OCT 華僑城亚洲

Overseas Chinese Town (Asia) Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03366

ANNUAL REPORT 2021

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Dafan *(Chairman)*
Ms. Xie Mei *(Chief Executive Officer)*
Mr. Lin Kaihua

Non-Executive Director

Mr. Wang Wenjin

Independent Non-Executive Directors

Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon
Mr. Chu Wing Yiu

AUDIT COMMITTEE

Ms Wong Wai Ling *(Chairman)*
Professor Lam Sing Kwong Simon
Mr. Wang Wenjin

REMUNERATION COMMITTEE

Ms Wong Wai Ling *(Chairman)*
Professor Lam Sing Kwong Simon
Mr. Wang Wenjin

NOMINATION COMMITTEE

Mr. Zhang Dafan *(Chairman)*
Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Zhang Dafan *(Chairman)*
Ms. Xie Mei
Mr. Lin Kaihua
Mr. Chu Wing Yiu

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Fong Fuk Wai *(FCPA, FCCA)*

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

59/F., Bank of China Tower, 1 Garden Road, Hong Kong

REGISTERED OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman
Cayman Islands

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
8/F, Prince's Building, Central, Hong Kong

HONG KONG LEGAL ADVISERS

HW Lawyers

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Everbright Bank Co., Ltd. Hong Kong Branch
Hang Seng Bank Limited
China Development Bank Hong Kong Branch
Industrial Bank Co., Ltd. Hong Kong Branch
Nanyang Commercial Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17/F, Hopewell Centre
183 Queen's Road East, Hong Kong

STOCK INFORMATION

Listing Date: 2 November 2005
Stock Code: 03366
Stock Short Name: OCT (ASIA)

COMPANY'S WEBSITE

http://www.oct-asia.com

AUTHORISED REPRESENTATIVES

Ms. Xie Mei
Mr. Fong Fuk Wai

Financial Highlights

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Revenue	1,474,128	1,306,550
(Loss)/profit attributable to equity holders of the Company	(883,252)	63,757
Basic earnings per share (RMB)	(1.49)	(0.29)

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	2021 RMB'000	2020 RMB'000
Cash at bank and on hand	3,331,662	4,274,938
Total assets	26,342,763	25,421,957
Total assets less current liabilities	15,428,357	20,787,543
Equity attributable to equity holders of the Company	8,620,508	9,430,396

Revenue

RMB **1.47** billion

12.8%

Contract liabilities

RMB **3.407** billion

133.5%

Gearing ratio*

30.7%

4%

Actively managed funds

RMB **1.5** billion

4 times

* The gearing ratio: total borrowings including bills payable and loans divided by total assets.

Group Structure

Shenzhen Overseas Chinese Town Company Limited
(0069.SZ)

70.94%

Overseas Chinese Town (Asia) Holdings Limited
(3366.HK)

Investment in the **"cultural tourism + technology"** industry and its ecosystem

Equity Investment and Fund Business

Strategically invested in **4** Listed companies

2 Unlisted companies

RMB **1.5** billion Actively managed funds

65% Market fundraising

47 Projects invested in by funds*

9 Funds*

Comprehensive Development Business

Presence in the Yangtze River Delta and the Greater Bay Area

Residence, Hotels, Commercial Areas, Departments, Office Buildings, Industrial Parks

* Include the activity managed funds of the Group and the funds invested by the Group

Chairman of the Board
Zhang Dafan

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Overseas Chinese Town (Asia) Holdings Limited (the "Company") and its subsidiaries (the "Group"), I am pleased to present the business review for the year ended 31 December 2021 (the "Period under Review" or the "Current Period") and the outlook for 2022.

Chairman's Statement

BUSINESS REVIEW

As changes unseen in a century and the COVID-19 pandemic were intertwined in 2021, the global political and economic landscape faced increasing instability and uncertainty, the tide of anti-globalization continuously rose, the impact of inflation on the global industrial chain spread at a faster pace, and the global economy recovered unevenly. Facing the more severe and complex external situation and various risks and challenges, the Chinese government has taken a holistic approach and responded calmly, leading the world in the pace of economic recovery. In 2021, GDP grew by 8.1% year on year, ranking among the top in major economies. The Chinese government focused on ensuring "stability on the six fronts" and "security in the six areas", and paid attention to the cross-cycle adjustment of macro policies, achieving combined results of higher growth, more jobs and lower prices.

During the Period under Review, China stuck to policy of "houses should be for living in, not for speculation" and continuously rectified and standardized the order in the real estate market while the real estate market was under the pressure from the COVID-19 pandemic on the demand side, which led to drastic changes in the fundamentals of the real estate industry and the continuous acceleration of the industry clearing and integration, as well as a profound adjustment for the profit position of the Group's associate companies. It had a relatively significant impact on the operating results of the Group in 2021. Against the backdrop of sharply declining industry and market expectations, the Group focused on strengthening post-investment management, kept improving its risk management and control capability and internal governance level, and reduced the negative impact of changes in the industry and policy environment on the Company's operations. In the meantime, the Group proceeded to speed up the revitalisation and exit of assets in existing projects, expanded its overseas asset management capability, and increased the size of and investment in actively managed funds, striving to build a healthy development pattern with a reasonable structure on the asset side and sustainable growth on the profit side.

In 2021, the Group proactively optimised its asset-side structure and consolidated its overseas asset management capability. The equity investment and fund management business showed a steady development trend. During the Period under Review, the Group make continuous efforts on the asset side, capital side and project side. Specifically, it strengthened the linkage and coordination with industry and capital partners, and strictly implemented the post-investment management mechanism centring on risk control and value creation. On the asset side, the

Chairman's Statement

Group successfully exited projects such as its investment in shares in Tongcheng-Elong Holdings Limited ("Tongcheng-Elong") and Runyu Fund in 2021, which improved the efficiency of capital reserves and asset turnover. On the capital side, under the unfavourable background of the COVID-19 pandemic repeatedly damaging market confidence, the Group initiated the establishment of Nantong Zijing Huaxin Industry Master Fund and Foshan Gaoxin Technology Industry Fund, which has increased the size of actively managed funds and enriched the types of fund management business. In terms of the project side, the Group strategically acquired a stake in Semk Holdings, and invested in a number of high-quality industrial projects through its fund, consolidating the Company's presence in the "cultural tourism + technology" industrial ecosystem. In 2021, the Group successively won a number of honours in the capital market, and its professional investment ability has been recognised.

OUTLOOK FOR 2022

In 2022, the global political and economic environment will remain complex and severe. The spread of geopolitical risks will cause severe disturbance to the supply and demand pattern of the global industrial chain. There will be reinforced expectations that the liquidity conditions will be marginally tightening. The global economic recovery will be at risk of facing a turning point and imbalance. China's domestic economic development will face triple pressures of demand contraction, supply shock and weakening expectations. In the context of resurgence of the COVID-19 pandemic and weakening momentum in exports, the Chinese government has placed stable growth in a more prominent position and will keep implementing the innovation-driven development strategy and the strategy of expanding domestic demand. Technological innovation and domestic demand growth will become the core drivers of the Chinese government's "stable growth" policy. China's economic growth in the "post-pandemic" era is still full of resilience and potential.

Looking forward to 2022, the Group believes that as China is the world's second-largest economy and the world's second-largest consumer market, there will be a lot of investment opportunities in industrial chains characterised by "specialty, refinement, uniqueness and novelty" and new consumption fields, driven by the wave of industrial digitalisation and intelligentisation. Under the "stable growth" policy, the Chinese government will continue to implement its proactive fiscal policy and prudent and loose monetary policy. Market liquidity will remain abundant, and financing costs are expected to decline. The Group will adhere to the professional, prudent and aggressive business strategy, strengthen the empowerment management and risk control of investment projects, and enhance the asset side, expand the capital side, and optimise the project side, so as to build a new pattern of sustainable development.

Chairman's Statement

Be eclectic, let go of the old, and embrace the new. In 2022, the Group will focus on the strategic positioning of building itself into a cross-border investment and asset management company of "cultural tourism + technology", and accelerate the implementation of the new development idea of "adjusting structure, strengthening capabilities, expanding resources, and shifting the track": The focus of "adjusting structure" is to accelerate the revitalisation and exit of assets in existing projects, and resource allocation will tilt toward high-quality industrial projects in the fields of fund management and "cultural tourism + technology". As for "strengthening capabilities", efforts will be concentrated to build a team of professionals and increase the size of actively managed funds, through which it will buy the equity interest of high-quality projects in the "cultural tourism + technology" industrial chain, and continuously enhance industrial competitiveness and influence. In terms of "expanding resources", priorities will be given to the establishment of a broad cooperative alliance on the capital side and the industry side. Through resource interconnection and exchange, cooperation with strong partners, etc., it will improve resource linkage capability and increase the attractiveness and integration of capital and high-quality industrial resources. As for "shifting the track", the focus is on accelerating and increasing the investment in "cultural tourism + technology" industrial ecosystem, building competitive barriers for subdivided tracks, and improving the ability and level to earn a profit.

It is a long and challenging journey, but now we are starting from scratch. Under the policy of "houses should be for living in, not for speculation" and the expected declining industry fundamentals, the Group is expected to face profit pressure under the constraint of asset structure in 2022. However, we believe that comprehensively "adjusting structure" to optimise the allocation of resources and actively "shifting the track" to build new momentum are the inevitable choices to achieve the strategic goal of building ourselves into a cross-border investment and asset management company of "cultural tourism + technology" during the "14th Five-Year Plan" period. We believe even more that after suffering from the pain of adjustment, we will see improvement in the quality of corporate growth and the flexibility of performance, and have stronger and better industrial resource integration and industry influence. The Group will combine the favourable conditions of Hong Kong's international capital market and Mainland China's vast economic hinterland. Based on the cross-border investment and asset management business, it will make use of high-quality industrial resources to develop areas in industry digitization and intellectualization, and strengthen, optimise and expand the "cultural tourism + technology" industrial ecosystem, with a view to create outstanding results to give back to shareholders and the society.

Overseas Chinese Town (Asia) Holdings Limited
Zhang Dafan
Chairman of the Board

29 April 2022

Management Discussion and Analysis

Executive Director and Chief Executive Officer
Xie Mei

OPERATING RESULTS AND BUSINESS REVIEW

In 2021, the Group actively seized the investment opportunities related to consumption upgrade and technology innovation brought about by the high quality development of China's economy, focused as a cross-border investment and asset management company on its strategic positioning of "cultural tourism + technology", and promoted in-depth strategic transformation; revitalised existing assets when optimising resource allocation and enhancing asset turnover; optimised the capital management closed loop of "fund raising, investment, management and exit" with industrial advantages and expertise to build holistic asset management capabilities; rode on the parent company's resource advantages in the cultural tourism industry to strengthen the business synergy between our portfolio companies and the parent company to achieve empowerment with capital; and focused on key investment areas, adjusted the asset structure and steadily increase the scale of asset management.

During the period, the Group achieved an operating revenue of approximately RMB1,474 million, representing an increase of approximately 12.8% over the corresponding period of last year; loss attributable to equity holders of the Group amounted to approximately RMB883 million during the period, mainly due to a significant increase in share of loss of certain associates and impairment charges recorded on their equity interests during the Current Period as a result of the downturn in the real estate industry.

Equity Investment and Fund Business

In 2021, with the post-pandemic recovery of the domestic economy and the continuous optimisation of the macroeconomic environment, there was an increase in both investment quantity and investment amount. The Chinese economy was recovering from the pandemic, and the equity investment market rebounded rapidly, surpassing the pre-pandemic level and hit a record high. According to the "Review for 2021 and Prospect of China's Equity Investment Market" released by the Zero2IPO Research Center, the total fundraising amount saw an explosive growth in 2021, with the figure up 88.6% year-on-year, and the number of newly raised funds surged 100.7% year-on-year.

