**	**40**	**325,856**
Balance, beginning of year	**87,582**	**–**	**90,559**	**118**	**178,259**

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17 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	2020				
	Buildings	Leasehold improvements	Furniture, fittings, fixtures and office equipment	Motor vehicles	Total
Cost					
Beginning of year	648,035	2,767	108,376	19,630	778,808
Additions	4,504	–	525	–	5,029
Disposals	(4,504)	–	(813)	(1,173)	(6,490)
End of year	648,035	2,767	108,088	18,457	777,347
Accumulated depreciation					
Beginning of year	53,481	2,767	14,728	18,936	89,912
Depreciation charge (Note 7)	3,722	–	3,452	567	7,741
Disposals	(18)	–	(651)	(1,164)	(1,833)
End of year	57,185	2,767	17,529	18,339	95,820
Impairment					
Beginning of year	503,268	–	–	–	503,268
End of year	503,268	–	–	–	503,268
Net carrying amount					
Balance, end of year	87,582	–	90,559	118	178,259
Balance, beginning of year	91,286	–	93,648	694	185,628

Depreciation expenses of approximately RMB7,358 thousand (2020: approximately RMB4,193 thousand), of approximately RMB108 thousand (2020: approximately RMB143 thousand) and of approximately RMB1,708 thousand (2020: approximately RMB3,405 thousand) had been respectively expensed in cost of goods sold, selling and marketing expenses and administrative expenses.

As at 31 December 2021, the property, plant and equipment with a net carrying amount of RMB78,699 thousand (2020: RMB74,012 thousand) were pledged as collateral for the Group's bank and other borrowings (Note 34).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

18 LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position:

	31 December 2021	31 December 2020
Right-of-use assets		
Land-use rights	231,074	187,326
Golf course land use right and office	29,578	34,054
	260,652	221,380
Lease liabilities		
Current	3,187	5,682
Non-current	31,409	32,599
	34,596	38,281

The Group has land lease arrangement with mainland China government.

Additions to the right-of-use assets for the year ended 31 December 2021 were RMB 49,627 thousand (2020: RMB986 thousand).

(ii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income:

	Notes	2021	2020
Depreciation charge of right-of-use assets			
Land-use rights		5,879	4,752
Golf course land use right and office		4,476	5,559
		10,355	10,311
Interest expense (included in finance cost)	10	2,144	2,418
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	7	5,498	688

The total cash outflows for leases for the year ended 31 December 2021 were RMB 5,829 thousand (2020: RMB8,374 thousand).

As at 31 December 2021, the right-of-use assets with a net carrying amount of approximately RMB40,301 thousand (2020: RMB41,528 thousand) were pledged as collateral for the Group's bank borrowing (Note 34).

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

19 INVESTMENT PROPERTIES

Completed investment properties

	2021	2020
At beginning of year	4,112,500	4,270,400
Acquisition of a subsidiary (Note 43)	189,000	–
Net fair value loss (Note 6)	(147,200)	(189,033)
Additions in cost	–	31,133
At end of year	4,154,300	4,112,500

The investment properties as at 31 December 2021 mainly represent the following properties:

— Shanghai Oasis Central Ring Centre — Portions of eight multi-storey shopping malls and car-park places at Putuo District, Shanghai, with a total fair value of approximately RMB1,061million (2020: RMB1,061 million), for which the operating leases entered into have terms ranging from 1 to 8 years; and

— Shenyang Richgate Shopping Mall — A seven-storey shopping mall at Shenhe District, Shenyang, with a total fair value of approximately RMB1,945 million (2020: RMB2,096 million), for which the operating leases entered into have terms ranging from 1 to 10 years; and

— Shanghai Lake Malaren Transportation Hub — A five-storey shopping mall at Baoshan District, Shanghai, with a total fair value of approximately RMB246 million (2020: RMB246 million), for which the operating leases entered into have terms ranging from 1 to 9 years; and

— Shanghai Lake Malaren Commercial Street — A commercial street at Baoshan District, Shanghai, with a total fair value of approximately RMB714 million (2020: RMB710 million), for which the operating leases entered into have terms ranging from 1 to 16 years.

— Shanghai Lake Malaren Hotel — A 9-storey hotel building at Baoshan District, Shanghai, with a total fair value of approximately RMB188 million, for which the operating lease entered into has a term of 18 years;

As at 31 December 2021, the Group had no unprovided contractual obligations for future repairs and maintenance (2020: nil).

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19 INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

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

	Fair value measurement As at 31 December 2021 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**3,952,249**	**3,952,249**
Car parks	**–**	**–**	**202,051**	**202,051**
	–	**–**	**4,154,300**	**4,154,300**

	Fair value measurement As at 31 December 2020 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Commercial properties	–	–	3,906,500	3,906,500
Car parks	–	–	206,000	206,000
	–	–	4,112,500	4,112,500

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.

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

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19 INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties	Car parks	Total
Carrying amount at 1 January 2020	4,061,400	209,000	4,270,400
Net fair value loss (Note 6)	(186,033)	(3,000)	(189,033)
Additions in cost	31,133	–	31,133
Carrying amount at 31 December 2020 and 1 January 2021	**3,906,500**	**206,000**	**4,112,500**
Net fair value loss (Note 6)	**(143,251)**	**(3,949)**	**(147,200)**
Acquisition of a subsidiary (Note 43)	**189,000**	**–**	**189,000**
Carrying amount at 31 December 2021	**3,952,249**	**202,051**	**4,154,300**

As at 31 December 2021, the Group's investment properties were valued by Colliers, an independent professionally qualified property valuer and consultant.The Group's finance team will review the valuation performed by the independent valuer, including:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report;
- holds discussions with independent valuers.

The valuations were performed based on the income approach (term and reversion method or direct capitalisation method).

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 Dec 2021 (RMB thousand)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Commercial properties — Mainland China	4,154,300 (2020: 4,112,500)	Income approach	Term yield	Term yield of 4.0%-5.8% (2020: 3.5%–6.0%)	The higher the term yield, the lower the fair value
			Reversionary yield	Reversionary yield of 5.0%-6.3% (2020: 4.0%-6.5%)	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit	RMB41 – RMB224 (2020: RMB39 – RMB242) per square metre per month	The higher the market unit rent, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19 INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

The term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates. The direct capitalisation method measures the fair value of the property by assuming a stabilised economic income capitalised by a market yield rate. The market yield was developed based on the research on the sales and rental evidences of the similar properties in the surrounding market and assuming the existing tenancy will be extended. A significant increase/(decrease) in the estimated market yield would result in a significant decrease/(increase) in the fair value of the investment properties.

Were the rental rate and yield rate required assumed to increase or decrease by 10% from management's estimate, the changes in carrying amount of investment properties as at 31 December 2021 and 2020 would have been as follows:

	2021	2020
Investment properties increase/(decrease)		
— 10 percent rental rate higher	364,000	357,000
— 10 percent rental rate lower	(365,000)	(371,700)
Investment properties increase/(decrease)		
— 10 percent term and reversionary yield rate used higher	(237,000)	(250,400)
— 10 percent term and reversionary yield rate used lower	260,000	266,000

As at 31 December 2021, the Group's investment properties of approximately RMB2,021 million (2020: approximately RMB2,017 million) were pledged as collateral for the Group's bank and other borrowings (Note 34).

The following amounts relating to the investment properties have been recognised in the consolidated statement of profit or loss and other comprehensive income:

	2021	2020
Rental income (Note 5)	130,004	94,888
Direct operating expenses arising from investment properties that generate rental income	(23,826)	(26,408)
Net loss from change in fair value (Note 6)	(147,200)	(189,033)

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20 PREPAID LAND LEASE PAYMENTS

The Group's interests in leasehold land represent prepaid operating lease payments and their net book values are analysed as follows:

	2021	2020
At beginning of year	756,407	931,711
Acquisition of a subsidiary (Note 43)	37,768	–
Additions	–	1,646
Disposals with the sale of completed properties	(40,265)	(1,740)
Amortisation capitalised as properties under development for sale	(20,321)	(21,461)
Reversal/(write-down) of impairment of prepaid land lease payments (Note 7)	2,260	(142,696)
Currency translation difference	(3,623)	(11,053)
At end of year	732,226	756,407

The movements of impairment of prepaid land lease payments are as follows:

	2021	2020
At 1 January	147,176	4,480
(Reversal)/write down of prepaid land lease payments recognised (Note 7)	(2,260)	142,696
At 31 December	144,916	147,176

As at 31 December 2021, none of the Group's leasehold land (2020: approximately RMB527 thousand) was pledged as collateral for the Group's bank and other borrowings (Note 34).

21 GOODWILL

	2021	2020
Cost	174,353	174,353
Accumulated impairment		
At beginning of year	174,353	158,082
Impairment losses recognised (Note 7)	–	16,271
At end of year	174,353	174,353
Net carrying amount		
Balance, end of year	–	–
Balance, beginning of year	–	16,271

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21 GOODWILL *(continued)*

Impairment testing of goodwill

For the year ended 31 December 2020, the goodwill of RMB16,271 thousand relating to Haibo and Xiabo was fully impaired, together with approximately RMB142 million of relevant prepaid land lease payment (Note 20) and RMB50 million of relevant properties held or under development for sale (Note 24) written down.

The cost of goodwill allocated to each of the major cash-generating units before impairment is as follows:

	2021	2020
Huating (a)	**144,354**	144,354
Haibo (b)	**12,297**	12,297
Xiabo (b)	**1,847**	1,847
Others	**15,855**	15,855
	174,353	174,353

The following describes each key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill with the assistance from valuers:

— Selling prices — The market prices of comparable properties nearby

— Construction costs — The estimated costs including infrastructure costs to complete the property development projects

— Discount rates — The discount rates used are before income tax and reflect specific risks relating to the relevant cash- generating units

Management also considered the following factors in assessment of goodwill impairment:

(a) The goodwill arose from the acquisition of Shanghai Bairun Real Estate Co., Ltd. ("Bairun") is related to its properties under developments in prior years. The goodwill has been fully impaired pursuant to the sales of these properties.

(b) The goodwill arose from the acquisition of Xiabo and Haibo is related to their parcels of land in the city of Shanghai. The goodwill has been fully impaired in prior years pursuant to the irrevertible change of government plan of land not for residential properties but for rural usage.