Management Discussion and Analysis

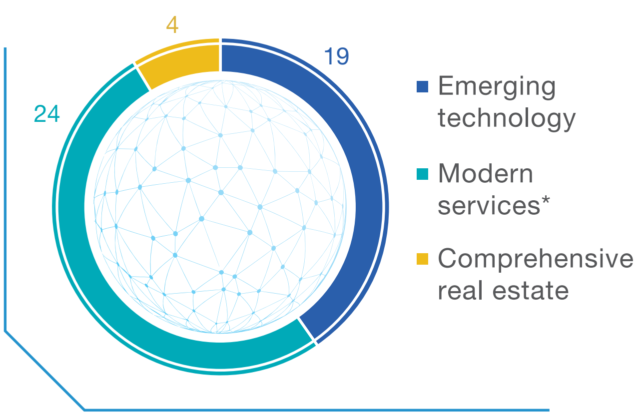
While the fund market was expanding in 2021, the fundraising structure was becoming increasingly polarised. On the one hand, large funds, which were mainly government-guided funds, large industry funds, M&A funds and infrastructure funds, were actively established. On the other hand, newly raised RMB funds managed by state-backed fund managers in 2021 had significant advantages. In addition, with the continuous implementation of the reform of the registration system and the launch of the Beijing Stock Exchange in 2021, the domestic listing channel was relatively smooth, and the number of IPOs of invested companies rose 27.3% year-on-year, which has promoted the rapid increase in the number of exit cases in China's equity investment market, providing new opportunities for development of the equity investment and fund business.

Being the only overseas listed company under OCT Group, the Group has its direct equity investment and fund business rooted in advantageous areas, such as the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta Economic Circle. With its investment focused on the "cultural tourism + technology" industrial ecosystem, the Group gave full play to the advantages of industrial capital investment and mergers and acquisitions, enhanced investment management capabilities, and improved the post-investment empowerment effect to promote the rapid development of the invested companies to achieve an all-win situation.

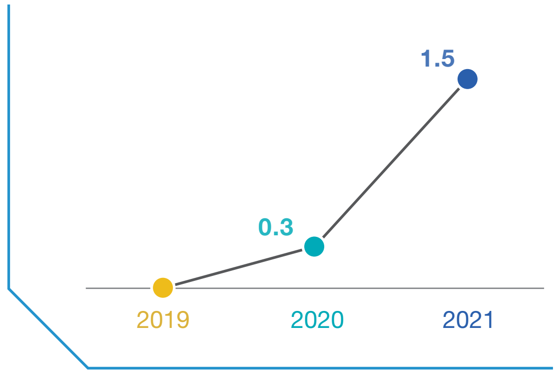
In terms of equity investment, relying on OCT Group's advantage in cultural tourism, the Group invested in Semk Holdings International Limited (德盈控股國際有限公司) ("Semk Holdings", the authorised operator of the PRC well-known IP B.Duck) in 2021, with a current shareholding of approximately 8.36% following Semk Holdings' listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Currently, Semk Holdings has established cooperation with the parent company of the Group in relation to the parent company's several cultural tourism projects. In 2021, the Group optimised resource allocation and completed its exit in its investment in Tongcheng-Elong, realising approximately HK$1.88 billion in total since the first disposal in August 2020.

In terms of fund business, the total size of funds managed and invested by the Group amounted to RMB4.37 billion by the end of 2021, and the size of actively managed funds was RMB1.5 billion. During the Current Period, the Group set up two new funds and acted as the fund manager, which consisted of a master fund, Nantong Zijing Huaxin Industry Fund, with a size of RMB1 billion, and the Foshan Gaoxin Technology Industry Fund, with a size of RMB200 million. Another actively managed fund of the Group successively invested in Guangdong ePropulsion Technology Limited, an electric outboard motor brand, which completed a new round of financing during the year and nearly tripled its valuation. One of the companies invested in by a fund invested by the Group was officially listed, opening up the main channel for future exits. During the Current Period, the Group successfully completed the exit from a fund with

Industry Distribution of Fund Investment Projects



The Size of Actively Managed Funds
(RMB billion)



* The modern services industry includes new consumption, cultural media, cultural tourism and sports

Management Discussion and Analysis

a size of RMB1.5 billion. Asset management companies of the Group have been granted Types 4 and 9 licenses by the Securities and Futures Commission of Hong Kong, which will expand fundraising channels and provide customers with more diversified cross-border asset management services to seize investment opportunities in the cross-border bidirectional capital flows in the PRC.

In 2021, the Group gained recognition from the industry and won the honours including "China's Most Growable Institutional Investor in Big Consumption" ("中國大消費最具成長性投資機構") of Chinese Venture, and the Golden Investment Prize of China Venture Capital Research Institute – "Top 30 Institutional Investors in the Field of Culture and Sports Consumption in China" ("中國最佳文體消費領域投資機構top 30").

During the period, the segment loss attributable to equity holders of the Company amounted to approximately RMB991 million. As a result of changes in the real estate market, some of the Group's associates incurred losses as a result of large provisions made against their financial assets, and after careful assessment and consideration, the Group also recorded a significant increase in impairment charges against equity interests in some associates with indications of impairment. Please also refer to note 14 to the Consolidated Financial Statements included in this annual report for further details.

Comprehensive Development Business

In 2021, due to the continuous evolution of COVID-19 and the in-depth adjustment of the real estate industry, industry players accelerated the balance-sheet reduction and clearing. The sector entered the era of deep cultivation. As the policy of "houses should be for living in, not for speculation" became common sense, the regulations on the real estate market in some regions were strengthened, and relevant policies were tightened. The real estate market experienced a heat up at first and then cooled down throughout the year. Liquidity problems of several property developers made home buyers and financial institutions more cautious. Under a stricter policy environment, limited size growth, increased financing difficulty, and a decline in profit margins, higher requirements have been imposed on property developers in respect of their risk control, operation management, and product quality.

Relying on OCT's brand and resource advantages in cultural tourism and urbanisation, the Group made its presence in cities in the core metropolitan area of the Yangtze River Delta + Guangdong-Hong Kong-Macao Greater Bay Area. It holds comprehensive development projects in Hefei, Shanghai, Chongqing, Zhongshan, etc.

In 2021, the Group successfully bid for approximately 609,000 square metres land parcels in Phase II of Hefei Airport International Town for a total of approximately RMB2.805 billion at a low premium rate of 2.2%, marking its continuous focus on the operation and development of industrial supporting projects and urban life supporting projects. Hefei Airport International Town is located in the core area of Hefei Xinqiao Science and Technology Innovation Demonstration Zone. The project will develop along with key enterprises in the artificial intelligence, new energy vehicle and integrated circuit industries in the Zone. The Phase I and Phase II of the Hefei Airport International Town are expected to complete in 2023 and 2028 respectively.

Management Discussion and Analysis

The Group's comprehensive development projects are as follows:

No.	Name of project	Location	Use of land	Shareholding ratio	Area of land (ten thousand m^2, full calibre)	Gross floor area (ten thousand m^2, full calibre)	Progress of project	Total saleable area being launched (ten thousand m^2, full calibre)	Accumulated sales area (ten thousand m^2, full calibre)	2021 sales area (ten thousand m^2, full calibre)	2021 sales amount (RMB100 million)
1	Phase I of Hefei Airport International Town	Hefei Xinqiao Science and Technology Innovation Demonstration Zone	Residential + Commercial + Hotel	51%	69.5	84.8	Being marketed	49.64	38.70	14.84	18.42
2	Phase II of Hefei Airport International Town	Hefei Xinqiao Science and Technology Innovation Demonstration Zone	Residential + Commercial	51%	60.9	74.5	Being constructed	–	–	–	–
3	Hefei OCT Bantang Hot Spring Town	Chaohu Economic Development Zone	Residential + Commercial + Hotel	51%	41.5	34.5	Being marketed	4.00	0.30	0.22	0.32
4	Shanghai Suhe Creek Project	Core area of the inner ring in Jing'an District, Shanghai	Residential + Commercial + Hotel	50.50%	7.1	43	Being marketed	22.53	16.88	0.34	2.52
5	Chongqing OCT Land Project	Chongqing Liangjiang New Area	Residential	49%	18	44	Being marketed	44.30	38.40	7.37	12.38
6	Zhongshan Yuhong Project	Zhongshan Torch Industrial Development Zone	Residential	21%	9.1	27.2	Being marketed	15.50	13.10	8.13	16.33

Management Discussion and Analysis

The Group has three industrial park projects in Huizhou, Guangdong and Suzhou, Jiangsu. As of the end of 2021, the leasable area of the industrial parks was approximately 158,100 square metres. Upon completion of Phase I of the Huizhou OCT Entrepreneurship and Innovation Industrial Park under planning, the gross floor area is expected to increase by approximately 160,000 square metres. The industrial park business operated steadily and well, with a combined occupancy rate of 91.4%. The total operating revenue amounted to approximately RMB27.02 million in 2021, an increase of approximately 25.44% over the same period of last year.

During the Current Period, the Group recorded revenue of approximately RMB1.452 billion from the comprehensive development business, a year-on-year increase of approximately 13.5%. The profit attributable to equity holders of the Company from the segment was approximately RMB128 million, a year-on-year decrease of 64.4% from the profit of approximately RMB360 million in 2020, primarily due to the recognition of one-off gain from the disposal of equity interests of certain subsidiaries during 2020.

Finance Lease Business

The Group will no longer develop new finance lease business, in a bid to better pool advantageous resources and focus on its core businesses. During the period, revenue from financing lease business amounted to approximately RMB15.8 million and segment profit attributable to equity holders of the Company amounted to approximately RMB8.69 million, representing an increase of approximately 20.5% over the corresponding period in 2020, with good recovery of existing projects. As at the end of 2021, the total asset size of the Group's financing lease business was approximately RMB348 million.

FINANCIAL REVIEW

As at 31 December 2021, the Group's total assets amounted to approximately RMB26.343 billion, representing an increase of approximately 3.6% over that as at 31 December 2020; the Group's total equity amounted to approximately RMB12.399 billion, representing a decrease of approximately 6.2% over that as at 31 December 2020.

For the year ended 31 December 2021, the Group realised revenue of approximately RMB1.474 billion, representing an increase of approximately 12.8% compared to the same period of 2020, of which, revenue of the comprehensive development business was approximately RMB1.452 billion, representing an increase of approximately 13.5% compared to the same period of 2020, primarily due to the increase in revenue carried forward from the Hefei Airport International Town Project; and revenue of the finance lease business amounted to approximately RMB15.8 million, representing a decrease of approximately 29.8% compared to the same period of 2020, primarily due to the decrease in business during the Current Period.

Management Discussion and Analysis

Awards for Investment Business

2021 Top 30
Institutional Investors
in the Field of Culture and
Sports Consumption in China

2020–2021 Best CVC of
Chinese Cultural Industry

2020–2021 China's Most
Growable Institutional Investor
in Big Consumption

For the year ended 31 December 2021, the Group's gross profit margin was approximately 20.6% (2020: approximately 24.2%), representing a decrease of 3.6 percentage points compared to the same period of 2020, of which, the gross profit margin of the comprehensive development business was approximately 19.7%, representing a decrease of 3.1 percentage points compared to the same period of 2020, mainly due to lower gross profit margin of the products carried forward during the year; and the gross profit margin of the finance lease business was approximately 74.0%, representing an increase of 16.4 percentage points compared to the same period of 2020, mainly due to the decrease in finance costs. The net profit margin of the comprehensive development business attributable to equity holders of the Company was approximately 8.8% (2020: approximately 28.1%), representing a decrease of 19.3 percentage points compared to the same period of 2020, mainly attributable to the recognition of the disposal gain realised from disposal of Chengdu OCT Project and Xi'an OCT Land Project during 2020; and the net profit margin of the finance lease business was approximately 55.0% (2020: approximately 32.1%), representing an increase of 22.9 percentage points compared to that of 2020, mainly due to the decrease in interest expenses and administrative expenses during the Current Period.

For the year ended 31 December 2021, loss attributable to equity holders of the Company was approximately RMB883 million (compared to profit attributable to equity holders of the Company of approximately RMB64 million for 2020), of which, profit attributable to the comprehensive development business was approximately RMB128 million (2020: profit of approximately RMB360 million), representing a decrease of approximately 64.4% compared to the same period of 2020, mainly attributable to the recognition of profit from disposal of Chengdu OCT Project and Xi'an OCT Land Project during 2020; loss attributable to the equity investment and fund business was approximately RMB991 million (2020: loss of approximately RMB277 million), representing an increase of approximately 257.8% compared to the same period of 2020, mainly attributable to the increase in share of loss of associates and provision for impairment of equity interests in associates during the Current Period; and profit attributable to the finance lease business was approximately RMB8.69 million (2020: profit of approximately RMB7.21 million), representing an increase of approximately 20.5% compared to the same period of 2020, mainly attributable to the decrease in administrative expenses and interest expenses.

Management Discussion and Analysis

Awards for Comprehensive Development Business

Hefei Airport International Town
The Architecture MasterPrize
2021 of the USA

Hefei Airport International Town
International Design
Awards (IDA) 2021

Hefei OCT Bantang Hot Spring Town
Paris Design Awards
2021 of France

Hefei OCT Bantang Hot Spring Town
iF Design Award
2021 of Germany

As a result of changes in the real estate market, some of the Group's associates incurred losses as a result of large provisions made against their financial assets, and after careful assessment and consideration, the Group also recorded a significant increase in impairment charges against equity interests in some associates with indications of impairment; except the losses and impairment of equity interests in these associates, the Group's share of gains from other associates amounted to approximately RMB227 million (2020: losses of approximately RMB55 million), representing an increase of approximately RMB282 million over the corresponding period in 2020.

For the year ended 31 December 2021, the basic loss per share attributable to shareholders of the Company was approximately RMB1.49 (2020: basic loss per share of approximately RMB0.29), representing an increase of approximately RMB1.20 compared to the same period of 2020. The losses for the year were approximately RMB899 million (2020: losses of approximately RMB24 million), representing an increase of approximately RMB875 million compared to the same period of 2020, mainly due to share of loss of associates and impairment loss on equity interests of approximately RMB897 million during the Current Period (2020: share of loss of associates and impairment losses on equity interests of approximately RMB137 million).

Distribution Costs and Administrative Expenses

The Group's distribution costs for the year ended 31 December 2021 were approximately RMB89 million (2020: approximately RMB98 million), representing a decrease of approximately 9.2% compared to the same period of 2020, which was mainly due to the decrease in sales commissions and advertising expenses.

Management Discussion and Analysis

The Group's administrative expenses for the year ended 31 December 2021 were approximately RMB273 million (2020: approximately RMB352 million), representing a decrease of approximately 22.4% as compared to the same period of 2020, of which, administrative expenses of the comprehensive development business were approximately RMB189 million (2020: approximately RMB234 million), representing a decrease of approximately 19.2% as compared to the same period of 2020, which was mainly due to the decrease in relevant costs (such as labour costs) caused by the improvement in administration; administrative expenses of the finance lease business were approximately RMB0.71 million (2020: approximately RMB3.9 million), representing a decrease of approximately 81.8% as compared to the same period of 2020, which was mainly due to the decrease in professional consultant fees and depreciation and amortisation costs; and administrative expenses of the equity investment and fund business were approximately RMB18.27 million (2020: approximately RMB16.55 million), which were approximate with that of the same period of 2020.

Interest Expenses

The Group's interest expenses for the year ended 31 December 2021 were approximately RMB149 million (2020: approximately RMB183 million), representing a decrease of approximately 18.6% as compared to the same period of 2020, of which, interest expenses of the comprehensive development business were approximately RMB116 million (2020: approximately RMB100 million), representing an increase of approximately 16.0% as compared to the same period of 2020, mainly due to the increase in the weighted average amount of loans; interest expenses of the finance lease business were approximately RMB3.99 million (2020: approximately RMB9.27 million), representing a decrease of approximately 57.0% as compared to the same period of 2020, mainly due to the decrease in the weighted average amount of loans and the weighted average ratio of loans; and interest expenses of the equity investment and fund business were approximately RMB22.52 million (2020: approximately RMB69.19 million), representing a decrease of approximately 67.5% as compared to the same period of 2020, mainly due to the decrease in the weighted average amount of loans and the weighted average ratio of loans.

Dividends

The Board resolved not to propose payment of a final dividend for the year ended 31 December 2021 (2020: Nil) after considering the Company's annual results and its long-term development plan and objectives.

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 31 December 2021 was approximately RMB12.399 billion (31 December 2020: approximately RMB13.225 billion); current assets were approximately RMB16.454 billion (31 December 2020: approximately RMB13.633 billion); current liabilities were approximately RMB10.914 billion (31 December 2020: approximately RMB4.634 billion). The current ratio was approximately 1.51 as at 31 December 2021, representing a decrease of 1.44 as compared to that as at 31 December 2020 (31 December 2020: approximately 2.95), mainly due to reclassification of certain loans from banks and related parties from long-term liabilities to short-term liabilities. The Group generally finances its operations with internally generated cash flow, credit facilities provided by banks and shareholder's loans.

As at 31 December 2021, the Group had outstanding bank and other loans of approximately RMB5.747 billion, with fixed rate loans of approximately RMB1.935 billion (31 December 2020: outstanding bank and other loans of approximately RMB6.606 billion, with fixed rate loans of approximately RMB2.078 billion). As at 31 December 2021, the interest rates of bank and other loans of the Group ranged from 1.31% to 4.75% per annum (31 December 2020: ranged from 1.33% to 4.75% per annum). Some of those bank loans were secured by certain assets of the Group and corporate guarantees provided by certain related companies of the Company. The Group's gearing ratio (being the total borrowings including loans divided by total assets) was approximately 30.7% as at 31 December 2021, representing a decrease of approximately 4.0 percentage points as compared with that of approximately 34.7% as at 31 December 2020, which was mainly due to the decrease in bank and other loans.

Management Discussion and Analysis

As at 31 December 2021, approximately 37.9% of the total amount of outstanding bank and other loans of the Group amounting to approximately RMB2.176 billion was denominated in Hong Kong Dollars (31 December 2020: approximately 53.8%); and approximately 62.1% amounting to approximately RMB3.571 billion was denominated in Renminbi (31 December 2020: approximately 46.2%). As at 31 December 2021, approximately 0.1% of the total amount of cash and cash equivalents of the Group was denominated in United States dollars (31 December 2020: approximately 0.4%); approximately 90.7% was denominated in Renminbi (31 December 2020: approximately 59.4%); and approximately 9.2% was denominated in Hong Kong dollars (31 December 2020: approximately 40.2%).

The Group's liquidity position remains stable. The Group's transactions and monetary assets are principally denominated in Renminbi, Hong Kong Dollars and United States Dollars. For the year ended 31 December 2021, the Group has not experienced any material difficulties in or effects on its operations or liquidity as a result of fluctuations in currency exchange rates. For the year ended 31 December 2021, the Group did not enter into any foreign exchange forward contracts and other material financial instruments for hedging foreign exchange risk purpose.

Contingent Liabilities

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly instalment before the issuance of the individual property ownership certificate, the banks can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance if the deposit balance is insufficient.

The amount of guarantee deposits required varies among different banks, but usually within a range of 0% to 5% of the mortgage loans granted to buyers, with prescribed capped amount.

The management does not consider it probable that the Group will sustain a loss under these guarantees over the term of the guarantee as the bank has the rights to sell the properties and recovers the outstanding loan balance from the sale proceeds if the property buyers default payment. The management also considers that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group. Therefore, no liabilities are recognised in respect of these guarantees.

As at 31 December 2021, guarantees given by financial institutions for mortgages facilities granted to buyers of the Group's properties amounted to approximately RMB498 million in total (31 December 2020: approximately RMB100 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group employed 311 full-time employees in total. The basic remunerations of the employees of the Group are determined with reference to the industry's remuneration benchmark, the employees' experience and their performance, and equal opportunities are offered to all staff members. Salaries of the employees are maintained at a competitive level and are reviewed annually, with reference to the relevant labour market and the economic situation. The remunerations of the Directors are determined based on a variety of factors such as market conditions and responsibilities assumed by each Director, and their performance. Apart from the basic remuneration and statutory benefits, the Group also provides bonuses to the staff based upon the Group's results and their individual performance.

Management Discussion and Analysis

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff during the Current Period. The Group maintains a good relationship with its employees. Most members of the senior management have been working for the Group for many years.

IMPORTANT EVENTS

Further Disposal of Listed Securities of Tongcheng-Elong

A wholly-owned subsidiary of the Company, City Legend International Limited ("City Legend"), disposed of the listed securities of Tongcheng-Elong in a series of transactions on the market. Following the series of disposals and as at the date of this annual report, the Group no longer holds any shares of Tongcheng-Elong. For further details, please refer to the announcements of the Company dated 17 February 2021, 19 February 2021, 25 February 2021 and 31 March 2021 and two circulars of the Company dated 23 April 2021.

Establishment of Xiamen Qiaorun Investment Partnership (Limited Partnership) (廈門僑潤投資合夥企業(有限合夥))

On 23 February 2021, Shenzhen OCT Gangya Holdings Development Co., Ltd. (深圳華僑城港亞控股發展有限公司) ("Shenzhen OCT Gangya") and Shenzhen Huayou Investment Co., Ltd. (深圳市華友投資有限公司) ("Shenzhen Huayou"), both of which are indirect wholly-owned subsidiaries of the Company, Shanghai Xuxiang Trading Co., Ltd. (上海煦翔貿易有限公司), Panxing Capital Management (Shenzhen) Co., Ltd. (潘興資本管理(深圳)有限公司) and Xiamen Zhongmao Yitong Commerce Co., Ltd. (廈門中茂益通商貿有限公司) entered into a limited partnership agreement in relation to the establishment of Xiamen Qiaorun Investment Partnership (Limited Partnership) (廈門僑潤投資合夥企業(有限合夥)). The total capital contribution subscribed by Shenzhen OCT Gangya and Shenzhen Huayou to the partnership was RMB600,010,000. For further details, please refer to the announcement of the Company dated 23 February 2021 and the circular of the Company dated 23 April 2021.

Entering into the Supplemental Agreement for Subscription of 49% Interest in Cayman Fund

On 9 April 2021, the Company, City Legend, HNW Investment Fund Series SPC, Century Ginwa Retail Holdings Limited, Kinetic Creation Global Investments Limited, CCB International Asset Management Limited and Xi'an OCT Land Co., Ltd. and City Turbo Limited (港名有限公司) entered into a supplemental agreement to the Private Placement Memorandum to revise the Private Placement Memorandum (relating to the Group's subscription of a Cayman Fund in December 2020) under which, subject to all parties to the supplemental agreement obtaining all requisite approvals, the open period for the transfer or redemption of the fund shares of such Cayman Fund is to be amended. For further details, please refer to the announcement of the Company dated 9 April 2021 and the circular of the Company dated 26 May 2021.

Management Discussion and Analysis

Established Shenzhen Qiaoheng No. 1 Investment Enterprise (Limited Partnership) (深圳僑恒一號投資企業(有限合夥))

On 26 April 2021, Shenzhen OCT Gangya and Shenzhen Huayou entered into a limited partnership agreement with Shenzhen Haomei Enterprise Co., Ltd. (深圳市好美實業有限公司) and Shenzhen Jingcheng Enterprise Co., Ltd. (深圳市靜成實業有限公司) in relation to the establishment of Shenzhen Qiaoheng No. 1 Investment Enterprise (Limited Partnership) (深圳僑恒一號投資企業(有限合夥)). The total capital contribution subscribed by Shenzhen OCT Gangya and Shenzhen Huayou to the partnership was RMB719,250,000. For further details, please refer to the announcement of the Company dated 26 April 2021 and the circular of the Company dated 26 May 2021. The partnership has invested in 80% equity interests of 惠州愷樾置業有限公司 (Huizhou Kaiyue Zhiye Company Limited*, the "Project Company") and provided shareholder's loans to develop an urban renewal project (the "Project"). Subsequently, the implementation progress of the Project has been delayed because another shareholder of the Project Company failed to continuously provide funds for the Project Company as planned. The Group has launched an arbitration procedure on behalf of the partnership, and negotiated with the shareholder to push forward the development of the Project. The relevant arbitration and negotiation are still ongoing.

Acquisition of Land Use Rights in the Second Phase of Hefei Airport International Town

Hefei OCT Industry Development Co., Ltd. (合肥華僑城實業發展有限公司) ("Hefei OCT Industry", an indirect non-wholly owned subsidiary of the Company) entered into four state-owned Construction Land Use Right Transfer Contracts dated 30 June 2021 (and relevant supplemental agreements dated 30 June 2021) with Hefei Municipal Bureau of Natural Resources and Planning (合肥市自然資源和規劃局) in relation to the acquisition of land use rights of four parcels of land, located in the second phase of Hefei Airport International Town and with a total site area of approximately 913.05 mu, at a total consideration of approximately RMB2,805 million. For further details, please refer to the announcement of the Company dated 17 June 2021 and the circular of the Company dated 26 July 2021.

Investment in Semk Holdings

On 7 July 2021, City Legend, Semk Holdings, Semk Global Investment Ltd (德盈環球投資有限公司), and Mr. Hui Ha Lam entered into an investment agreement in relation to the subscription and acquisition by City Legend of a total of approximately 9.5% of the enlarged issued share capital of Semk Holdings after the investment at an aggregate consideration of HK$142,500,585. City Legend also entered into a shareholders' agreement with Semk Holdings and its shareholders with respect of its shareholder's right in the same month.