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

22 INVESTMENTS IN ASSOCIATES

	2021	2020
Share of net assets	1,222,908	1,256,685
Less: provision for impairment	(271,310)	(272,907)
	951,598	983,778

As at the 31 December 2021, the Group had indirect interests in the following associates:

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Shanghai Housing Industry New Technology Development Co., Ltd. ("New Technology")	PRC/Mainland China 6 May 1997	–	26%	RMB50,000,000	RMB50,000,000	Research and development of housing technology
Shanghai Telecom Broadband Networking Co., Ltd. ("Broadband")*	PRC/Mainland China 24 October 2000	–	20%	RMB50,000,000	RMB50,000,000	Development and sale of netware and construction of broadband fibre projects
Mayson Resources Limited ("Mayson")	British Virgin Islands ("BVI") 29 January 2003	–	40%	HK$8	HK$8	Property sales
Shanghai Orda Opto-electronics Science & Tech Co., Ltd. ("Orda")	PRC/Mainland China 23 March 2000	–	24%	RMB8,360,000	RMB11,000,000	Research and development of optoelectronic products
Shanghai Shang Xin Richgate Investment Management Co., Ltd. ("Richgate")	PRC/Mainland China 14 July 2011	–	25%	RMB9,100,000	RMB9,100,000	Investment management
Shanghai Real Estate Asset Management Co., Ltd. ("SRE Asset")	PRC/Mainland China 25 March 2016	–	20%	RMB35,000,000	RMB100,000,000	Investment management
Ningbo Meishan Free Trade Zone Jia Miao Investment Co., Ltd. ("Ningbo Jia Miao")	PRC/Mainland China 24 October 2017	–	33.34%	RMB4,000,000	RMB30,000,000	Investment management

The financial year end dates of the above associates are the same as that of the Group.

* In December 2021, the Group entered into an equity transfer agreement with a third party, to transfer 20% of the equity interest in Broadband, at a consideration of RMB28 million. Upon completion of the disposal, the Group will cease to have any equity interest in Broadband. As at 31 December 2021, the transaction was in progress. Consequently, the related investment in the associate was classified as held for sale (Note 29).

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For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

22 INVESTMENTS IN ASSOCIATES *(continued)*

The Group's shareholdings in the associates comprise equity shares held through certain wholly-owned subsidiaries and non-wholly-owned subsidiaries of the Company. All the above associates have been accounted for using the equity method in the consolidated financial statements.

The commitments relating to the Group's interests in associates are presented in Note 42(a). There are no contingent liabilities relating to the Group's interests in the associates.

Extracts of financial information of principal associates

The following tables illustrate the financial information of the Group's principal associates as extracted from their financial statements:

(1) Mayson

	2021	2020
Current assets	3,450,802	3,468,488
Non-current assets	266,840	274,250
Current liabilities	(687,667)	(732,384)
Non-current liabilities	(1,102)	(4,223)
Net assets	3,028,873	3,006,131
Revenue	114,499	569,423
Profit after tax	22,742	142,201
Total comprehensive income for the year	22,742	142,201
Dividend received	–	–

(2) SRE Asset

	2021	2020
Current assets	23,157	21,287
Non-current assets	12,148	20,135
Current liabilities	(9,826)	(8,480)
Net assets	25,479	32,942
Revenue	14,149	21,367
Loss/(profit) after tax	(7,463)	2,237
Total comprehensive (loss)/income for the year	(7,463)	2,237
Dividend received	–	–

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22 INVESTMENTS IN ASSOCIATES *(continued)*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in associates.

	Mayson*		SRE Asset		Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening net assets	3,006,131	2,863,930	32,942	30,705	77,926	187,293	3,116,999	3,081,928
Profit for the year	22,742	142,201	(7,463)	2,237	734	94,807	16,013	239,245
Dividends distribution	–	–	–	–	(20,942)	(83,214)	(20,942)	(83,214)
Capital reduction	–	–	–	–	(47,034)	–	(47,034)	–
Closing net assets	3,028,873	3,006,131	25,479	32,942	10,684	198,886	3,065,036	3,237,959
Interest in associates	40%	40%	20%	20%				
Impairment in associates	(268,735)	(268,735)	–	–	(2,575)	(4,172)	(271,310)	(272,907)
Goodwill and adjustments	–	–	638	638	2,931	(298)		
Carrying value	942,814	933,717	5,734	7,226	3,050	42,835	951,598	983,778

* As at 31 December 2020, the carrying amount of interest in Mayson was higher than its recoverable amount. The Group provided a total impairment loss of approximately RMB269 million for the year ended 2020. The Group evaluated the investment in Mayson under current market condition and determined a reasonable recoverable amount mainly based on the estimated future sales, taxes, costs to sales etc. of underlying remaining property assets as well as future taxes in distributions.

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23 INVESTMENTS IN JOINT VENTURES

	2021	2020
Share of net assets	3,438,011	3,211,547
Less: provision for impairment	(547,902)	(592,372)
	2,890,109	2,619,175

As at the 31 December 2021, the Company had indirect interests in the following joint ventures:

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Jiangsu Da Run Sensor Technology Co., Ltd. ("Da Run")	PRC/Mainland China 20 May 2010	–	12%*	RMB53,000,000	RMB53,000,000	Research and development of sensor
Ningbo Meishan Free Trade Zone Zhi Miao Investment Center LLP ("Ningbo Zhi Miao") (b)	PRC/Mainland China 29 December 2016	–	16.37%*	RMB236,000,000	RMB236,000,000	Equity investment
75 Howard Owner LP ("75 Howard") (c)	USA/Delaware 27 March 2017	–	65%*	United States dollars ("US$") 213,276,267	US$213,276,267	Property development
Shanghai Jinxin Real Estate Co., Ltd. ("Jinxin Real Estate")	PRC/Mainland China 28 October 2002	–	51%*	RMB2,660,000,000	RMB2,660,000,000	Property development
Napa Lifestyle Holdings, LLC ("NAPA")	USA/State of Delaware 01 February 2015	–	79.33%*	US$19,260,310	US$19,260,310	Property development
Shanghai Gaoxin Business Management Co., Ltd. ("Gao Xin")	PRC/Mainland China 17 July 2017	–	50%	–	RMB8,000,000	Management consulting
Changsha Horoy Real Estate Development Co., Ltd. ("Changsha Horoy")	PRC/Mainland China 25 September 2017	–	49.50%*	RMB26,870,000	RMB100,000,000	Property development and Sales
Revenue Concept Investment Limited ("Revenue Concept") (a) (Note 44)	PRC/Hongkong 8 November 2017	–	50%	HK$1,000,000	HK$1,000,000	Equity investment

* The Group accounts for its investments in these companies as joint ventures although the Group holds more or less than 50% of equity interest. According to the investment agreements and articles of associations, the Group and the other investors will jointly control the key relevant activities of these companies.

23 INVESTMENTS IN JOINT VENTURES *(continued)*

(a) In September 2016, the Group entered into an agreement to set up SRegal Sinclair LLP ("Sinclair") for a consideration of approximately Great Britian pounds ("GBP") 13 million (approximately RMB114 million), of which approximately GBP1.8 million (approximately RMB15 million) had been contributed as at 31 December 2016. In January 2017, the Group paid the remaining consideration in Sinclair of approximately GBP11.5 million (equivalent to approximately RMB100 million). In December 2019, the Group reduced the share capital by GBP5.50 million (equivalent to approximately RMB51 million). In April 2020, the Group disposal of 50% of its equity interest in Revenue Concept, which held 92.91% of equity interests in Sinclair. After the transaction, Revenue Concept also became a joint venture of the Group which include the interests in the joint venture of Sinclair.

(b) In December 2016, the Group entered into a joint venture agreement in relation to the formation of the joint venture of Ningbo Zhi Miao with the total capital commitment of approximately RMB5,116 million, of which an aggregate of approximately RMB997 million, being approximately 19% of the total capital commitment, was contributed by the Group. In May 2017, the Group reduced its investment in Ningbo Zhi Miao for a consideration of RMB20 million. Accordingly the Group's interest in Ningbo Zhi Miao is decreased from 19.49% to 19.10% as at 31 December 2017. In December 2018, the investors of Ningbo Zhi Miao reduced investments of approximately RMB1,219 million in total, of which an aggregate of approximately RMB480 million was reduced by the Group. As such, the Group's interest in Ningbo Zhi Miao was decreased from 19.10% to 12.75% as at 31 December 2018. In August 2019, one of the other investors of Ningbo Zhi Miao reduced investment of RMB800 million, and thus the Group's interest in Ningbo Zhimiao was increased from 12.75% to 16.05%. In 2020, one other investor increased investment of approximately RMB1,206 million. In June 2020, the investors of Ningbo Zhi Miao reduced investments of approximately RMB2,861 million in total, of which RMB261 million was reduced by the Group. As such, the Group's interest in Ningbo Zhi Miao was increased from 16.05% to 16.37%. Meanwhile, the Group received basic earnings of approximately RMB68.44 million during 2020 in relation to this capital reduction RMB261 million, which was recorded as investment income.

(c) In February 2017, the Group entered into an agreement with RDF 75 Howard LP to acquire 75 Howard at a consideration of approximately US$92 million (equivalent to approximately RMB631 million) for 80% equity interest in 75 Howard. In March 2018, the Group disposed 10% of its equity interest in 75 Howard for a consideration of approximately US$12 million (equivalent to approximately RMB80 million), with disposal gain of approximately US$0.5 million (equivalent to approximately RMB3.3 million). Accordingly, the Group's equity interest in 75 Howard was decreased from 80% to 70% as at 31 December 2018. In March 2019, the Group disposed additional 5% interest in 75 Howard at a consideration of approximately US$9.1 million (equivalent to approximately RMB62 million), resulting in a gain of approximately RMB1.8 million. As such, the Group's equity interest in 75 Howard was decreased from 70% to 65% as at 31 December 2019. In 2019, the Group injected additional US$14.7 million (equivalent to approximately RMB101 million) to the joint venture. The injection of above US$14.7 million was made by writing off US$9.1 million of consideration from disposal of 5% equity interests, US$4.4 million of prepayment to the joint venture, and a remaining cash outflow of US$1.2 million (equivalent to RMB9 million).

In 2021, the Group injected additional US$11.57million(equivalent to approxiamtely RMB74 million) to the joint venture.

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For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

23 INVESTMENTS IN JOINT VENTURES *(continued)*

The financial year end dates of the above joint ventures are the same as that of the Group.

The Group's shareholdings in the joint ventures comprise equity shares held through certain wholly-owned subsidiaries and non-wholly-owned subsidiaries of the Company. All the above joint ventures have been accounted for using the equity method in the consolidated financial statements.