As of 31 December 2021, the equity acquisition was completed. Semk Holdings completed its initial public offering and commenced listing on the Stock Exchange in January 2022. It also achieved the performance targets for 2021. Therefore, the relevant special shareholders' rights under the aforesaid shareholders' agreement have lapsed automatically.

For further details, please refer to the announcement of the Company dated 7 July 2021.

Establishment of Nantong Zijing Huaxin Industry Master Fund

On 19 July 2021, Shenzhen OCT Huaxin Equity Investment Management Limited (深圳市華僑城華鑫股權投資管理有限公司) ("Shenzhen OCT Huaxin", an indirect wholly-owned subsidiary of the Company), Shenzhen OCT Gangya, Nantong Zijing Huatong Corporate Management Limited (南通紫荊華通企業管理有限公司), Nantong Industry Investment Master Fund Limited (南通市產業投資母基金有限公司), and other independent third parties entered into a partnership agreement in relation to the establishment of Nantong Zijing Huaxin Industry Master Fund. The total capital contribution to be subscribed by Shenzhen OCT Huaxin and Shenzhen OCT Gangya to the fund is RMB400,000,000. For further details, please refer to the announcement of the Company dated 19 July 2021 and the circular of the Company dated 24 September 2021.

* *For identification purposes only*

Management Discussion and Analysis

Establishment of Foshan Gaoxin Technology Industry Fund

Shenzhen OCT Huaxin, Shenzhen Huajing Investment Limited ("Shenzhen Huajing", an indirect wholly-owned subsidiary of the Company), Guangdong Fogao Private Equity Management Limited, Guangdong Fogao Holding Limited, Foshan Nanhai Industry Development Investment Management Limited and other independent third parties entered into a limited partnership agreement in relation to the establishment of Foshan Gaoxin Technology Industry Fund. The total capital contribution to be subscribed by Shenzhen OCT Huaxin and Shenzhen Huajing to the fund is RMB70,000,000. For further details, please refer to the announcement of the Company dated 15 December 2021.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this annual report, the Group had no significant investments held, nor material acquisitions and disposal of subsidiaries, associates or joint ventures during the Current Period.

OUTLOOK FOR 2022

In 2022, in terms of its equity investment and fund business, the Group will rely on OCT's industrial resource advantages to strengthen cooperation with government-guided funds, market-oriented master funds and listed companies, and expand the size of funds under active management. Centring on new business formats such as smart cities, smart homes and new cultural tourism technologies, the Group will keep an eye on leading institutions in the industry to screen and reserve high-quality investment targets with growth potential. It will strengthen the industry-finance integration and value empowerment, and enhance fund management capabilities.

Under the long-acting mechanism for real estate, the Group will continuously accelerate the development of the comprehensive development business, boost sales, strengthen risk prevention and control, and promote the steady and high-quality development of the business in 2022. The comprehensive development projects are expected to have a total sales area of approximately 629,500 square metres. Among them, Phase I of the Hefei Airport International Town will sell properties with an area of approximately 403,800 square metres, including residential and commercial products. Phase II of the project plans to develop high-rises, foreign-style houses and villas, business streets and business offices, etc. The business sector includes business streets, offices and cultural buildings, which are expected to come into operation from 2024.

In 2022, the Group will seize the opportunities from China's economic restructuring and seek development guided by the idea of "adjusting structure, strengthening capabilities, expanding resources, and shifting the track". Efforts will be made to accelerate the revitalisation of existing assets, and optimise asset structure and financial resource allocation. The Group will improve quality and increase efficiency, strengthen risk prevention and control, and further improve fine management. It will mainly invest in "cultural tourism + technology" to further consolidate the results of strategic transformation.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Zhang Dafan, aged 55, is currently the vice president of Shenzhen Overseas Chinese Town Company Limited ("OCT Ltd." which is currently listed on the Shenzhen Stock Exchange with stock code: 0069.SZ, and wholly owns Overseas Chinese Town (HK) Company Limited ("OCT (HK)")), the chairman of the board of OCT (HK) (which wholly owns Pacific Climax Limited, a controlling shareholder of the Company). He is also the chairman of the Nomination Committee and the Environmental, Social and Governance Committee of the Company. Since joining OCT Group Limited ("OCT Group") in 1991, Mr. Zhang has served as deputy general manager of the import and export division of OCT Group, a director and the general manager of Chengdu Tianfu OCT Industry Development Co., Ltd. (成都天府華僑城實業發展有限公司) (an indirectly wholly-owned subsidiary of OCT Ltd.) and deputy general manager of OCT (HK). Mr. Zhang graduated from Nanjing Aeronautical Institute with a bachelor's degree in engineering in 1988, majoring in industrial management engineering, and graduated from Renmin University of China with a master's degree in economics in 1999, majoring in industrial economics.

Ms. Xie Mei, aged 54, an executive Director and the chief executive officer of the Company, joined the Group in 2004. She also holds directorships in various subsidiaries of the Company, including Hefei OCT Industry. Ms. Xie is also the president assistant of OCT Ltd. and the director and general manager of OCT (HK), and a director of Shenzhen OCT Capital Investment Management Company Limited* (深圳華僑城資本投資管理有限公司) (a wholly-owned subsidiary of OCT Group), whilst acting as a non-executive director of each of Yuzhou Group Holdings Company Limited (stock code: 1628.HK) and E-House (China) Enterprise Holdings Limited (stock code: 2048.HK), both of which are listed on the Main Board of the Stock Exchange. Ms. Xie is also a member of the Environmental, Social and Governance Committee of the Company. Ms. Xie joined OCT Group in 1994 and she had been a deputy director and director of the strategic development department of OCT Group. Ms. Xie graduated from the Department of Electrical Engineering of Xi'an Jiaotong University and obtained a bachelor's degree in Engineering in 1989. She also obtained a master's degree in Economics from the Renmin University of China in 1999.

Mr. Lin Kaihua, aged 55, is an executive director and a vice president of the Company. Mr. Lin holds directorships in various subsidiaries of the Company and is the chairman of Beijing Guangying Real Estate Development Co., Ltd (北京廣盈房地產開發有限公司), an associate of the Company. He is also the deputy general manager of OCT (HK) and a director of Minsheng Education Group Company Limited (listed on the Main Board of the Stock Exchange, stock code: 1569.HK). Mr. Lin is also a member of the Environmental, Social and Governance Committee of the Company. Since joining OCT Group in 1992, Mr. Lin has held a number of positions including the deputy general manager and the financial officer of Overseas Chinese Town (Shanghai) Land Company Limited ("OCT Shanghai Land") (a non-wholly owned subsidiary of the Company), the deputy general manager of Shenzhen Overseas Chinese Town Entertainment Investment Company Limited (深圳華僑城都市娛樂投資公司) (a wholly-owned subsidiary of OCT Ltd.), financial officer of OCT Ltd. and Shenzhen Bay Hotel (now known as "InterContinental Shenzhen"). Mr. Lin holds a bachelor's degree and a master's degree in accounting, and has obtained Certified Public Accountant and Senior Accountant title.

Directors and Senior Management

Non-Executive Director

Mr. Wang Wenjin, aged 54, is now the head of the investment management division of OCT Ltd., a director of OCT (HK), chairman and general manager of Shenzhen OCT Investment Company Limited and a director of various subsidiaries of OCT Group, including Shenzhen Guangming Group Co., Ltd. (深圳市光明集團有限公司), and Yunnan World Expo Tourism Holding Group Company Limited* (雲南世博旅遊控股集團有限公司). Mr. Wang is also a member of the Audit Committee and Remuneration Committee of the Company. Since joining OCT Group in 2006, Mr. Wang worked as the deputy general manager of Shenzhen OCT Real Estate Company Limited (深圳華僑城房地產有限公司), the chairman of the board and general manager of Shenzhen OCT Urban Renewal Investment Company Limited (深圳華僑城城市更新投資有限公司), and the deputy general manager of OCT Huanan Investment Company Limited (華僑城華南投資有限公司). Prior to joining OCT Group, Mr. Wang served as a practicing lawyer. Mr. Wang graduated from Hunan Normal University (湖南師範大學) in 1989, majoring in physics, and graduated from Tsinghua University in 2005 with a Master of Business Administration.

Independent Non-Executive Directors

Ms. Wong Wai Ling, aged 60, joined the Group in 2007. Ms. Wong holds a Bachelor of Arts degree from the University of Hong Kong and a Postgraduate Diploma in Accounting and Finance from the London School of Economics and Political Science, University of London, United Kingdom. Ms. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, with over 30 years of extensive experience in accounting, taxation, auditing and business. She has worked in an international accounting firm and a local accounting firm for more than seven years until she began to be in private practice as a Certified Public Accountant since 1993. In addition to the Company, she is also an independent non-executive director and chairwoman of the audit committee and remuneration committee of Yongsheng Advanced Materials Company Limited (stock code: 3608.HK). Meanwhile, Ms. Wong is also a non-executive director of Hin Sang Group (International) Holdings Co., Ltd (衍生集團(國際)控股有限公司) (a company listed on the Main Board of the Stock Exchange, stock code: 6893.HK). Ms. Wong previously served as an independent non-executive director and chairwoman of the audit committee of AVIC International Holdings Limited (stock code: 0161.HK, whose shares were listed on the Main Board of the Stock Exchange and has been delisted voluntarily since 17 April 2020). She previously served as an independent non-executive director and chairwoman of the audit committee of China Ruifeng Renewable Energy Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 0527.HK), an independent non-executive director of Glory Flame Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 8059.HK) and an executive director of Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (a company listed on the GEM of the Stock Exchange, stock code: 8326.HK). Ms. Wong is the chairwoman of the Audit Committee and Remuneration Committee of the Company and a member of the Nomination Committee.

* *For identification purposes only*

Directors and Senior Management

Professor Lam Sing Kwong Simon, aged 63, joined the Group in 2009. He is currently serving as a professor in management and business strategy at the Faculty of Business and Economics of the University of Hong Kong, the Ian Davies Professorship in Ethics, as well as the director of the Research Centre of Asian Entrepreneurship and Business Values of the University of Hong Kong. Professor Lam is well known for his studies and research in corporate strategy, organization development and operations management, and has published a number of academic papers and case analysis on the said topics. Before joining the University of Hong Kong, Professor Lam had worked as a management consultant and as a regional manager for a bank. He has gained extensive experience in the area of corporate governance, strategy development and corporate finance. In addition, he is also an independent non-executive director of Kwan On Holdings Limited (listed on the Main Board of the Stock Exchange, stock code:1559.HK), Sinomax Group Limited (listed on the Main Board of the Stock Exchange, stock code: 1418.HK), Jacobson Pharma Corporation Limited (listed on the Main Board of the Stock Exchange, stock code: 2633.HK) and Qingci Games Inc. (listed on the Main Board of the Stock Exchange, stock code: 6633.HK). Professor Lam is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Mr. Chu Wing Yiu, aged 64, joined the Group in 2019. Mr. Chu is a life insurance administrator of the Life Office Management Association. Mr. Chu is currently the independent non-executive director and chairman of the risk committee of Zurich Life Insurance (Hong Kong) Limited, and the independent non-executive director and chairman of the risk committee of SCOR Reinsurance Co. (Asia) Limited (法國再保險(亞洲)有限公司). Mr. Chu entered the insurance industry in Hong Kong in 1981, and is equipped with rich management experience. In the past, he acted as the director, chief executive officer of BOCI – Prudential Trustee Limited (中銀國際英國保誠信託有限公司) and the director of BOC Group Trustee Company Limited (中銀集團信託人有限公司), director and head of employee benefits of HSBC Insurance (Asia) Limited, and a director of BOC Insurance Company Limited. In the insurance industry, Mr. Chu is also currently the vice chairman of the Insurance Advisory Committee, a member of the Independent Police Complaints Council, a member of the Independent Commission Against Corruption's Corruption Prevention Advisory Committee and a Trustee of the Hospital Authority Provident Fund Scheme. He is a member of the Company's Environmental, Social and Governance Committee.

SENIOR MANAGEMENT

Ms. Xie Mei, aged 54, the Chief Executive Officer of the Company. For a brief introduction, see Page 23 of this annual report.

Mr. Lin Kaihua, aged 55, a vice president of the Company. For a brief introduction, see Page 23 of this annual report.

Mr. Chen Hongjiang, aged 40, is a vice president of the Company. He currently also serves as directors and deputy general manager of OCT (HK), a director of Hefei OCT Huanchao Cultural Tourism Real Estate Development Company Limited, OCT Shanghai Land and several other subsidiaries of the Company, Guangdong ePropulsion Technology Limited, and Semk Holdings (listed on the Main Board of the Stock Exchange, stock code: 2250.HK). Mr. Chen joined OCT Group in 2004, and had acted as the deputy general manager of the strategic planning division of OCT Group and the deputy director of the investment management division of OCT Ltd.. He graduated from Harbin Institute of Technology in 2004 with a bachelor's degree in economics. He obtained a master's degree in business administration from Nankai University in 2011.