Extracts of financial information of principal joint ventures

The following tables illustrate the financial information of the Group's principal joint ventures as extracted from their financial statements:

(1) Ningbo Zhi Miao

	2021	2020
Current assets		
Cash and cash equivalents	**253,753**	232,623
Other current assets	**–**	20,000
Total current assets	**253,753**	252,623
Non-current assets	**2,405,604**	2,405,604
Current liabilities	**(1,408,462)**	(1,407,817)
Net assets	**1,250,895**	1,250,410
Revenue	**–**	–
Profit after tax	**485**	87,650
Total comprehensive income for the year	**485**	87,650
Dividend received	**–**	68,440

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23 INVESTMENTS IN JOINT VENTURES *(continued)*

Extracts of financial information of principal joint ventures *(continued)*

(2) 75 Howard

	2021	2020
Current assets		
Cash and cash equivalents	2,285	2,241
Other current assets	2,524,268	2,578,934
Total current assets	2,526,553	2,581,175
Non-current assets	–	–
Current liabilities	(1,106,401)	(185,621)
Non-current liabilities	(692)	(1,153,979)
Net assets	1,419,460	1,241,575
Revenue	883,536	–
Profit/(loss) after tax	53,441	(39,426)
Total comprehensive income/(loss) for the year	53,441	(39,426)
Dividend received	–	–

(3) Jinxin Real Estate

	2021	2020
Current assets		
Cash and cash equivalents	189	811
Other current assets	9,352,300	8,929,892
Total current assets	9,352,489	8,930,703
Non-current assets	169	445
Current liabilities	(4,787,661)	(3,859,961)
Non-current liabilities	(17,149)	(938,517)
Net assets	4,547,848	4,132,670
Revenue	–	–
Loss after tax	(18,413)	(1,117)
Total comprehensive loss for the year	(18,413)	(1,117)
Eliminated interest cost	56,415	52,256
Dividend received	–	–

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For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

23 INVESTMENTS IN JOINT VENTURES *(continued)*

Extracts of financial information of principal joint ventures *(continued)*

(4) NAPA

	2021	2020
Current assets		
Cash and cash equivalents	12	2,372
Other current assets	148,810	140,676
Total current assets	148,822	143,048
Non-current assets	–	–
Current liabilities	(5,851)	(9,589)
Non-current liabilities	(51,243)	(40,928)
Net assets	91,728	92,531
Revenue	–	–
Loss after tax	–	(20,623)
Total comprehensive loss for the year	–	(20,623)
Eliminated interest cost	3,817	2,642
Dividend received	–	–

(5) Changsha Horoy

	2021	2020
Current assets		
Cash and cash equivalents	119,082	24,222
Other current assets	603,493	472,426
Total current assets	722,575	496,648
Non-current assets	76	18
Current liabilities	(60,027)	(39,494)
Non-current liabilities	(319,880)	(119,879)
Net assets	342,744	337,293
Revenue	–	–
Profit/(loss) after tax	5,451	(41,901)
Total comprehensive income/(loss) for the year	5,451	(41,901)
Eliminated interest cost	40,144	43,959
Dividend received	–	–

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23 INVESTMENTS IN JOINT VENTURES *(continued)*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in joint ventures.

	Ningbo Zhi Miao	75 Howard	Jinxin Real Estate	NAPA	Changsha Horoy	Others	Total
Opening net assets at 1 January 2021	1,250,410	1,241,575	4,132,670	92,531	337,293	51,902	7,106,381
Profit/(loss) for the year	485	53,441	(18,413)	–	5,451	3,308	44,272
Other comprehensive income/(loss)	–	10,957	–	(803)	–	6,181	16,335
Capital injection	–	113,487	433,591	–	–	–	547,078
Closing net assets	1,250,895	1,419,460	4,547,848	91,728	342,744	61,391	7,714,066
Interest in joint ventures	16.37%	65.00%	51.00%	79.33%	49.50%		
Impairment in joint ventures	–	–	(487,618)	(47,703)	–	(12,581)	(547,902)
Goodwill and adjustments	118	–	(178,882)	(9,145)	(84,103)	–	–
Carrying value at 31 December 2021	204,890	922,649	1,652,902	15,920	85,555	8,193	2,890,109

	Ningbo Zhi Miao	Relevant Business of Golden Luodian	75 Howard	Jinxin Real Estate	NAPA	Changsha Horoy	Others	Total
Opening net assets/(liabilities) at 1 January 2020	2,886,200	(518,290)	1,367,723	4,133,787	116,273	379,194	166,812	8,531,699
Profit/(loss) for the year	87,650	(208,972)	(39,426)	(1,117)	(20,623)	(41,901)	15,837	(208,552)
Other comprehensive loss	–	–	(86,722)	–	(3,119)	–	(817)	(90,658)
Capital injection	1,206,000	–	–	–	–	–	–	1,206,000
Capital reduction	(2,861,000)	–	–	–	–	–	(89,502)	(2,950,502)
Dividends distribution	(68,440)	–	–	–	–	–	(40,428)	(108,868)
Closing net assets/(liabilities)	1,250,410	(727,262)	1,241,575	4,132,670	92,531	337,293	51,902	6,379,119
Interest in joint ventures	16.37%	72.63%	65.00%	51.00%	79.33%	49.50%		
Impairment in joint ventures	–	–	–	(532,088)	(47,703)	–	(12,581)	(592,372)
Goodwill and adjustments	118	–	–	(118,400)	(5,328)	(43,959)		
Carrying value at 31 December 2020	204,810	–	807,024	1,457,174	20,375	123,001	6,791	2,619,175

* As at 31 December 2021, the recoverable amount of interest in Jinxin Real Estate was higher than its carrying amount. The Group reversed a total impairment loss of approximately RMB44 million for the year ended 31 December 2021. The Group engaged an independent professional valuer to estimate its share of the present value of the estimated market value of Jinxin Real Estate and determined the recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

24 PROPERTIES HELD OR UNDER DEVELOPMENT FOR SALE

	2021	2020
At cost	**1,853,603**	1,159,650
Less: provision for impairment loss	**(142,419)**	(128,622)
	1,711,184	1,031,028
— In Shanghai City, PRC	**1,151,615**	247,119
— In Chengdu City, PRC	**75,876**	48,251
— In Jiaxing City, PRC	**62,172**	376,716
— In Dalian City, PRC	**286,042**	272,399
— In Phnom Penh City, Cambodia	**135,479**	86,543
	1,711,184	1,031,028

	2021	2020
Properties held or under development expected to be completed, at net realisable value		
— Within one year	**237,336**	591,468
— After one year	**1,473,848**	439,560
	1,711,184	1,031,028

The movements of impairment of properties held or under development for sale are as follows:

	2021	2020
At 1 January	**128,622**	76,400
Write down of properties held or under development (Note 7)	**13,797**	52,222
At 31 December	**142,419**	128,622

As at 31 December 2021, none of the Group's properties held or under development for sale (2020: approximately RMB24 million) had been pledged as collateral for the Group's bank and other borrowings (Note 34).

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

25 PREPAYMENTS AND OTHER CURRENT ASSETS

	2021	2020
Non-current		
Prepayment (a)	5,000	5,000
Less: Provision for impairment (a)	(5,000)	(5,000)
	–	–
Current		
Prepaid tax and surcharges	6,724	5,234
Prepaid VAT	19,170	41,139
Prepayments (b)	1,220	14,678
Others	18,091	18,091
	45,205	79,142
Less: provision for impairment	(17,500)	(17,500)
	27,705	61,642

(a) On 12 December 2013, the Company signed a letter of intent with a third party (the "Vendor") to acquire a 100% equity interest in a real estate company in Shanghai at a total consideration of RMB800 million. In connection with this transaction, the Group paid RMB5 million to the Vendor as earnest money. Due to the termination of the project as well as the low probability of collection of the aforementioned prepayment, full provision has been made for the earnest money as at 31 December 2021 and 2020.

(b) The prepayments as at 31 December 2021 mainly included approximately RMB1 million (2020: approximately RMB15 million) of prepayments for construction cost of properties under development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26 OTHER RECEIVABLES

	2021	2020
Receivables from subsidiaries disposed of in prior years	889,212	343,224
Receivables from related parties (Note 46)	508,395	1,118,615
Advance to a non-controlling shareholder of a subsidiary	190,000	190,000
Receivable of consideration arising from disposal of subsidiaries (a)	63,033	75,895
Interests receivable from related parties (Note 46)	373,767	557,501
Advance to a land development project	201,715	206,509
Receivable from dividend of an associate company	1,393	–
Others	254,262	275,823
	2,481,777	2,767,567
Less: provision for impairment (Note 49)	(1,207,953)	(910,556)
Other receivables, net	1,273,824	1,857,011

(a) As at 31 December 2021, the remaining consideration of approximately RMB63,033 thousand had not been received in relation to the disposal of the subsidiary, Liaoning Gao Xiao Support Group Property Development Co., Ltd. ("Liaoning Gao Xiao").

As at 31 December 2020, the remaining consideration of approximately RMB63,033 thousand and RMB12,862 thousand had not been received in relation to the disposal of the subsidiaries, Liaoning Gao Xiao and Shanghai Skyway Hotel Co., Ltd. ("Skyway") respectively. In 2021, the remaining consideration in relation to the disposal of Skyway has been received.

Except for the interests receivable from related parties which are disclosed in Note 46, the other receivables are non-interest-bearing and are normally settled within one year.

The movements in the provision for other receivables are as follows:

	2021	2020
At beginning of year	910,556	735,439
Additions (Note 7)	33,846	175,117
Eliminate due to the acquisition of a subsidiary which is a former joint venture (Note 43)	(368,656)	–
Reversals	(67,793)	–
Reclass from the impairment of other financial assets at amortised cost	700,000	–
At end of year	1,207,953	910,556

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

27 TRADE RECEIVABLES

	2021	2020
Trade receivables	52,935	64,800
Less: provision for impairment	(27,922)	(22,743)
	25,013	42,057

An aged analysis of trade receivables as at the end of the reporting period, from the date when they were recognised, is as follows:

	2021	2020
Within 6 months	20,937	33,786
6 months to 1 year	2,279	–
1 to 2 years	700	806
Over 2 years	29,019	30,208
	52,935	64,800

The Group's sales of development properties are generally on a cash basis while the Group's trading terms with its customers for other operations are mainly on credit. The credit terms of the Group are generally within six months.

The Group's trade receivables are related to a large number of diversified customers. There is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The movements in the provision for impairment of trade receivables are as follows:

	2021	2020
At beginning of year	22,743	22,743
Addition	5,179	–
At end of year	27,922	22,743

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28 CASH AND BANK BALANCES

	2021	2020
Cash on hand	252	382
Demand deposits	70,269	379,272
Cash and cash equivalents	70,521	379,654
Restricted bank deposits relating to bank borrowings (a)	37,364	2,641
Cash and bank balances	107,885	382,295

(a) An amount of approximately RMB37 million (2020: approximately RMB3 million) is restricted in connection with bank borrowings.

The carrying amounts of the cash and bank balances which are denominated in the following currencies are:

	2021	2020
HK$	2,103	411
US$	3,887	6,408
GBP	83	20,369
RMB	101,812	355,107
	107,885	382,295

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Demand deposits earn interest at floating rates based on daily bank deposit rates. Time deposits earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents pledged and restricted deposits approximate to their fair values.

29 ASSETS CLASSIFIED AS HELD FOR SALE

Other financial assets at amortised cost include the following debt investments:

	2021	2020
Assets classified as held for sale	23,031	–

In December 2021, the Group entered into an equity transfer agreement with a third party, to transfer 20% of the equity interest in an associate, Shanghai Telecom Broadband Networking Co., Ltd. ('Broadband'), at a consideration of RMB28 million. Upon completion of the disposal, the Group will cease to have any equity interest in Broadband. As at 31 December 2021, the transaction was in progress. Consequently, the related investment in the associate was classified as held for sale.

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30 OTHER FINANCIAL ASSETS AT AMORTISED COST

Other financial assets at amortised cost include the following debt investments:

	2021	2020
Loans to related parties (Note 46(c)) (a)	**1,248,876**	1,563,649
Loans to a disposed subsidiary (b)	**–**	700,000
Others (c)	**–**	14,380
	1,248,876	2,278,029
Less: loss allowances for debt investments at amortised cost (d) (Note 49)	**(34,605)**	(814,800)
	1,214,271	1,463,229

(a) The balance as at 31 December 2021 mainly represented the interest-bearing loans granted to related parties of approximately RMB1,249 million (2020: RMB1,564 million) with a provision of approximately RMB35 million (2020: RMB101 million) (Note 46(c)).

(b) The balance as at 31 December 2020 mainly represented the interest-bearing loans granted to a disposed subsidiary of approximately RMB700 million with a provision of approximately RMB700 million, which has been reclassified to other receivables in 2021 .

(c) The balance as at 31 December 2020 mainly represented the interest-bearing loans granted to a third party of approximately RMB14 million with a provision of approximately RMB14 million, which has been received in 2021.

(d) The provisions were made as at 31 December 2021 and 2020 as the directors of the Company consider that the recoverability of certain receivables is uncertain.

The movements in the provision for other financial assets at amortised cost are as follows:

	2021	2020
At beginning of year	**814,800**	750,463
Additions (Note 7)	**28,981**	64,337
Eliminate due to the acquisition of a subsidiary which is a former joint venture (Note 43)	**(94,794)**	–
Reversals (Note 7)	**(14,382)**	–
Reclass to impairment of other receivables	**(700,000)**	–
At end of year	**34,605**	814,800

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For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

31 OTHER NON-CURRENT ASSETS

	2021	2020
Deposit for guarantee of a loan of a joint venture (a)	85,116	162,600
Less: provision for impairment (a)	(42)	(199)
At end of year	85,074	162,401

(a) As at 31 December 2021, other non-current assets represent a deposit for guarantee for a long-term loan of a joint venture of approximately RMB85 million (31 December 2020: approximately RMB163 million) against which an impairment provision according to HKFRS 9 of approximately RMB42 thousand (31 December 2020: approximately RMB199 thousand) was made.

32 ISSUED SHARE CAPITAL AND SHARE PREMIUM

Shares

	2021	2020
Issued and fully paid: 20,564,713 thousand (2020: 20,564,713 thousand) ordinary shares	6,747,788	6,747,788

A summary of movements in the Company's share capital is as follows:

		Amount		
	Number of shares (thousand)	Issued capital	Share premium	Total
At 1 January 2020, 31 December 2020 and 31 December 2021	20,564,713	1,701,661	5,046,127	6,747,788

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33 OTHER RESERVES

	Surplus reserve	Exchange fluctuation reserve	Others	Total
At 1 January 2021	405,290	(82,469)	(154,979)	167,842
Other comprehensive incomes, net of tax				
Currency translation differences	–	41	–	41
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	1,424	1,424
	–	41	1,424	1,465
Transactions with owners				
Statutory reserve (note)	18,033	–	–	18,033
Transactions with non-controlling interests	–	–	(22,739)	(22,739)
Adjustment of prior year transactions with non-controlling interests arising from court judgement on Mr. Peng Xinkuang	–	–	14,500	14,500
	18,033	–	(8,239)	9,794
At 31 December 2021	423,323	(82,428)	(161,794)	179,101

	Surplus reserve	Exchange fluctuation reserve	Others	Total
At 1 January 2020	395,391	(4,291)	(154,979)	236,121
Other comprehensive losses, net of tax				
Currency translation differences	–	(78,178)	–	(78,178)
	–	(78,178)	–	(78,178)
Transactions with owners				
Statutory reserve (note)	9,899	–	–	9,899
	9,899	–	–	9,899
At 31 December 2020	405,290	(82,469)	(154,979)	167,842

Note:

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's entities which are established in Mainland China has been transferred to reserve funds which are restricted as to use.

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33 OTHER RESERVES *(continued)*

Note: *(continued)*

Companies within the Group, most of which are registered in the PRC as foreign invested entities, are required to make appropriations from statutory net profits to the reserve fund and the enterprise expansion fund, upon distribution of their post-tax profits of the current year. The percentages to be appropriated to the reserve fund and the enterprise expansion fund are determined by the boards of directors of these companies.

Companies within the Group, which are registered in the PRC as domestic invested entities, are required to appropriate 10% of statutory net profits to the statutory surplus reserve, upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. Upon contribution to the statutory surplus reserve using its post-tax profit, a company may make further contribution to the surplus reserve using its post-tax profit in accordance with a resolution of the board of directors.

34 INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021	2020
Current portion of long-term bank borrowings		
— Secured (a)	864,870	1,067,120
— Unsecured (b)	–	330,120
	864,870	1,397,240
Current portion of other long-term borrowings		
— Unsecured, from others	31,879	114,041
	31,879	114,041
Borrowings, current portion	896,749	1,511,281
Other long-term borrowings, non-current portion		
— Secured, from parent company (c)	560,000	560,000
— Secured, from others(d)	100,000	–
— Unsecured, from parent company and its subsidiaries (c)	2,684,629	2,472,033
— Unsecured, from others	–	32,625
	3,344,629	3,064,658
Borrowings, non-current portion	3,344,629	3,064,658
The long-term borrowings are repayable as follows:		
— Within 1 year	896,749	1,511,281
— 1 to 2 years	2,339,708	3,064,658
— 2 to 3 years	1,004,921	–
	4,241,378	4,575,939
Less: Long-term borrowings, current portion	(896,749)	(1,511,281)
Long-term borrowings, non-current portion	3,344,629	3,064,658

34 INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

(a) Long-term bank borrowings — secured

As at 31 December 2021, long-term bank borrowings of approximately RMB865 million (2020: approximately RMB 1,067million) were secured by the pledges of the Group's leasehold land, together with bank deposits, accounts receivable, property, plant and equipment, investment properties, properties held or under development for sale and equity interests of subsidiaries. As at 31 December 2021, approximately RMB865 million (2020: RMB1,067 million) out of the above borrowings were defaulted and became immediately repayable on demand (Note 2.1).

(b) Long-term bank borrowings — unsecured

As at 31 December 2020, the balance represented entrusted loans of approximately RMB330 million provided by a third party, which, pursuant to agreement, was regarded as proceeds for disposal of certain beneficial interests related to a parcel of land of the Group during 2021 (Note 39).

(c) Other borrowings from parent company and its subsidiaries

As at 31 December 2021, the loans of approximately RMB2,176 million (31 December 2020: approximately RMB2,013 million) were provided by the parent company and the loan of approximately RMB988 million (31 December 2020: RMB954 million) and the loan of approximately RMB80 million (31 December 2020: RMB65 million) were provided by Jiasheng (Holding) Investment Limited ("Jiasheng") and Jiahuang (Holding) Investment Limited ("Jiahuang"), two fellow subsidiaries of the Group, respectively, among which, RMB560 million (31 December 2020: RMB560 million) was secured by pledge of equity interests of a subsidiary and guaranteed by Mr. Shi Janson Bing.

During 2021, these borrowings from parent company and its subsidiaries are further extended to 2023 or 2024.

(d) Other long-term borrowings from others

As at 31 December 2021, the loan of RMB100 million was provided by an external party and secured by the pledges of the Group's investment properties. Interest rate for the loan is 13% and principal of the loan matures on 21 April 2023. Subsequent to 31 December 2021, the loan was defaulted triggered by the defaults of a joint venture's loan guaranteed by the Group, and therefore became immediately repayable if requested by the lenders (Note 2.1).

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

34 INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Overall collateral arrangements for bank and other borrowings

As at 31 December 2021 and 2020, pledged assets as collateral for the Group's borrowings were as follows:

	2021	2020
Leasehold land (Note 20)	**–**	527
Investment properties (Note 19)	**2,021,300**	2,016,500
Properties held or under development for sale (Note 24)	**–**	24,071
Property, plant and equipment (Note 17)	**78,699**	74,012
Right-of-use assets (Note 18)	**40,301**	41,528
Bank deposits (Note 28)	**37,364**	2,641

The weighted average effective interest rates for these borrowings at the end of the reporting period were as follows:

	2021			2020		
	HK$	**US$**	**RMB**	HK$	US$	RMB
Long-term bank borrowings	**–**	**–**	**5.56%**	–	–	5.75%
Other long-term borrowings	**–**	**6.36%**	**7.48%**	7.50%	6.35%	7.56%

As bank loans are all borrowed at prevailing market interest rates, which would be adjusted from time to time in line with interest rate changes in the market, the carrying amounts of the bank loans approximate to their fair values.

The carrying amounts of the borrowings are denominated in the following currencies:

	2021	2020
HK$	**–**	114,041
US$	**1,100,557**	1,052,094
RMB	**3,140,821**	3,409,804
	4,241,378	4,575,939

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35 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes, if any, levied by the same tax authority on the same taxable entity. As of 31 December 2021 and 2020, the majority of deferred tax assets and liabilities are to be recovered after more than 12 months.