Directors and Senior Management

Mr. Zhang Xiaojun, aged 51, is a vice president of the Company and also holds various positions including director, supervisor or general manager in various subsidiaries of the Company. Mr. Zhang joined OCT Group in 1993. He served as the general manager of Shenzhen OCT Gangya Holdings Development Co., Ltd. (formerly known as Shenzhen Huali Packing & Trading Co., Ltd.) and has been the deputy general manager of the Company since 2007. Mr. Zhang graduated from Zhuzhou Institute of Technology of Hunan (now known as Hunan University of Technology) and obtained his bachelor's degree in engineering.

Ms. Qi Jianrong, aged 50, is a vice president, an accountant and an economist of the Company. Ms. Qi also holds directorships or supervisor positions in various subsidiaries of the Company. Ms. Qi joined OCT Group in 1994, and had served as manager of financial securities department and finance department, accounting manager of the finance department and the assistant to the financial officer of InterContinental Shenzhen, manager of financial operation department and chief accountant of the Venice Hotel Shenzhen and the supervisor of the finance department of OCT (HK). Ms. Qi also served as the vice financial officer of Seaview Hotel (海景酒店) and deputy general manager, financial officer and the secretary to the board of Shenzhen City Rough Diamond Trading Centre Company Limited. Ms. Qi graduated from the Department of International Finance of Jinan University in 1994, where she obtained her bachelor's degree in economics.

Ms. Cheng Mei, aged 49, is a vice president of the Company. She also holds directorships or supervisor positions in various subsidiaries of the Company. Ms. Cheng joined the Company in 2005, and had served as a vice supervisor and a supervisor of the Office of the Secretary to the Board of the Company. Prior to joining the Group, Ms. Cheng had successively worked for a tourism group and OCT (HK). Ms. Cheng graduated from Beijing International Studies University and obtained her bachelor's degree of Arts in 1995.

COMPANY SECRETARY

Mr. Fong Fuk Wai, aged 58, is the company secretary and qualified accountant of the Company. He concurrently serves as a supervisor of various subsidiaries of the Company. Mr. Fong joined the Group in 2005. Prior to joining the Group, Mr. Fong worked with an international CPA firm and members of companies listed in Hong Kong. He had held the positions of senior accountant, manager and financial controller. Mr. Fong graduated from the Hong Kong Polytechnic University and obtained a bachelor's degree in Accountancy in 1994, and subsequently obtained a master's degree in business administration at the Chinese University of Hong Kong in 1999. Mr. Fong is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

The Company believes that high standard corporate governance and highly efficient management team are very important to the Company's culture and objective to enhance the investors' confidence and safeguard interests of the shareholders, and can also increase long-term share value. Therefore, the Company is committed to implementing and maintaining a high standard of corporate governance based on the principles under the Corporate Governance Code (the "Code") while incorporating the Company's own individuality, focusing on good communication with shareholders and investors, and nurturing the corporate culture of strict code of conduct, with a view to continuously improving the Company's transparency in management. This includes timely, comprehensive and accurate disclosure of information of the Company to safeguard the shareholders' interests and to increase long-term share value.

During the year ended 31 December 2021, the Company had complied with the applicable provisions of the Code.

BOARD OF DIRECTORS

Board Responsibilities and Delegation

The Board is responsible for the leadership and governance of the Company and ultimately assumes responsibility for the Company's business, financial performance and preparation of financial statements. The Board formulates strategies, policies and business plans of the Group, controls corporate risks and monitors the operation and financial performance of the Company. The Board endeavors to make decisions in the interests of the shareholders and the Company as a whole, and delegates powers and responsibilities to the management led by the chief executive officer of the Company to carry out the daily management and operation of the Group. The Board reserves for its decisions all major matters relating to strategies, overall objectives and policies, financial results and budgets, material transactions, appointment of directors, share capital and other significant operational matters of the Company. All Board members have separate and independent access to the senior management, and are provided with full and timely information about the operation and business development of the Company, including monthly reports. In order to assist the directors to perform their duties, the Board has established procedures to enable the Directors to seek independent professional advice upon reasonable request under appropriate circumstances at the Company's expense.

The Board is also responsible for overseeing the preparation of annual financial statements.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in provision A.2.1 of the Code. The Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of Directors and senior management, (c) the Company's policies and practices in compliance with laws and regulations, (d) the Company's code of conduct and (e) the Company's compliance with the disclosure requirements set out in the Code.

Composition of the Board

The Board currently comprises seven members, including three executive directors, one non-executive director and three independent non-executive directors. The number of independent non-executive directors is more than one-third of the members of the Board. Independent non-executive directors are experienced professionals with profound expertise and experience in various fields including accounting, financial, economic and risk management aspects. The Board considers that all the independent non-executive directors are independent in their judgment. They ensure that the Board has attained the strict standards in financial and other statutory reporting areas and they provide sufficient check and balance to safeguard the interests of the shareholders and the Company as a whole.

Corporate Governance Report

As at the date of this report, the Directors are as follows:

Executive Directors

Mr. Zhang Dafan *(Chairman of the Board)*
Ms. Xie Mei *(Chief Executive Officer)*
Mr. Lin Kaihua

Mr. Zhang Dafan was re-elected as an executive director of the Company at the Company's annual general meeting held on 21 May 2021, and entered into a service contract with the Company for a term commencing from 21 May 2021 until the conclusion of the 2023 annual general meeting of the Company to be held in 2024.

Ms. Xie Mei has been re-elected as an executive director at the annual general meeting of the Company held on 19 June 2020, and has entered into a service contract with the Company for a term of three years commencing from 19 June 2020 until the conclusion of the 2022 annual general meeting of the Company to be held in 2023.

Mr. Lin Kaihua has been re-elected as an executive director at the annual general meeting of the Company held on 21 May 2021, and has entered into a service contract with the Company for a term of three years commencing from 21 May 2021 until the conclusion of the 2023 annual general meeting of the Company to be held in 2024.

Non-Executive Director

Mr. Wang Wenjin

Mr. Wang Wenjin was appointed as a non-executive director at the annual general meeting of the Company held on 19 June 2020, and has entered into a service contract with the Company for a term of three years commencing from 19 June 2020 until the conclusion of the 2022 annual general meeting of the Company to be held in 2023.

Independent Non-Executive Directors

Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon
Mr. Chu Wing Yiu

Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon have been re-elected as independent non-executive directors at the annual general meeting of the Company held on 21 May 2021 and have entered into service contracts with the Company for a term of three years commencing from 21 May 2021 until the conclusion of the 2023 annual general meeting of the Company to be held in 2024. Although each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon have served as independent non-executive directors for more than nine years, the Board considers that each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon is a person of integrity and independent in judgement and character. They are independent of the management and free from any business or other relationships or circumstances which could materially interfere with the exercise of their independent judgement. The Board considers that each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon meets the independent guidelines set out in Rule 3.13 of the Listing Rules, and is of the view that their independence is not affected by their tenure with the Company.

Corporate Governance Report

Mr. Chu Wing Yiu has been re-elected as an independent non-executive director of the Company at the annual general meeting of the Company held on 19 June 2020, and has entered into a service contract with the Company for a term of three years commencing from 19 June 2020 until the conclusion of the 2022 annual general meeting of the Company to be held in 2023.

The biographies of each Director are set out on pages 23 to 25 of this annual report.

The Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules. During the year ended 31 December 2021, there were three independent non-executive Directors in the Board, accounting for at least one-third of the Board. The Company has also complied with Rule 3.10(2) of the Listing Rules, which stipulates that one of the independent non-executive Directors must possess appropriate professional qualifications or accounting or related financial management expertise. The Board considers that the independent non-executive Directors are all independent or professional persons with appropriate qualifications or expertise and the Company has also complied with the relevant requirements of the Listing Rules.

The Company has established a Nomination Committee. The Nomination Committee evaluates the independence of all independent non-executive Directors each year and makes sure that they comply with the independence requirement under Rule 3.13 of the Listing Rules. Other than their roles and positions as set out in their biographies in this annual report, all members of the Board are not related to one another in all aspects, including finance, family and business.

Chairman and Chief Executive Officer

The chairman and chief executive officer of the Company are settled as two independent positions assumed by different persons in order to ensure that their independence, accountability and power are clear. Mr. Zhang Dafan, the Chairman, is responsible for the operation of the Board and the formulation of the Company's strategies and policies. Ms. Xie Mei, the Chief Executive Officer, with the assistance of other members of the Board and the senior management, is responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation.

Appointment and Re-election of Directors

The Nomination Committee identifies appropriate individuals qualified to become Board members and provides advice to the Board in respect of nominating such persons to the Board. The Nomination Committee also makes recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer. The Board is responsible for formulating the procedures for appointing Directors, and nominating suitable candidates for approval at the annual general meetings so as to fill vacancies due to resignation of Directors.

When selecting candidates for appointment as Directors, the Board will consider the candidates' integrity, achievements, experience, expertise and educational background in the relevant industry and whether they have sufficient time to assume the post of Directors of the Company.

Pursuant to the articles of association of the Company, every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Corporate Governance Report

Number of Board Meetings Held and Procedures

The Board convened 11 meetings for the year ended 31 December 2021.

The Board has established meeting procedures and has complied with the provisions of the Code. The procedures of Board meetings provide that the Board shall meet at least four times each year and can convene additional meetings when necessary. The agenda and other reference documents shall be distributed prior to the Board meeting to allow sufficient time for the Directors to review. Directors can express different opinions at Board meetings. Important decisions will be made only after detailed discussions by the Board. Directors who have conflicts of interest or material interests in the relevant transactions will not be counted in the quorum of the meeting and shall abstain from voting on the relevant resolutions. Minutes of Board meetings and other committee meetings will be drafted by the Company Secretary and will be sent to all members for their comment or record. Directors are entitled to inspect the minutes at any time.

THE ATTENDANCE OF DIRECTORS AND COMMITTEE MEMBERS

The Directors' attendances of the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and general meetings of the Company for the year ended 31 December 2021 are as follows *(Note 1)*:

	Number of meetings attended/Number of meetings				
Name of Directors	**Board of Directors**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General meetings**
Zhang Dafan	11/11	N/A	N/A	1/1	2/2
Xie Mei	11/11	N/A	N/A	N/A	2/2
Lin Kaihua	11/11	N/A	N/A	N/A	2/2
Wang Wenjin	11/11	2/2	1/1	N/A	1/2 *(Note 2)*
Wong Wai Ling	11/11	2/2	1/1	1/1	2/2
Lam Sing Kwong Simon	11/11	2/2	1/1	1/1	2/2
Chu Wing Yiu	11/11	N/A	N/A	N/A	2/2

Notes:

1. The Environmental, Social and Governance Committee did not hold any formal meetings during the year ended 31 December 2021.

2. Code Provision C.1.6 of the Code provides that independent non-executive Directors and other non-executive Directors generally should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Wang Wenjin was unable to attend one general meeting of the Company held in 2021 due to other unavoidable business engagements. Other Board members who attended the general meetings were already of sufficient calibre and number for answering questions raised by the shareholders at the general meetings.

Corporate Governance Report

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year ended 31 December 2021, Directors were provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance with and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2021, the Company also organised director responsibilities training conducted by Hong Kong permanent legal advisers for directors. The content includes, but is not limited to, the Guidelines on Directors' Responsibilities and interpretation on the terms concerning directors' responsibilities in the Listing Rules.

Based on the records provided by the directors, a summary of the training received by the directors for the year ended 31 December 2021 is as follows:

Name of Directors	Reading Listing Rules and training materials on the SFC's Enquiries and Investigations into Directors and Senior Management	Watching training videos
Executive Directors		
Zhang Dafan	✔	✔
Xie Mei	✔	✔
Lin Kaihua	✔	✔
Non-Executive Director		
Wang Wenjin	✔	✔
Independent Non-Executive Directors		
Wong Wai Ling	✔	✔
Lam Sing Kwong Simon	✔	✔
Chu Wing Yiu	✔	✔

Corporate Governance Report

SPECIAL COMMITTEES UNDER THE BOARD

The Board has established the following committees:

Audit Committee

As of 31 December 2021, the Audit Committee consists of three members, including two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon, and one non-executive Director, namely Mr. Wang Wenjin. Ms. Wong Wai Ling is the chairman of the Audit Committee.

The principal terms of reference of the Audit Committee are as follows:

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment or removal of the external auditors, and the approval of remuneration and terms of engagement of the external auditors;

(b) reviewing risk management and internal control systems and monitoring the work of the internal audit department;

(c) reviewing the financial statements of the Company, the Company's annual reports and accounts, interim reports and quarterly reports (if any);

(d) examining financial statements and reporting to the Board for any significant opinions in relation to financial reporting;

(e) conferring with external auditors on any problems and matters of doubt arising from the audit process, as well as other issues the external auditors may like to discuss (if necessary, such discussions may be undertaken in the absence of the management); and

(f) reviewing correspondences addressed to the management by the external auditors and responses from the management.

The Audit Committee held two meetings during the year ended 31 December 2021, and performed, among other things, the major works as below:

1. reviewed the annual audited financial results and report for the year ended 31 December 2020 and the interim financial results and report for the six months ended 30 June 2021;

2. reviewed the internal audit department's report regarding the review and procedures of the internal control and risk management (including the whistleblowing policy) of the Company, as well as the internal audit function; and

3. provided opinions to the Board in respect of the re-appointment of external auditors.

The Audit Committee has reviewed this annual report, and confirmed that it is complete and accurate and complies with the Listing Rules.

Corporate Governance Report

Remuneration Committee

As of 31 December 2021, the Remuneration Committee consists of three members, including two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon, and one non-executive Director, namely Mr. Wang Wenjin. Ms. Wong Wai Ling is the chairman of the Remuneration Committee.

The main roles and terms of reference of the Remuneration Committee are as follows:

(a) consulting the chairman of the Board on remuneration recommendations concerning other executive Directors;

(b) making recommendations to the Board on matters relating to the overall remuneration policy and structure for the Directors and senior management of the Company, as well as establishing a formal and transparent remuneration policy of the Company;

(c) with authority delegated by the Board, establishing compensation packages for all executive Directors and senior management and making recommendations to the Board on remuneration for non-executive Directors; and

(d) reviewing and approving compensations paid to executive Directors and senior management, for loss or termination of their office or appointment, in order to ensure that the compensations are paid in accordance with relevant contractual terms.

The Remuneration Committee held one meeting during the year ended 31 December 2021, and performed, among other things, the major works as below:

1. reviewed and discussed the remuneration policy and structure of the Company and the remuneration and performance of duties of the executive Directors, senior management and other staff of the Company; and

2. reviewed and discussed the remuneration of the newly re-elected Directors, established remuneration package for executive Directors and made recommendations to the Board on remuneration for re-elected non-executive Directors.

Nomination Committee

As of 31 December 2021, the Nomination Committee consists of three members, including one executive Director, namely Mr. Zhang Dafan, and two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon. Mr. Zhang Dafan is the chairman of the Nomination Committee.

The Board has adopted the board diversity policy (the "Board Diversity Policy"). All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and term of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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The Company embraces the benefits of having a diverse Board to enhances the overall effectiveness of the Board and thereby the shareholders' value. Currently, the Board comprises five male Directors and two female Directors, and half of the Company's senior management (including executive Directors) are female. The Company believes that the current Board composition reflects a balance of skills, experience and expertise appropriate for the requirements of the Company's business development and for effective leadership. All the executive Directors (including male and female) possess extensive experience in the Company's industry while the non-executive Directors (including independent non-executive Directors) possess professional knowledge and broad experience in diversified areas including business management, finance and accounting, cover different gender and age group. With the contribution of the other senior management members, the present structure provides effective channel for opinion from different diversity aspects to be considered, ensuring the independence and objectivity of the Board. The balanced composition of the Board and committees, combining with the fixed-fee remuneration structure of non-executive Directors, the conflict management mechanism, transparent and timely information distribution to all Directors, and availability of access to processional advice provided to all Directors, ensure that independent views and input are available to the Board. These mechanism remains effective during 2021.

The Group has a fairly balanced workforce in terms of gender. As of 31 December 2021, out of 311 full-time employees (including senior management), around 40.5% were female. Further information about the Group's staff by gender and other employment and labour practices are set out in the Environmental, Social and Governance (ESG) Report.

The Board believes that the Board and the Group's overall workforce is diverse in terms of gender, and intends to continue the current balance of gender diversity on the Board and senior management level, and on the level of its overall workforce. The Company will also review its Board Diversity Policy (including gender diversity) and re-visit its above gender diversity objectives from time to time to promote the implementation of its Board Diversity Policy, the overall effectiveness of the Board. To support diversity at different levels, the Group is enhancing diversity awareness through employee networks, hiring and recruitment practices, and awareness raising promotions and training for all employees.

The Board has also adopted a director nomination policy ("Nomination Policy") in compliance with the Code, which establishes criteria and procedures for the nomination committee to identify and consider individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for the selection and appointment of new Directors.

The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant skills, experience and diversity of perspectives critical to the Group's business to enable the Board to make sound and well considered decisions. The Board, with the support from the Nomination Committee, reviews the Board composition from time to time to promote the overall effectiveness and sustainability of the management with diversity. In considering the Board's succession, the Company would deploy multiple channels as may be appropriate in that circumstances to identify suitable candidates (for examples, internal promotions, referral from management, officers, stakeholders and external advisors of the Company).

Corporate Governance Report

Nomination Process

When receiving the proposal to appoint a new Director, the nomination committee shall (i) assess the candidate with reference to the selection criteria as set out in the Nomination Policy to determine the eligibility of the candidate to serve as a Director; (ii) if there are more than one desirable candidates, rank them in accordance with the needs of the Company and the merits of each candidate; and (iii) make recommendations to the Board on the appointment of a suitable candidate to serve as a Director (if applicable).

When a retiring Director, being eligible, offers himself/herself for re-election, the nomination committee shall (i) review the overall contribution and services of the retiring Director and the performance and level of participation of the retiring Director; (ii) assess whether the retiring Director satisfies the selection criteria as set out in the Nomination Policy; and (iii) if considered appropriate, make recommendations to the Board, which may make a recommendation to the Shareholders to re-elect the retiring Director at a general meeting.

Selection Criteria

The Nomination Committee (if considering the candidate for independent executive directors) will take into account the Board Diversity Policy, a candidate's (i) character (in terms of his/her honesty, integrity, motivation or reputation), (ii) merits (in terms of his/her qualifications (including professional qualifications), skills, knowledge, accomplishment and experience related to the business and strategy of the Company and the diversity in skill set of the Board in accordance with Board Diversity Policy of the Company), (iii) business expertise, (iv) whether sufficient time can be devoted to properly discharge its duties as a member of the Board and a member of the board committees; and (v) his/her independence.

The Board shall review and reassess the Nomination Policy and its effectiveness on a regular basis or as required.

The main roles and terms of reference of the Nomination Committee are as follows:

(a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) reviewing the Board Diversity Policy of the Company and the implementation progress of targets set by such policy;

(c) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

(d) assessing the independence of independent non-executive Directors; and

(e) making 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.

Corporate Governance Report

The Nomination Committee held one meeting during the year ended 31 December 2021 and performed the major works as below:

1. examined the structure, size and composition of the Board, to ensure the Directors have the expertise, skills and experience required to meet the Company's business;

2. reviewed the Board Diversity Policy of the Company and the implementation progress of targets set by such policy;

3. assessed the independence of all independent non-executive Directors; and

4. reviewed and discussed the re-election of Mr. Zhang Dafan and Mr. Lin Kaihua as executive Directors, and Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon as independent non-executive Directors, and make recommendations to the Board.

Environmental, Social and Governance Committee

As at 31 December 2021, the Environmental, Social and Governance Committee had four members, including three executive Directors, namely Mr. Zhang Dafan, Ms. Xie Mei, Mr. Lin Kaihua, and one independent non-executive Director, Mr. Chu Wing Yiu. Mr. Zhang Dafan is the chairman of the Environmental, Social and Governance Committee.

The main roles and terms of reference of the Environmental, Social and Governance Committee are as follows:

(a) formulating and reviewing the ESG strategy, vision, tactics, principles and policies of the Group, and implementing ESG policies and measures approved by the Board;

(b) reviewing and determining the ESG management structure and mechanism optimisation operation plan of the Group, reviewing the ESG management structure and policies of the Group, and providing suggestions to the Board on the related ESG management structure of the Group;

(c) reviewing material ESG issues involved in the business operations of the Group, confirming the identified risks and opportunities related to ESG, reviewing and approving the material ESG issues on a regular basis, and reviewing whether the ESG risks of the Group are effectively managed and controlled;

(d) monitoring communication with the stakeholders and ensuring that there are policies established to effectively promote the relationship between the Group and the stakeholders, and identifying the communication results with the stakeholders;

(e) monitoring incorporation of ESG principles into the business decision-making procedures;

(f) monitoring the ESG performance of the Group in compliance with regulators' and investors' requirements and recommend to the Board;

Corporate Governance Report

(g) identifying the formulation of the ESG goals of the Group, the corresponding implementation rules and effectiveness, to regularly reviewing and reporting to the Board the progress regarding the achievement of ESG goals, and identifying corresponding initiative and measures on actions required to improve performance;

(h) ensuring that the Company prepares and discloses the ESG Report in accordance with the requirements of the Hong Kong Listing Rules, and identifying the ESG Report and ESG data analysis results of the Company, and reporting to the Board that the annual disclosure of ESG is in compliance with relevant listing requirements; and

(i) reporting the Board the ESG-related governance matters and identifying the issuance of the "ESG Statements of the Board".

The Environmental, Social and Governance Committee did not hold any formal meeting during the year ended 31 December 2021.

Risk Management and Internal Control

The Company's management pays high attention to comprehensive risk management. The management believes that all-around risk management and internal control systems play an important role in achieving the Company's strategic goals. The Board acknowledges its ultimate responsibility to establish and maintain appropriate risk management and internal control systems for the business of the Company. For this purpose, the Board ensures that the Company has established a robust framework of ongoing risk management procedures in identifying, evaluating and managing significant risks faced by the Company to promote the long-term success of the Company.

Meanwhile, the Board is responsible for maintaining and reviewing the effectiveness of the Company's internal control systems. The Board fully recognises that good risk management and internal control systems are designed to manage rather than eliminate the risks, and the systems and procedures that have been put in place do not provide an absolute shield against factors including unpredictable risks and uncontrollable events such as natural catastrophes or errors of judgment. Accordingly, they can only provide reasonable but not absolute assurance against misstatement of management and financial information and records or against financial losses or fraud.

The Company has not encountered any significant risk incident in the capital market since its listing. There has been no significant error or weakness in respect of internal control, nor such condition or consequence which may have a material impact on the truthfulness, accuracy and fairness on the financial matters of the Company.

The Company's risk control and compliance management department is responsible for internal audit and it is independent from other departments of the Company. The department conducts special audit of subsidiaries based on the annual audit plan, and submits reports on its results of internal audit to the management of the Company. Meanwhile, its opinions and recommendations in respect of the existing problems of the subsidiaries are included in the results of internal audit, which will be issued to the relevant subsidiaries. The relevant subsidiaries will then be required to make rectification within a specific period. By conducting comprehensive inspection to the risk management system, control measures and governance procedures of the Company, the risk control and compliance management department monitors the effectiveness of internal control of the Company.

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In addition, the risk control and compliance management department, on an annual basis, submits the comprehensive risk management report at the beginning of the year, and submits the interim report in the middle of the year. The comprehensive risk management report comprehensively describes the integrity and effectiveness of the risk management system of the various departments of the Company and its subsidiaries, the results of internal and external risk assessment on the strategy, finance, regulation and compliance, market and operation, identifies the significant risks which could have material impacts on the Company, and activates the supervision and improvement mechanisms for principal risk management strategies and solutions with respect to the aforementioned risks. The interim report presents the standardised operation procedures of the Company's business as well as the risk control and compliance management department's supervision on business. The report describes how the Company prevents project risks before, during and after project investment in a comprehensive manner and formulates new system and procedures for new businesses and situations to control risks efficiently. The existing control measures may not only identify and address all principal risks but also contribute to improving the skills, interests and costs required, thus helping the Board to assess the actual control status and effectiveness of risk management of the Company.

Three Lines of Defence

With respect to its existing businesses and under the risk management framework of the Stock Exchange regarding regulatory requirements for listed companies in Hong Kong, we have established and improved the three lines of defence for our risk management organisational system which cover decision making and monitoring of comprehensive risk management, implementation of comprehensive risk management measures and assessment of comprehensive risk management.