The net movements in the deferred tax account are as follows:

	2021	2020
At beginning of year	**1,145,297**	1,192,159
Recognised in profit or loss (Note 12)	**(36,854)**	(46,862)
Recognised in other comprehensive income or loss	**474**	–
Acquisition of a subsidiary (Note 43)	**219,492**	–
At end of year	**1,328,409**	1,145,297

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Difference in accounting and tax bases arising from share transfer consideration	**Difference in accounting and tax bases arising from net lease liabilities**	**Difference in accounting and tax bases arising from financial assets at FVOCI**	**Total**
At 1 January 2020	242,837	1,032	–	243,869
Recognised in profit or loss	–	(167)	9,302	9,135
At 31 December 2020	242,837	865	9,302	253,004
Recognised in profit or loss	–	(139)	–	(139)
Recognised in other comprehensive income or loss	–	–	(474)	(474)
At 31 December 2021	242,837	726	8,828	252,391

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For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

35 DEFERRED TAX *(continued)*

Deferred tax liabilities

	Fair value gains	Excess of fair value over book value in the subsidiaries as a result of business combination	Withholding taxes	Others	Total
At 1 January 2020	590,952	524,288	249,316	71,472	1,436,028
Recognised in profit or loss	(47,258)	2,056	(6,657)	14,132	(37,727)
At 31 December 2020	543,694	526,344	242,659	85,604	1,398,301
Recognised in profit or loss	(36,800)	(5,374)	(9,147)	14,328	(36,993)
Acquisition of a subsidiary (Note 43)	–	219,492	–	–	219,492
At 31 December 2021	506,894	740,462	233,512	99,932	1,580,800

As at 31 December 2021 and 2020, no deferred tax asset arose from unused tax losses.

Deferred tax assets have not been recognised in respect of the following items:

	2021	2020
Tax losses	**2,287,702**	2,308,185

The above tax losses arising in Mainland China for offsetting against future taxable profit will expire in one to five years. Deferred tax assets have not been recognised in respect of the tax losses mentioned above as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which these temporary differences can be utilised.

Pursuant to the resolution of the Board of Directors of the Company, part of PRC subsidiaries' profits generated from 2011 onwards will be retained by PRC subsidiaries for use in future operations or investments. In the opinion of the directors, it is probable that the temporary differences relating to the profits that are not expected to be distributed in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB700 million (2020: approximately RMB721 million).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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36 CONTRACT LIABILITIES

	2021	2020
Contract liabilities	**71,925**	546,270

The Group conducts the pre-sale of properties when they are still under development. As contracted with customers, advances amounting to a substantial portion of sales consideration are paid to the Group shortly from the signing of the pre-sales contract. Such amounts held by the Group are non-interest-bearing.

Revenue from sales of properties totalled approximately RMB546 million was recognised in current reporting year that was included in the contract liability balance at the beginning of the year. Management expects that the majority of the contract amount allocated to unsatisfied performance obligations totalled RMB61 million as of 31 December 2021 will be recognised as revenue from sales of properties during the next reporting year.

37 TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, from the date when they were incurred, is as follows:

	2021	2020
Within 1 year	**218,592**	271,612
1 to 2 years	**83,621**	97,720
Over 2 years	**182,597**	76,556
	484,810	445,888

Trade payables represent payables arising from property construction and land development. The trade payables are non-interest-bearing and are normally settled within one year.

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38 OTHER PAYABLES AND ACCRUALS

	2021	2020
Other tax and surtaxes payable	70,898	19,541
Dividends payable to non-controlling interests of subsidiaries	25,700	25,700
Relocation costs payable	81,026	191,026
Deposits from a tenant	50,000	61,000
Deposits from stores, rents received for developers and public utility fees collected and paid for tenants	36,222	28,271
Payroll and welfare payable	36,239	40,380
Accrued interest	383,261	221,281
Payable to the former non-controlling interests of a disposed subsidiary	17,000	17,000
Payables to related parties (Note 46)	836,636	827,559
Advance received in relation to disposal of an associate	19,600	–
Accruals of penalties on idle land	–	7,686
Others	453,510	381,659
	2,010,092	1,821,103

Other payables are non-interest-bearing and are normally settled within one year.

39 OTHER NON-CURRENT LIABILITIES

	2021	2020
Other non-current liabilities	286,687	–

During 2021, a third party developer and the Group reached agreement to co-develop certain vacant parcel of land ("the Land") within a joint venture of the Group, later become a subsidiary of the Group (Note 43), in which the third party developer agreed to purchase 30% of related beneficial interests arising from the future development of the Land. Pursuant to the agreement, RMB345,170 thousand has been paid through netting off previous entrusted loan of RMB330,120 thousand (Note 34(b)) and previous advances of RMB15,050 thousand received from the third party. The related beneficial interests of the Land will be realised upon development and sales of the properties on the Land, and is regarded as liabilities of the Group. The present value of the liabilities at both transaction date and 31 December 2021 is estimated at approximately RMB286,687 thousand, and resulted in a gain of approximately RMB58,483 thousand (Note 6).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

40 CASH FLOW INFORMATION

(a) Cash used in operations

Reconciliation of loss before income tax to cash used in operations:

	2021	2020
Profit/(loss) before income tax adjustments for:	28,241	(966,665)
Depreciation of property, plant and equipment	9,174	7,741
Depreciation of right-of-use assets	10,355	10,311
Net gain from disposal of property, plant and equipment	(78)	(785)
Share of results of associates	(9,918)	(81,114)
Share of results of joint ventures	(30,047)	57,067
Net fair value loss on investment properties	147,200	189,033
Provision for impairment of properties held or under development for sale	13,797	52,222
Reversal of impairment of prepaid land lease payments	(2,260)	142,696
Provision for impairment of other financial assets at amortised cost	14,599	64,337
(Reversal of)/provision for impairment of other receivables	(33,947)	175,117
Provision for impairment of trade receivables	5,179	–
Reversal of impairment of other non-current asset	(157)	(14)
(Reversal of)/provision for impairment of investment in joint ventures	(44,470)	12,581
Provision for impairment of investment in associates	–	268,735
Reversal of impairment of investment in property, plant and equipment	(20,165)	–
Provision for impairment of financial assets at FVOCI	–	37,208
Provision for impairment of prepayments	–	1,500
Net gain from disposal of subsidiaries and interests in a joint venture	–	(81,418)
Net gain on disposal of receivables	(104,619)	–
Gain on revaluation of other financial liability at amortised cost	(58,483)	–
Adjustment of prior year transactions with non-controlling interests arising from court judgement of Mr. Peng Xinkuang	14,500	–
Losses from disposal of financial assets at FVOCI	–	43,818
Provision for goodwill	–	16,271
Finance costs	267,365	208,229
Interest income from loans receivable due from related parties	(110,389)	(102,681)
Income from guarantee provided to a joined venture	(13,730)	(36,735)
	82,147	17,454
Decrease in prepaid land lease payments	64,209	31,622
Decrease/(increase) in properties held or under development for sale	223,583	(86,573)
(Increase)/decrease in inventories	(593)	400
Decrease/(increase) in prepayments and other current assets	38,833	(27,844)
Decrease/(increase) in other receivables	69,224	(149,460)
Decrease/(increase) in trade receivables	11,865	(30,484)
Decrease in trade payables	(66,929)	(8,517)
Decrease in other payables and accruals	(51,520)	(25,145)
(Decrease)/increase in contract liabilities	(487,202)	250,479
Cash used in operations	(116,383)	(28,068)

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For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

40 CASH FLOW INFORMATION *(continued)*

(b) Non-cash investing activities

	2021	2020
Investment in joint ventures	290,562	–

The Group decided to convert the receivable from joint ventures of RMB291 million to equity investment in the joint ventures during the year ended 31 December 2021.

(c) Net debt reconciliation

An analysis of net debt and the movements in net debt as follows:

Net debt

	2021	2020
Cash and cash equivalents	70,521	379,654
Borrowings — repayable within one year	(896,749)	(1,511,281)
Borrowings — repayable after one year	(3,344,629)	(3,064,658)
Lease Liabilities	(34,596)	(38,281)
Other non-current liabilities	(286,687)	–
Net debt	(4,492,140)	(4,234,566)

		Liabilities from financing activities				
	Cash and cash equivalents	Borrowings due within one year	Borrowings due after one year	Lease liabilities	Other non-current liabilities	Total
Net debt as at 31 December 2019	518,956	(697,855)	(3,938,973)	(42,563)	–	(4,160,435)
Net cash flows	(138,633)	105,496	46,135	5,268	–	18,266
Foreign exchange adjustments	(669)	(2,511)	80,840	–	–	77,660
Amortisation of discount or premium	–	–	(8,218)	(986)	–	(9,204)
Other changes	–	–	(160,853)	–	–	(160,853)
Reclassification of current/non-current liabilities	–	(916,411)	916,411	–	–	–
Net debt as at 31 December 2020	379,654	(1,511,281)	(3,064,658)	(38,281)	–	(4,234,566)
Net cash flows	(309,133)	316,291	(336,996)	5,829	–	(324,009)
Foreign exchange adjustments	–	–	25,146	–	–	25,146
Amortisation of discount or premium	–	–	–	(2,144)	–	(2,144)
Other changes	–	330,120	–	–	(286,687)	43,433
Reclassification of current/non-current liabilities	–	(31,879)	31,879	–	–	–
Net debt as at 31 December 2021	70,521	(896,749)	(3,344,629)	(34,596)	(286,687)	(4,492,140)

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

41 OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for remaining terms mainly ranging from 1 to 14 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2021, the Group had total future minimum lease receivables under operating leases with its tenants falling due as follows:

	2021	2020
Within one year	**82,527**	89,003
In the second to fifth years, inclusive	**209,893**	241,682
After five years	**277,273**	98,219
	569,693	428,904

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms mainly ranging from one to two years.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term leases, see Note 18 for further information. At 31 December 2021, the Group had total future minimum lease payments under non-cancellable operating leases which was not recognised as right-of-use assets as follows:

	2021	2020
Within one year	**447**	359

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42 COMMITMENTS AND CONTINGENCIES

(a) The Group had the following capital commitments and commitments in respect of property development for sale, investment properties and investment in an associate at the end of the reporting period:

	2021	2020
Contracted, but not provided for		
Properties held or under development for sale	259,334	47,535
Committed investments in a land development	68,251	63,437
Committed investments in an associate	15,640	15,640
	343,225	126,612

(b) The Group provides guarantees in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates when the relevant mortgage loans are granted and end when the purchasers pledge related property certificates as security to the banks offering the mortgage loans. The Group entered into guarantee contracts of principal amounts totalling approximately RMB148 million (2020: approximately RMB165 million) and these contracts were still effective as at the close of business on 31 December 2021.

The Group did not incur any material losses during the financial year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The directors consider that the probability of default of purchasers is remote and even in case of default on payments, the net realisable value of the related properties is expected to be sufficient to cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, because the principal of each of the mortgage loans was normally below 70% of the sales price of the properties at the date of the sales agreement, and therefore no provision has been made in connection with the guarantees.

(c) The Group also provided guarantee to the bank loan for a joint venture of the Group. As at 31 December 2021, such guarantee amounted to approximately RMB4,452 million (2020: approximately RMB3,452 million).

Meanwhile, the Group provided a completion guarantee on the development of a joint venture in relation to the development loans with drawn amount of US$285.38 million as at 31 December 2021 (31 December 2020: US$178.36 million). Relevantly, the Group provided a deposit of US$13.35 million (equivalent to RMB85 million) as at 31 December 2021 (31 December 2020: US$24.92 million, equivalent to RMB162 million) as guarantor's letter of credit for the loan apart from the guarantee above (Note 31).

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43 BUSINESS COMBINATION

(a) Summary of acquisition

The Group owned 72.36% of all beneficial interests of certain Relevant Business of Golden Luodian pursuant to purchase agreements in 2016. The Relevant Business of Golden Luodian was held by entities under China New Town Development Company Limited ("CNTD") on behalf of the Group since 2016 and had been treated as a joint venture of the Group until July 2021. After successful restructuring activities, all Relevant Business of Golden Luodian were transferred into Shanghai Malaren Lake Real Estate Development Limited ("Malaren Lake"), and the Group acquired 72.36% equity interests in Malaren Lake from CNTD entities during 2021. The registration of the transfer was completed in July 2021, and Malaren Lake became a subsidiary of the Group since then. No consideration is involved in this transaction.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
Cash	47,455
Prepaid land lease payments	37,768
Properties held or under development for sale	917,535
Land and buildings	49,626
Property, plant and equipment	135,983
Investment properties	189,000
Prepayments and other current assets	89,658
Trade payables	(105,851)
Other payables and accruals	(1,150,445)
Contract liabilities	(12,857)
Deferred tax liability	(219,492)
Net identifiable assets acquired	(21,620)
Less: non-controlling interests	5,917
Add: goodwill (i)	15,703
Net assets acquired	–

(i) The goodwill is not recognised and RMB15,703 thousand is expensed in consolidated statement of profit or loss.

(b) Purchase consideration — cash inflow

	2021
Cash consideration	–
Add: Balances acquired	47,455
Net inflow of cash and cash equivalents— investing activities	47,455

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44 DISPOSAL OF SUBSIDIARIES IN 2020

(a) In April 2020, the Group disposed of 50% of its equity interests in a then wholly owned subsidiary of the Company, Revenue Concept, which held 92.91% of equity interests in Sinclair, one of the joint ventures of the Group, for a consideration of approximately GBP8.86 million including a principal of GBP7.65 million and unsettled interest of GBP1.21 million as at date of disposal (equivalent to approximately RMB77.92 million) through settlement of payables to a third party and recorded part of disposal gain of approximately RMB7.81 million. After the transaction, Revenue Concept also became a joint venture of the Group which includes the interests in the joint venture of Sinclair. After the disposal of 50% equity interest in Revenue Concept, the 50% remaining interests held by the Group was remeasured to its fair value of approximately RMB75.28 million at the date when control was lost, and the difference with its then carrying amount of approximately RMB5.17 million was recognised as part of disposal gain. As such, the Group recorded a disposal gain of approximately RMB12.98 million.

	2020
Net assets disposed of:	
Long term investment	36,810
Other receivables	48,806
Cash and cash equivalents	83,528
Other payables and accruals	(20,484)
Current income tax liabilities	(8,436)
100% of net assets disposed at book value	140,224
Fair value of 50% retained interest accounted for as a joint venture	(75,280)
Gain on disposal of a subsidiary	12,978
Satisfied by cash	–
Satisfied by settlement of liability	77,922

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2020
Cash proceeds received	–
Cash and bank balances disposed of	(83,528)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	(83,528)

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45 WITH MATERIAL NON-CONTROLLING INTERESTS AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Details of the Group's subsidiaries that has material non-controlling interest are set out below:

	Bairun	
	2021	2020
Percentage of equity interest held by non-controlling interest:	**49.00%**	49.00%

	Bairun	
	2021	2020
Loss for the year allocated to non-controlling interest:	**(520)**	(657)
Transaction with non-controlling interests	**–**	–
Accumulated balance of non-controlling interests at the reporting dates	**130,648**	131,168

The following tables illustrate the summarised financial information of Bairun.

	Bairun	
	2021	2020
Revenue	**20,424**	26,867
Total expenses	**17,494**	26,253
Other (gains)/losses	**18**	(50)
Loss for the year	**(1,062)**	(1,340)
Total comprehensive loss for the year	**(1,062)**	(1,340)
Current assets	**745,420**	748,770
Non-current assets	**38**	40
Current liabilities	**(475,552)**	(477,843)
Non-current liabilities	**(3,278)**	(3,278)
Net cash flows (used in)/from operating activities	**(6,837)**	84,443
Net cash flows from investing activities	**–**	–
Net cash flows used in financing activities	**–**	(1,993)

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45 WITH MATERIAL NON-CONTROLLING INTERESTS AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(continued)*

(b) In August 2021, the Group acquired 49% non-controlling interests in Dalian SRE Property Development Co., Ltd. ("Dalian SRE") at a total consideration of RMB25.24 million. After the transaction, Dalian SRE become wholly owned by the Group. The carrying amounts of the non-controlling interests on the date of acquisition were RMB2.50 million.

The effect of acquisition of equity interests in Dalian SRE on the equity attributable to owners of the Company during the year is summarised as follows

	2021
Carrying amount of net assets purchased from non-controlling interests	**2,502**
Consideration paid to non-controlling interests	**(25,241)**
Loss from consideration paid recognised within equity	**(22,739)**

46 RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following significant transactions and balances with related parties.

(a) Name and relationship with related parties

Name	**Relationship**
Broadband	An associate of the Group
New Technology	An associate of the Group
CMIG Southern China (Guangzhou) Real Estate Co., Ltd. ("CMIG Southern")	A related party of an associate of the Group
Da Run	A joint venture of the Group
Relevant Business of Golden Luodian	A joint venture of the Group before July 2021
Mayson	An associate of the Group
Shanghai Shuo Cheng Real Estate Co., Ltd. ("Shuo Cheng")	A subsidiary of an associate of the Group
Jinxin Real Estate	A joint venture of the Group
SRE Asset	An associate of the Group
Changsha Horoy	A joint venture of the Group
NAPA	A joint venture of the Group
75 Howard	A joint venture of the Group
Revenue Concept	A joint venture of the Group
Jiasheng	A fellow subsidiary of the Group
Jiahuang	A fellow subsidiary of the Group
Ningbo Jia Miao	An associate of the Group
China Minsheng Jiaye	The Company's parent company

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46 RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

(i) Advances to related parties

	2021	2020
Jinxin Real Estate	362,800	222,500
Changsha Horoy	200,000	140,500
Relevant Business of Golden Luodian	694	15,630
NAPA	–	17,026
	563,494	395,656

(ii) Repayment from related parties

	2021	2020
Relevant Business of Golden Luodian	200	36,215
Broadband	184	139
Shuo Cheng	–	48,000
	384	84,354

(iii) Fundings/advances received from related parties

	2021	2020
Broadband	178	111
Revenue Concept	–	34,418
	178	34,529

(iv) Repayment to the parent company

	2021	2020
China Minsheng Jiaye	151,613	104,531

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46 RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties *(continued)*

(v) Interest income from related parties

	2021	2020
Changsha Horoy	**79,637**	52,620
Relevant Business of Golden Luodian	**27,217**	43,471
Jinxin Real Estate	**85,370**	27,493
NAPA	**4,812**	3,219
	197,036	126,803

Interest income from related parties represents gross interest income before elimination of the Group's share of the interest income.

(vi) Interest expenses charged by related parties

	2021	2020
China Minsheng Jiaye	**153,504**	142,315
Jiasheng	**57,561**	55,275
Jiahuang	**7,224**	2,414
	218,289	200,004

(vii) Compensation to key management personnel of the Group

	2021	2020
Salaries and other short-term employee benefits	**7,700**	6,840

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

46 RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties *(continued)*

(viii) Guarantees provided to related parties

(a) The Group provided guarantee to the bank loan for Jinxin Real Estate, a joint venture of the Group. As at 31 December 2021, such guarantee amounted to approximately RMB4,452 million (31 December 2020: approximately RMB3,452 million). For the year ended 31 December 2021, the Group charged RMB28 million (2020: approximately RMB72 million) (before consolidation elimination) of income from Jinxin Real Estate in relation to this guarantee.

(b) The Group provided a completion guarantee on the development of 75 Howard, a joint venture of the Group in relation to the development loans with drawn amount of US$285.38 million (approximately RMB1,819.48million) as at 31 December 2021 (2020: US$178.36 million, approximately RMB1,164 million). Relevantly, the Group provided a deposit of US$13.35 million (approximately RMB 85million) (2020: US$24.92 million, approximately RMB163 million) as guarantor's letter of credit for the loan apart from the guarantee above.

(c) Related-party balances

(i) Trade receivable due from a related party

	2021	2020
Broadband	247	247

(ii) Trade payable due to a related party

	2021	2020
New Technology	109	109

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46 RELATED PARTY TRANSACTIONS *(continued)*

(c) Related-party balances *(continued)*

(iii) Other receivables due from related parties

	2021	2020
Jinxin Real Estate	**350,081**	542,583
Relevant Business of Golden Luodian	**–**	413,325
Mayson	**149,678**	154,071
Ningbo Jia Miao	**4,900**	4,900
CMIG Southern	**3,736**	3,736
	508,395	1,118,615
Less: provision for impairment	**(18,508)**	(17,868)
	489,887	1,100,747

Amounts due from related parties are unsecured, bear no interest and are repayable on demand.

(iv) Other payable due to related parties

	2021	2020
Shuo Cheng	**836,560**	827,489
Broadband	**76**	70
	836,636	827,559

Amounts due to related parties are unsecured, bear no interest and are repayable on demand.