The framework of the Group's risk management and internal control systems is guided by the "Three Lines of Defence" model:

First Line of Defence: Defence line for decision-making and monitoring of comprehensive risk management

As the first line of defence for the Company's comprehensive risk management organisational system, the line of defence for decision-making and monitoring of comprehensive risk management comprises of the Board and the management. As the decision-making and monitoring authorities of comprehensive risk management, the Board and the management of the Company are mainly responsible for (among others) approving the organisational structure and functions of risk management of the Company; approving the risk management policies, risk management measures and significant risk solutions of the Company; and monitoring and supervising the comprehensive risk management system as well as the establishment and implementation of internal control assessment mechanisms.

Second Line of Defence: Defence line for implementation of comprehensive risk management measures

All functional departments, subsidiaries, special teamwork groups and the "risk manager" system of the Company constitute the second line of defence for implementation of comprehensive risk management measures, mainly responsible for conducting and implementing comprehensive risk management and internal control systems and relevant affairs, and strictly implementing day-to-day risk management measures; organising all departments and subsidiaries to identify and evaluate the actual risk management of their respective businesses; and promptly reporting risks in relation to the implementation of management strategies and solutions for significant risks.

Corporate Governance Report

Third Line of Defence: Defence line for assessment of comprehensive risk management

As the third line of defence for comprehensive risk management, the Company's risk control and compliance management department is mainly responsible for supervising and assessing the implementation and quality of comprehensive risk management measures, and on-going effectiveness of risk countermeasures in combination with audit projects, and issuing reports on supervision, assessment and audit, etc.

Management Procedures for Significant Risks

In order to improve the monitoring and management of significant risks and fully leverage the effect of the three lines of defence for the Company's risk management organisational system, the Company organises all departments and subsidiaries to conduct risk assessment under the lead of the risk control and compliance management department.

Based on risk management provisions and actual corporate status, the Company conducts risk assessment mainly focusing on four aspects: strategic risk, financial risk, operational risk, as well as legal and compliance risk. To identify the abovementioned risks, potential significant risks are ultimately determined with qualitative and quantitative standards, while risk factors are identified and assessed based on the Company's core business. The Company monitors and aims to minimise the occurrence of risk events by tracking and managing the whole process of risk assessment and relevant significant risks during the year, implementing the supervision and improvement mechanisms for significant risk management strategies and solutions, and establishing and implementing relevant solutions.

Measures and Means of Defence Lines

With an aim to improve the Company's risk management and internal control systems while enhancing management standards and ability to mitigate risks, the risk control and compliance management department organises all functional departments and subsidiaries of the Company for promoting and training on self-assessment of internal control and comprehensive risk management, requiring all departments and subsidiaries to carry out risk assessment as required and penetrate risk management in their daily operations in combination with their actual conditions, so as to create an unified cultural atmosphere for risk management within the Company. In addition, the Company is equipped with a certain cultural base for risk management due to the development of comprehensive risk assessment and response mechanisms.

In order to further improve the risk management awareness of all employees, the Company strives for innovative model for establishment of internal control system, trains the internal control personnel through the model of "sharing of experience", and provides support for employees in respect of their training courses and relevant budgets involved. A "risk manager" mechanism has been established within the Company. The "risk managers" are under supervision of the Company's risk managing unit, namely the risk control and compliance management department, and have been deployed in each department and subsidiaries. The mechanism systematically improved the effectiveness of the internal control system and risk management, thus achieving smooth and standardised business flow between the headquarters and subsidiaries of the Company.

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Principal Risks

A number of factors may affect the results and business operations of the Group. The Group focuses on addressing the following principal risks and uncertainties.

Principal Risks and Control Measures in 2022

Type of Risk	Description	Key Control Measures	Caused by
Investment management risk	In terms of policies, the real estate-related regulatory policies introduced and implemented by the State have led to uncertain risks in the real estate industry. In terms of market, due to the impact of the economic environment, the tightening of monetary supply and the downturn in the market have affected the progress of project development and sales of some real estate companies.	1. Keep abreast of the latest policies and market trends in the real estate industry, follow up the fund reserve and use, development and sales progress of the integrated development projects invested by the Company, and understand the major difference from the planned progress; 2. Actively communicate and negotiate with the local government, project companies and relevant partners to formulate and implement solutions to defuse project risks, in respect of those projects that are significantly different from the planned schedule.	Changes in policies for the real estate industry, as well as changes in the global economic environment.
Post-investment project risk	The investee enterprises have business operation risks and contingent agency risks during the holding period by the Company.	1. Strengthen the tracking and anticipation of the industry market in which investee enterprises are located and related policies, predict risks in a timely manner, and provide sufficient buffer time for subsequent risk response and risk disposal; 2. Strengthen the communication with the management of investee enterprises, and timely follow up and conduct research and analysis to minimise the contingent agency risk caused by information asymmetry.	Adverse changes in the market environment and industry policies of the industry in which investee enterprises are located; misjudgment of operation decision by the operation team of investee enterprises and unstable management team, etc.

Corporate Governance Report

Principal Risks and Control Measures in 2022

Type of Risk	Description	Key Control Measures	Caused by
Safety risk	With the increasingly severe COVID-19 prevention and control, the increased difficulties in pandemic prevention and control and no recent significant improvement in the global pandemic situation, the daily operations of the Company and the work and life of its employees will undergo huge tests. It may endanger the health of the Company's employees and affect its normal operation.	Strictly implement the relevant policies and guidelines for pandemic prevention and control, with constant efforts to be made to improve the Company's long-acting anti-pandemic mechanism; distribute anti-pandemic supplies on time, and provide care and support to employees amid the pandemic to ensure their defenses against the pandemic; formulate an emergency plan for COVID-19 prevention and control to minimise the harm, ensure the health and life safety of all employees, and guarantee the normal office and work order of the Company, with a view to promote the development and stable operation of the Company.	Due to the resurgent outbreaks in some parts of the country, there is a risk that the Company's employees may be infected due to business trips, reception of visitors, or confirmed cases in the communities where they live.

Corporate Governance Report

Principal Risks and Control Measures in 2022

Type of Risk	Description	Key Control Measures	Caused by
Macroeconomic risk	The weakening of global economy and the complicated situation of epidemic management and control may cause domestic economy to face greater downward pressure. The business performance of enterprises invested directly or through funds by the Company may be affected.	1. Step up efforts on the in-depth and forward-looking research at the macro and industry level, predict risks in a timely and accurate manner, and provide sufficient buffer time for subsequent risk response and risk treatment; 2. Optimise the investment screening model and prioritise the selection of high-quality leading companies with strong anti-risk ability and good profitability stability for direct equity investment, in a bid to reduce the risk of operating income fluctuations from the source. 3. Strengthen the resource coordination and empowerment of the investee enterprises, and give full play to the advantages of OCT's brand, capital, management and industrial resources, in order to help improve the business performance and anti-risk capabilities of the enterprises; 4. Deepen cooperation with capital market institutions, enhance the efficiency of using innovative financial tools, and promptly dispose of equity projects with relatively high operational risks.	The risk of regional geopolitical emergencies around the world may spread, there are repeated outbreaks of the pandemic and the Fed's interest rate hike signals a turning point in the market expectations of the liquidity, which may inhibit domestic economic growth.

In 2022, the Audit Committee of the Company will continuously improve and optimise its risk management process in line with the Corporate Governance Code and the best industry practices. In addition, it will focus on communication on internal risks, raise awareness on risks and determine ownership of risks.

The Company considers its risk management and internal control systems remain effective and adequate in evaluating, determining and managing significant risks that the Group may take in achieving its strategic objectives.

Corporate Governance Report

Financial Reporting

The Directors are responsible for overseeing the preparation of the financial statements, to ensure that the annual report gives a true and fair view of the financial position, results and cash flow of the Group for the year. In preparing the financial statements for the year ended 31 December 2021, the Directors have:

- selected appropriate accounting policies and applied them consistently; and
- made judgments and estimates that are reasonable. The Company recognises that high quality corporate reporting is very important in reinforcing mutual trust between the Company and its stakeholders and aims at presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects in all corporate communications. In order to achieve timely and effective communications with its shareholders, the Company publishes its annual results in a timely manner within the limit of four months after the end of a financial year.

The auditors' responsibilities are set out in the Auditor's Report on Page 67. Through the Audit Committee, the Board has reviewed the internal control system in respect of finance, operations and compliance of the Company and its subsidiaries. The Audit Committee considers that the Company and its subsidiaries have established all necessary mechanisms. The above control mechanism has ensured compliance in respect of the Company's operations. The Board considers that the Company has complied with the provisions of the Code on internal control.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Group paid total Directors' remuneration amounts of approximately RMB2.368 million, RMB1.775 million, RMB0.199 million, RMB0.199 million and RMB0.199 million to Ms. Xie Mei, Mr. Lin Kaihua, Ms. Wong Wai Ling, Professor Lam Sing Kwong Simon and Mr. Chu Wing Yiu respectively for the year ended 31 December 2021. Mr. Zhang Dafan and Mr. Wang Wenjin did not receive any Director's remuneration from the Group as of 31 December 2021. Details in relation to the Director's remuneration payment of the Group for the year ended 31 December 2021 are set out on Page 119 of this annual report.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Senior management's remuneration payment of the Group for the year ended 31 December 2021 falls within the following bands:

	Number of People
RMB1,000,001 to RMB2,000,000	2
RMB2,000,001 to RMB3,000,000	4

SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). The Board confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year ended 31 December 2021.

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SECURITIES TRANSACTIONS BY SENIOR MANAGEMENT AND STAFF

The senior management and staff who may be involved in handling confidential price-sensitive inside information have been notified and advised about the Model Code by the Company.

The Company has in place written measures and procedures on guiding Directors, officers and relevant employees regarding handling of confidential and inside information.

COMPANY SECRETARY

The Company Secretary of the Company reports directly to the Board, Chairman and Chief Executive Officer. All Directors have easy access to the Company Secretary and the responsibility of the Company Secretary is to ensure that the Board meeting procedures are properly followed and the Company complies with applicable laws and regulations. The Company Secretary is also responsible for giving advice to the Board with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of notifiable transactions, connected transactions and inside information. The Company Secretary shall provide advice to the Board with respect to strict compliance with the laws, requirements and the Company's articles of association as appropriate. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance so as to bring the best long-term value to the shareholders of the Company. In addition, the Company Secretary also provides relevant information updates and continuing professional development to the Directors with respect to legal, supervisory and other continuing obligations for being a director of a listed company as appropriate. The Company Secretary is also responsible for supervising and managing the investor relations of the Group.

The Company Secretary has complied with Rule 3.29 of the Listing Rules in respect of professional training requirements for the year ended 31 December 2021.

EXTERNAL AUDITOR

KPMG will retire at the forthcoming annual general meeting of the Company.

For the year ended 31 December 2021, the audit and non-audit (including reporting accountant services for notifiable transactions) fees paid to the external auditor, KPMG were approximately RMB4.44 million and approximately RMB1.98 million respectively.

The auditor's responsibilities to the shareholders of the Company are set out on Page 61 of this annual report.

Corporate Governance Report

SHAREHOLDERS COMMUNICATION AND INVESTOR RELATIONS

The Board and senior management recognise the responsibility of safeguarding the interests of the shareholders of the Company. The Company adopts a Shareholders' Communication Policy with an aim to provide ready, equal and timely access to balanced and understandable information on the Company, so as to keep the shareholders of the Company and investors abreast of the Company's position and help them exercise their rights in an informed manner, and to allow the Shareholders and the investors to engage actively with the Company. The Company believes that maintaining good and effective communication with shareholders of the Company can facilitate their understanding of the business performance and strategies of the Group. In order to safeguard the interests of the shareholders of the Company, the Company reports its financial and operating performance to the shareholders of the Company through annual reports and interim reports. In addition, the Company has numerous communication channels, such as press conferences and seminars and visits to the Group, to hold dialogue with the media, analysts, fund managers and investment community, so as to keep them abreast of the Group's business and latest developments. Shareholders of the Company can also obtain information of the Group in time through annual reports, interim reports, announcements, circulars, press releases and the Company's website at www.oct-asia.com.

The annual general meetings and other general meetings of the Company provide an appropriate platform for direct communication between the Board and the shareholders of the Company. Shareholders of the Company may directly raise questions to the Board concerning the performance and future direction of the Group.

There were no significant changes in the Company's memorandum of association and articles of association in 2021.

The Board reviewed the Group's shareholders and investor engagement and communication activities conducted in 2021 and was satisfied with the implementation and effectiveness of the Shareholders Communication Policy.