(v) Prepayments due from a related party

	2021	2020
Da Run	**1,500**	1,500
Less: provision for impairment	**(1,500)**	(1,500)
	–	–

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

46 RELATED PARTY TRANSACTIONS *(continued)*

(c) Related-party balances *(continued)*

(vi) Loans receivable due from related parties

	2021	2020
Changsha Horoy (b)	**573,291**	573,291
Jinxin Real Estate (c)	**637,800**	275,000
NAPA (d)	**37,785**	38,683
Relevant Business of Golden Luodian (a)	**–**	676,675
	1,248,876	1,563,649
Less: provision for impairment	**(34,605)**	(100,419)
	1,214,271	1,463,230

(a) As at 31 December 2020, the loans receivable due from Relevant Business of Golden Luodian are interest-bearing loans of approximately RMB677 million with an interest rate of 8% per annum.

(b) The loans receivable due from Changsha Horoy are interest-bearing loans of approximately RMB433 million (2020: RMB433 million) with an interest rate of 10% per annum and RMB140 million (2020: RMB140 million) with an interest rate of 15% per annum.

(c) The loans receivable from Jinxin Real Estate are interest-bearing loans of RMB80 million (2020: RMB80 million) with an interest rate of 24% per annum ; RMB358 million (2020: RMB195 million) with an interest rate of 15% per annum, and RMB200 million (2020: Nil) with an interest rate of 12.5% per annum.

(d) The loans receivable due from NAPA are interest-bearing loans of approximately RMB38 million (2020: RMB39 million) with a compound interest rate of 10.5% per annum.

Interests receivable from related parties in relation to the loans above are summarised as below:

	2021	2020
Changsha Horoy (a)	**250,810**	169,953
Jinxin Real Estate (b)	**112,863**	27,493
NAPA (c)	**10,094**	5,468
Relevant Business of Golden Luodian	**–**	354,587
	373,767	557,501
Less: provision for impairment	**(10,357)**	(356,535)
	363,410	200,966

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

46 RELATED PARTY TRANSACTIONS *(continued)*

(c) Related-party balances *(continued)*

(vi) Loans receivable due from related parties (continued)

(a) The interests receivable from Changsha Horoy of approximately RMB128 million bear interest rate of 10% per annum together with the loans receivable.

(b) The interests receivable from Jinxin Real Estate of approximately RMB49 million bear interest rate of 24% per annum and RMB35 million bear interest rate of 15% per annum together with the loans receivable.

(c) The interests receivable from NAPA of approximately RMB10 million bear interest rate of 10.5% per annum together with the loans receivable.

Except for the above interests receivable from related parties, the other balances under interests receivable are non-interest-bearing and are normally settled within one year.

(vii) Loans from related parties

	2021	2020
Non-current		
— China Minsheng Jiaye	**2,175,951**	2,012,564
— Jiasheng	**988,344**	954,220
— Jiahuang	**80,334**	65,249
	3,244,629	3,032,033

Interests payable to related parties in relation to the loans above are summarised as below:

	2021	2020
China Minsheng Jiaye	**223,187**	111,569
Jiasheng	**29,855**	28,896
Jiahuang	**9,683**	2,398
	262,725	142,863

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

47 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2021	2020
Financial assets		
Financial assets at FVOCI	39,955	38,056
Financial assets at amortised cost		
— Other financial assets at amortised cost	1,214,271	1,463,229
— Other receivables	1,273,824	1,857,011
— Trade receivables	25,013	42,057
Cash and bank balances	107,885	382,295
Other non-current assets	85,074	162,401
	2,746,022	3,945,049
Financial liabilities		
Financial liabilities at amortised cost		
— Interest-bearing bank and other borrowings	4,241,378	4,575,939
— Trade payables	484,810	445,888
— Other payable and accruals	1,519,694	1,555,821
— Other non-current liabilities	286,687	–
Lease liabilities	34,596	38,281
	6,567,165	6,615,929

48 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair values of financial assets and liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about the various financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market or when current market prices are not available, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and bank balances, receivables and financial assets at FVOCI.

The Group's financial liabilities mainly include interest-bearing bank and other borrowings and payables.

The fair values of the Group's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and appropriate valuation models.

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

48 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair values of financial assets and liabilities *(continued)*

Assets and liabilities measured at fair value:

Financial assets at FVOCI of the Group are measured at fair value.

The following table presents the Group's financial assets that are measured at fair value at 31 December 2021. See Note 19 for disclosures of the investment properties that are also measured at fair value.

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVOCI (Note 16)	**–**	**–**	**39,955**	**39,955**

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI (Note 16)	–	–	38,056	38,056

There were no transfers between level 1 and 2 for the year ended 31 December 2021 and 2020.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest-bearing loans, and cash and bank deposits. The main purpose of these financial instruments is to raise funds to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group does not enter into derivative transactions for trading purposes. The Group's accounting policies in relation to derivatives are set out in Note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its interest-bearing bank and other borrowings. Borrowings at variable rate expose the Group to cash flow interest-rate risk. Borrowings issued at fix rates expose the Group to fair value interest-rate risk. The Group does not use derivative financial instruments to manage its interest rate risk. The interest rates and terms of repayment of the borrowings are disclosed in Note 34.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates of the major currencies in which the Group's borrowings are denominated, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate borrowings). The Group's equity is not affected, except for the consequential effect on retained profits (a component of the Group's equity) by the changes in profit before income tax.

	2021 **Impact on profit before income tax**	2020 Impact on profit before income tax
Changes in variables — RMB interest rate		
+50 basis points	**(4,534)**	(5,330)
–50 basis points	**4,534**	5,330

Foreign currency risk

Most of the Group's operating entities operate in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange risk with only limited exposure arising primarily with respect to cash at banks and bank borrowings, which are mainly denominated in US$, HK$ and GBP.

Renminbi is not a freely convertible currency. The conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$, the HK$ and the GBP exchange rates, with all other variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities). The Group's equity is not affected, except for the consequential effect on retained profits (a component of the Group's equity) by the impact on profit before income tax as disclosed below.

	2021 Impact on profit before income tax	2020 Impact on profit before income tax
Changes in exchange rate of US$ against Renminbi		
+5%	(4,466)	(5,008)
–5%	4,466	5,008
Changes in exchange rate of HK$ against Renminbi		
+5%	7,570	2,022
–5%	(7,570)	(2,022)
Changes in exchange rate of GBP against Renminbi		
+5%	435	1,230
–5%	(435)	(1,230)

Credit risk

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. 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.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

(a) Cash in banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited with state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(b) Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss also incorporate forward looking information. As at 31 December 2021 and 2020, the loss allowance was immaterial for trade receivables.

(c) Other receivables and other financial assets at amortised cost

The Group uses three categories for other receivables and other financial assets at amortised cost 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	Group definition of category	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flow	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime	Gross carrying amount
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected losses	Gross carrying amount
Stage three	Receivables for which there is credit loss since initial recognition	Lifetime expected losses	Amortised cost carrying amount (net of credit allowance)

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For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

(c) Other receivables and other financial assets at amortised cost (continued)

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.

(i) Other receivables

	Gross carrying amount	Expected credit loss rate	Loss allowance	Net Value
As at 31 December 2021				
Stage one	**1,116,013**	**1.94%**	**(21,637)**	**1,094,376**
Stage two	**10,849**	**12.30%**	**(1,334)**	**9,515**
Stage three	**1,354,915**	**87.46%**	**(1,184,982)**	**169,933**
Total	**2,481,777**		**(1,207,953)**	**1,273,824**
As at 31 December 2020				
Stage one	1,641,590	1.09%	(17,891)	1,623,699
Stage two	13,372	1.78%	(238)	13,134
Stage three	1,112,605	80.21%	(892,427)	220,178
Total	2,767,567		(910,556)	1,857,011

(ii) Other financial assets at amortised cost

	Gross carrying amount	Expected credit loss rate	Loss allowance	Net Value
As at 31 December 2021				
Stage one	**1,248,876**	**2.77%**	**(34,605)**	**1,214,271**
Total	**1,248,876**		**(34,605)**	**1,214,271**
As at 31 December 2020				
Stage one	886,972	0.96%	(8,513)	878,459
Stage three	1,391,057	57.96%	(806,287)	584,770
Total	2,278,029		(814,800)	1,463,229

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

(d) Other non-current assets

Other non-current assets are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses and immaterial.

(e) Financial assets at FVOCI

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through other comprehensive income. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

(f) 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.

The Group also provides guarantees to certain joint ventures of the Group, together with other investors and related parties of the Group, to obtain borrowings after assessing the credit history and pledge information of these related parties. The Group closely monitors the repayment progress of the relevant borrowings by these related parties. The relevant borrowings of these related parties have pledges on their property development projects which are located in prime locations in gateway cities. If the related party defaults on the payments of its borrowings, the bank holding the guarantee may either divest their interests over the pledged assets, or demand the guarantor including the Group, to repay the outstanding principals of the loan and any interest accrued thereon. Under such circumstances, in the opinion of the directors of the Group, the divestment of these pledged assets and interests are more effective and the values are sufficient for the bank to recover its outstanding loans, thus the likelihood of the Group to fulfil its guarantee obligation is minimal and the financial guarantees measured at fair value is immaterial.

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For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

	2021					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank and other borrowings (including interest payment)	864,870	47,779	43,147	4,270,771	62,708	5,289,275
Trade payables	82,280	6,316	117,657	278,557	–	484,810
Other payable and accruals	989,035	119,125	411,534	–	–	1,519,694
Other non-current liabilities	–	–	–	286,687	–	286,687
Lease liabilities	–	797	2,390	31,409	–	34,596
	1,936,185	174,017	574,728	4,867,424	62,708	7,615,062

	2020					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank and other borrowings(including interest payment)	1,473,729	29,185	161,231	3,601,495	113,731	5,379,371
Trade payables	66,866	11,659	95,743	271,620	–	445,888
Other payable and accruals	969,456	7,686	578,679	–	–	1,555,821
Lease liabilities	–	1,421	4,261	32,599	–	38,281
	2,510,051	49,951	839,914	3,905,714	113,731	7,419,361

Management has assessed that the fair values of trade payables and others approximate to their carrying amounts largely due to the short term maturities of these instruments.

Please refer to Note 2.1 for analysis of going concern basis of preparation.

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49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

As the Group is mainly engaged in the development of properties and operation of investment properties, it needs a substantial amount of funds. The Group monitors capital using a gearing ratio, as defined by management for capital management purposes, which is net debt divided by capital plus net debt.

Net debt includes interest-bearing bank and other borrowings, lease liabilities, less cash and bank balances. Capital includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios are calculated as follows:

	2021	2020
Interest-bearing bank and other borrowings (Note 34)	**4,241,378**	4,575,939
Lease liabilities	**34,596**	38,281
Less: Cash and bank balances (Note 28)	**(107,885)**	(382,295)
Net debt	**4,168,089**	4,231,925
Equity attributable to owners of the Company	**4,214,974**	4,183,606
Non-controlling interests	**268,435**	287,287
Capital	**4,483,409**	4,470,893
Capital and net debt	**8,651,498**	8,702,818
Gearing ratio	**48%**	49%

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50 INFORMATION ABOUT SUBSIDIARIES

As at 31 December 2021, the Company had direct or indirect interests in the following principal subsidiaries:

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Sinopower Investment Limited	BVI 1 October 1998	100%	–	US$52	US$50,000	Investment holding
Shanghai Xin Dong Industry Co., Ltd.	PRC/Mainland China 28 May 1993(2)	–	100%	US$3,457,729	US$3,457,729	Property leasing and real estate agency
Shanghai Oasis Garden Real Estate Co., Ltd. ("Oasis Garden")	PRC/Mainland China 29 September 1998(2)	–	100%	US$19,600,000	US$19,600,000	Property development
Shanghai Wingo Infrastructure Co., Ltd.	PRC/Mainland China 4 August 1999(2)	–	100%	US$20,000,000	US$20,000,000	Development of technology housing and provision of construction services
Shanghai Zhufu Property Development Co., Ltd. ("Zhufu")	PRC/Mainland China 11 August 2000(3)	–	51%	RMB10,000,000	RMB10,000,000	Property development
Anderson Land (Shanghai) Ltd.	BVI 29 September 2001	–	52%	US$100	US$50,000	Investment holding
Shanghai Anderson Fuxing Land Co., Ltd.	PRC/Mainland China 16 April 2002(2)	–	52.48%	US$20,000,000	US$20,000,000	Property development
Shanghai Hangtou Govern Real Estate Co., Ltd.	PRC/Mainland China 14 June 2002(2)	–	98%	US$10,000,000	US$10,000,000	Property development
Shanghai Andong Real Estate Development Ltd.	PRC/Mainland China 18 October 2007(3)	–	99%	RMB370,000,000	RMB370,000,000	Property development
Shanghai Jinwu Real Estate Co., Ltd.	PRC/Mainland China 12 August 2002(3)	–	97%	RMB442,235,160	RMB442,235,160	Property development and property leasing
Shenyang Huarui Shiji Asset Management Co., Ltd. ("Huarui Asset Management")	PRC/Mainland China 30 October 2007(1)	–	100%	US$31,936,200	US$31,936,200	Property leasing
Shanghai Shangzhi Real Estate Development Co., Ltd.	PRC/Mainland China 16 October 2008(3)	–	100%	RMB10,000,000	RMB10,000,000	Property development

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50 INFORMATION ABOUT SUBSIDIARIES *(continued)*

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest Held by the Company	Proportion of ownership interest Indirectly held	Issued and paid-up capital	Authorised share capital	Principal activities
Shanghai Xiangdao Real Estate Ltd. ("Xiangdao")	PRC/Mainland China 21 July 2009[3]	–	100%	RMB330,000,000	RMB330,000,000	Property development
Shanghai Xiabo Industry Ltd. ("Xiabo")	PRC/Mainland China 14 September 1995[3]	–	100%	RMB3,000,000	RMB3,000,000	Property development
Shanghai Haibo Property Development Co., Ltd. ("Haibo")	PRC/Mainland China 27 December 1996[3]	–	100%	RMB15,000,000	RMB15,000,000	Property development
Shanghai Bairun Real Estate Co., Ltd. ("Bairun")	PRC/Mainland China 16 May 2002[3]	–	51%	RMB605,500,000	RMB605,500,000	Property development
Wuxi Zhongqing Real Estate Co., Ltd. ("Wuxi Zhongqing")	PRC/Mainland China 11 July 2008[3]	–	100%	RMB85,000,000	RMB85,000,000	Property development
Jiaxing Lake Richgate Real Estate Co., Ltd. ("Jiaxing Lake Richgate")	PRC/Mainland China 26 September 2007[3]	–	100%	RMB335,114,300	RMB335,114,300	Property development
Shanghai Zhiyi Enterprise Ltd.	PRC/Mainland China 14 March 2011[2]	–	100%	RMB500,000,000	RMB500,000,000	Procurement management
Dalian Shangzhi Real Estate Development Co., Ltd.	PRC/Mainland China 19 July 2013[3]	–	100%	RMB30,000,000	RMB30,000,000	Property development
Shanghai Zhi Yi Investment Ltd.	PRC/Mainland China 21 January 2014[3]	–	100%	RMB100,000,000	RMB100,000,000	Investment
Chengdu Shangzhi Real Estate Co., Ltd	PRC/Mainland China 20 December 2010[3]	–	100%	RMB20,000,000	RMB20,000,000	Property development
Shanghai Lake Malaren Obstetrical and Gynecological Hospital Co., Ltd.	PRC/Mainland China 17 October 2013[3]	–	100%	RMB10,000,000	RMB10,000,000	Hospital
Shanghai Lake Malaren Corporate Development Co., Ltd	PRC/Mainland China 8 April 2014[3]	–	72.63%	RMB70,000,000	RMB70,000,000	Property development
Shanghai Lake Malaren Commercial Management Co., Ltd	PRC/Mainland China 8 April 2014[3]	–	72.63%	RMB70,000,000	RMB70,000,000	Property development

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50 INFORMATION ABOUT SUBSIDIARIES *(continued)*

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Shanghai Malaren Lake Real Estate Development Limited	PRC/Mainland China 8 April 2014[(3)]	–	72.63%	–	RMB20,000,000	Property development
Jiangsu Jiaye SRE Commercial Factoring Limited	PRC/Mainland China 10 February 2017[(3)]	–	80%	RMB100,000,000	RMB100,000,000	Factoring
Qingdao Zhongtong Environmental Fund Center (Limited Partnership)	PRC/Mainland China 16 October 2017[(4)]	–	100%	RMB90,010,000	RMB90,010,000	Investment
Zhongtong Wanfang Construction and Development (Zhangjiakou) Co., Ltd.	PRC/Mainland China 21 November 2017[(3)]	–	90%	RMB100,000,000	RMB100,000,000	Construction
Gullveig Investment Co., Ltd.*	Cambodia 30 January 2018	–	100%	US$250,000	US$250,000	Investment
Valkyrie Investment Co., Ltd.*	Cambodia 30 January 2018	–	100%	US$260,000	US$260,000	Investment
Romduol Overseas Co., Ltd.	Cambodia 30 January 2018	–	100%	KHR4,000,000,000	KHR4,000,000,000	Property development

* Although the Group holds less than 50% of these Cambodian companies legally, the other shareholders are deprived of the rights and obligations of these interests so that the Group, in substance, holds 100% interest in these Cambodian companies.

(1) Registered as wholly foreign owned limited liability companies under PRC law.

(2) Registered as sino-foreign limited liability companies under PRC law.

(3) Registered as domestic limited liability companies under PRC law.

(4) Registered as domestic partnership.

The above table lists the subsidiaries of the Group 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.

Other than disclosed above, the Company has several investment holding subsidiaries incorporated in the BVI, Hong Kong, the United Kingdom and the United States of America with nominal issued shares. All subsidiaries located in Mainland China are limited liability entities.

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For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

51 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021	2020
ASSETS		
Non-current assets		
Property, plant and equipment	10	15
Investments in subsidiaries	1,887,077	1,422,058
Advances to subsidiaries	2,723,238	3,298,930
	4,610,325	4,721,003
Current assets		
Dividends receivable from subsidiaries	1,951,622	1,951,622
Prepayments and other current assets	42,315	42,340
Cash and bank balances	46,966	20,956
	2,040,903	2,014,918
Total assets	6,651,228	6,735,921
EQUITY AND LIABILITIES		
Equity		
Issued share capital and share premium	6,747,788	6,747,788
Reserves	(1,546,925)	(1,502,484)
Total equity	5,200,863	5,245,304
LIABILITIES		
Non-current liabilities		
Interest-bearing bank and other borrowings	1,068,678	1,019,469
Current liabilities		
Interest-bearing bank and other borrowings	–	114,041
Other payables and accruals	381,687	357,107
	381,687	471,148
Total liabilities	1,450,365	1,490,617
Total equity and liabilities	6,651,228	6,735,921

The statement of financial position of the Company was approved by the Board of Directors on 26 April 2022 and was signed by the following Directors on its behalf:

Hong Zhihua
Chairman

Kong Yong
Acting Chief Executive Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Amounts presented in thousands of Renminbi unless otherwise stated)

51 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

A summary of the Company's reserves is as follows:

	Accumulated losses	Others	Total
Balance at 1 January 2021	**(1,829,112)**	**326,628**	**(1,502,484)**
Total comprehensive loss for the year	**(44,441)**	**–**	**(44,441)**
Balance at 31 December 2021	**(1,873,553)**	**326,628**	**(1,546,925)**

	Accumulated losses	Others	Total
Balance at 1 January 2020	(1,825,189)	326,628	(1,498,561)
Total comprehensive loss for the year	(3,923)	–	(3,923)
Balance at 31 December 2020	(1,829,112)	326,628	(1,502,484)

52 EVENTS AFTER THE REPORTING PERIOD

a) A joint venture failed to repay the accrued interest due on 21 March 2022

Subsequent to 31 December 2021, a joint venture failed to repay the interest of RMB181.5 million of the syndicated bank loan which the Group provided the guarantee. See details and impacts described in Note 2.1.

b) Impact of Coronavirus Disease 2019 (the "COVID-19 outbreak")

Due to the new wave of outbreak of COVID-19 in Shanghai and certain other cities in PRC since March 2022, a series of precautionary and control measures have been and continued to be implemented in Shanghai and certain other cities. In light of the negative impact brought upon by the COVID-19 outbreak in the short term, it may lead to extension of rent free period of certain existing lease contracts, extension of construction progress of properties and thus affecting the rental income and sales of properties in the coming periods. The Group will pay close attention to the development of the COVID-19 outbreak and its impact on the leasing market and property values, and will continue to perform relevant assessments and take proactive measures.

53 APPROVAL OF THESE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on 26 April 2022.