SHAREHOLDERS' RIGHTS

Procedures for convening an extraordinary general meeting, putting forward proposals and proposing directors candidate by shareholders

In accordance with the requirements under Article 64 of the articles of association of the Company, extraordinary general meetings shall be convened on the requisition of one or more shareholders 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 having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If within twenty-one days after such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Corporate Governance Report

Pursuant to Article 113 of the articles of association of the Company, no person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registered Office of the Company. The minimum length of the period, during which the notices required under the articles of association of the Company, will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board by email or by post through the Company Secretary whose contact details are as follows:

Recipient: Company Secretary
Overseas Chinese Town (Asia) Holdings Limited
59/F., Bank of China Tower, 1 Garden Road, Hong Kong
Email: ir-asia@chinaoct.com

The Company Secretary shall forward the shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to answer the questions of the shareholders of the Company.

Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements for the year ended 31 December 2021.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 28 February 2005. The registered office and the principal place of business are Ocorian Trust (Cayman) Limited, Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1–1108, Cayman Islands and 59/F., Bank of China Tower, 1 Garden Road, Hong Kong, respectively.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. During the Period under Review, the Group is principally engaged in the comprehensive development, equity investment and fund management.

Further discussion and analysis of the business review required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of financial key performance indicators, possible future development plans for the Group's business, employment policy and subsequent event(s), can be found in "Chairman's Statement" and "Management Discussion and Analysis" set out on Pages 7 to 22 of this annual report. A summary of the Group's key risks is set out in the "Corporate Governance Report" on Pages 40 to 42 of this annual report. The discussion forms part of the "Directors' Report".

RESULTS AND DISTRIBUTIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss on Page 70.

The Board has adopted a dividend policy (the "Dividend Policy") to enhance the transparency of dividends distributed by the Company and to facilitate the Shareholders and potential investors to make informed investment decisions. There is no guarantee or assurance that dividends of any amount will be declared or distributed in any given period and the Company does not have a predetermined dividend payout ratio. The declaration, payment and form of dividends are at the absolute discretion of the Board, and the final dividend to be declared shall be subject to the approval of the Shareholders, memorandum and articles of association (the "Articles") of the Company, the laws of Cayman Islands, any other applicable laws and regulations, and the provision of this Dividend Policy.

The Board in determining the level of dividends will consider factors including: 1. distributable profits; 2. earnings; 3. current financial position; 4. capital requirements and expense planning; 5. past financial performance; 6. past and forecasted cash flows; 7. business status and strategies; 8. future operations and profitability; 9. shareholder interests; 10. restrictions on dividend payments (including contractual restrictions such as restrictions stipulated in any financing agreement). Subject to Shareholders' approval at a general meeting and to the relevant laws and regulations of the PRC, any applicable rules and regulations, and the Articles, and after taking consideration of the factors above, the Company may also declare interim dividends, final dividends, special dividends and/or any distributions that are considered appropriate by the Board in addition to the annual distributions. The Board will review the Dividend Policy from time to time.

The Directors do not propose the distribution of a final dividend of ordinary share for the year ended 31 December 2021.

There was no arrangement under which a shareholder has waived or agreed to waive any dividends during the year ended 31 December 2021.

Directors' Report

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2021 and the financial position of the Group as at that date are set out in the consolidated financial statements on Pages 70 to 74.

TRANSFER TO RESERVES

The loss attributable to Shareholders of the Company before dividend payment of approximately RMB1.112 billion (2020: approximately RMB219 million) has been transferred to reserves. Other movements in the reserves are set out in the consolidated statement of changes in equity and Note 28 to the consolidated financial statements.

FIXED ASSETS

During the Period under Review, the Group invested approximately RMB85 million for the acquisition of fixed assets (including construction in progress). Details of the movements of fixed assets and construction in progress are set out in Note 11 to the consolidated financial statements.

TAX RELIEF

The Company is not aware of any tax relief available to the Shareholders by reason of their holdings in the Company's securities.

SHARE CAPITAL

As of 31 December 2021, the total number of the issued ordinary shares of the Company was 748,366,000 shares, which is equal to the number of the prior year.

Details of the movements in the share capital of the Company during the year are set out in Note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Pursuant to the relevant rules of the Cayman Islands, the Company's distributable reserves as at 31 December 2021 amounted to RMB1.555 billion.

RIGHT OF FIRST REFUSAL

There was no provision in respect of pre-emptive rights in the Articles or any requirement in the laws of the Cayman Islands requiring the Company to issue new shares to the existing Shareholders proportionately.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not purchased its own listed shares during the Period under Review. During the Period under Review, save as disclosed in this report, the Company or any of its subsidiaries has not purchased, sold or redeemed any listed shares of the Company.

Directors' Report

MATERIAL CONTRACTS

Save as disclosed in this annual report, no contract of significance has been entered into or subsisted during the Reporting Period between the Company or any of its subsidiaries and the controlling shareholder or its subsidiaries.

SERVICE CONTRACTS

No Director has an unexpired service contract which is not determinable by the Company within one year without payment of compensation other than normal statutory compensation.

ENVIRONMENTAL POLICIES AND PERFORMANCE

In implementing green development and operations, the Group has always adhered to the development principles of "Innovation, Coordination, Greenness, Open-up and Sharing", integrating the concept of sustainable development into environmental management, production, daily operation and project investment. In recent years, we focused on the comprehensive development business and investment in the new urbanisation industrial ecosystem business. As we adjust principal business and structure, we also continuously update and improve the environmental management system, facilitating green development.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China while the Company itself is listed on the Stock Exchange. Our operations accordingly shall comply with relevant laws and regulations in Mainland China and Hong Kong. During the year ended 31 December 2021, the Group did not violate the relevant laws and regulations that have a significant impact on the Company.

DIRECTORS

The Directors during the year were as follows:

Executive Directors:

Mr. Zhang Dafan *(Chairman)*
Ms. Xie Mei *(Chief Executive Officer)*
Mr. Lin Kaihua

Non-executive Director:

Mr. Wang Wenjin

Independent Non-executive Directors:

Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon
Mr. Chu Wing Yiu

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, no transaction, arrangement or contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company or entity connected with him/her had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERSONAL BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Personal biographies of Directors and senior management are set out on Pages 23 to 26.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business other than the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2021 and up to and including the date of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Save as disclosed below, as at 31 December 2021, no interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) were held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules:

Name of Directors	Capacity/Nature	Class of shares	Number of shares held	Approximate percentage of issued share capital of the Company
Lam Sing Kwong Simon	Beneficial owner	Ordinary shares	1,000,000	0.13%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2021, to the knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which should be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Directors' Report

Long and Short Positions in Shares

Name of substantial shareholders	Capacity/Nature	Number of shares	Approximate percentage of shareholding
Pacific Climax Limited ("Pacific Climax") *(Note 1)*	Beneficial owner	530,894,000 (long position)	70.94%
Overseas Chinese Town (HK) Company Limited ("OCT (HK)")	Interest of a controlled corporation *(Note 2)*	530,894,000 (long position)	70.94%
Shenzhen Overseas Chinese Town Company Limited ("OCT Ltd.")	Interest of a controlled corporation *(Note 3)*	530,894,000 (long position)	70.94%
Overseas Chinese Town Group Company Limited ("OCT Group")	Interest of a controlled corporation *(Note 4)*	530,894,000 (long position)	70.94%

Notes:

(1) The interests held by Pacific Climax consist of interests (long position) in 530,894,000 ordinary shares. Ms. Xie Mei and Mr. Lin Kaihua, both being executive Directors, and Mr. Wang Wenjin, being a non-executive Director, are also directors of Pacific Climax.

(2) OCT (HK) is the beneficial owner of all the issued share capital in Pacific Climax. Therefore, OCT (HK) is deemed, or taken to be interested in all the Shares beneficially held by Pacific Climax for the purpose of the SFO. Mr. Zhang Dafan and Ms. Xie Mei, both being executive Directors, and Mr. Wang Wenjin, being a non-executive Director, are also directors of OCT (HK).

(3) OCT Ltd. is the beneficial owner of all the issued share capital of OCT (HK), which is in turn the beneficial owner of all the issued share capital of Pacific Climax. OCT Ltd. is deemed, or taken to be interested in all the Shares which are beneficially owned by OCT (HK) and Pacific Climax pursuant to the SFO. OCT Ltd. is a company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange. OCT Ltd. is a subsidiary of OCT Group.

(4) OCT Group is the holding company of OCT Ltd. and together with its wholly-owned subsidiary, Shenzhen OCT Capital Investment Management Company Limited (深圳華僑城資本投資管理有限公司), hold 47.97% interests in OCT Ltd., which is the beneficial owner of all the issued shares of OCT (HK) and in turn, the beneficial owner of all the issued share capital of Pacific Climax. Therefore, OCT Group is deemed, or taken to be interested in all the Shares which are beneficially owned by OCT Ltd., OCT (HK) and Pacific Climax for the purpose of the SFO.

Save as disclosed above, as at 31 December 2021, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the Period under Review.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's revenue and purchases attributable to the major customers and suppliers respectively during the Period under Review is as follows:

	Percentage of the Group's total	
	Revenue	**Purchases**
Largest customer	60.0%	
Total proportion of the top five customers	63.3%	
Largest supplier		37.4%
Total proportion of the top five suppliers		91.7%

The Group recognised the importance of maintaining a good relationship with customers and suppliers. There was no material customers' or suppliers' dispute during the Period under Review.

At no time during the year have the Directors of the Company, their close associates or any shareholders (who to the knowledge of the Directors own more than 5% of the share capital of the Company) had any interest in the Group's top five suppliers or customers.

Connected Transactions

During the year, the Group has the following continuing connected transactions (the "Connected Transactions") and the Company has fully complied with the announcement, reporting and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules (where applicable):

1. On 30 December 2019, Shenzhen OCT Huaxin Equity Investment Management Limited ("OCT Huaxin") entered into the Happy Coast tenancy agreement ("Happy Coast Tenancy Agreement") with Shenzhen Overseas Chinese Town Entertainment Investment Limited ("OCT Entertainment") for a term of three years with effect from 1 March 2020 and ending on 28 February 2023, pursuant to which, OCT Entertainment agreed to lease a property located in Jacaranda International Business Center, Shenzhen, the PRC to OCT Huaxin as office premises.

   OCT Entertainment is a connected person of the Company, therefore, the arrangement concerning the Happy Coast Tenancy Agreement constitutes a continuing connected transaction of the Company.

2. On 30 December 2019, OCT Shanghai Land entered into a property management agreement (the "Property Management Agreement") with Shanghai Zhabei branch office of Shenzhen Overseas Chinese Town Property Service Company Limited ("OCT Property Service") ("OCT Property Service Shanghai Zhabei Branch") for a term of three years with effect from 1 January 2020 and ending on 31 December 2022. Pursuant to the Property Management Agreement, OCT Property Service Shanghai Zhabei Branch will provide property management services to OCT Shanghai Land in relation to the Shanghai Suhe Creek Project.

   OCT Property Service is an indirect wholly-owned subsidiary of OCT Ltd.. Therefore, OCT Property Service is a connected person of the Company within the meaning of the Listing Rules. OCT Property Service Shanghai Zhabei Branch is a branch office of OCT Property Service. Therefore, the arrangement of the said Property Management Agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

3. On 30 December 2019, OCT Shanghai Land entered into an electrical and mechanical services consultation agreement (the "Electrical and Mechanical Services Consultation Agreement") with Shenzhen Overseas Chinese Town Water and Electricity Company Limited (深圳華僑城水電有限公司) ("OCT Electricity") for a term of three years with effect from 1 January 2020 and ending on 31 December 2022. Pursuant to the Electrical and Mechanical Services Consultation Agreement, OCT Electricity will provide electrical and mechanical consultation services to OCT Shanghai Land in relation to the Shanghai Suhe Creek Project.

   OCT Electricity is a wholly-owned subsidiary of OCT Ltd. Therefore, OCT Electricity is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said Electrical and Mechanical Services Consultation Agreement constitutes a continuing connected transaction under the Listing Rules.

4. OCT Financial Leasing Co., Ltd., a direct wholly-owned subsidiary of the Company, entered into the finance lease and factoring framework agreement with OCT Group on 18 May 2020, pursuant to which, OCT Financial Leasing agreed to provide finance lease and factoring services to OCT Group. The finance lease and factoring framework agreement will be valid for one year from 19 June 2020.

   OCT Group is a connected person of the Company. Therefore, the arrangement of the said finance lease and factoring agreement constitutes a continuing connected transaction under the Listing Rules.

5. OCT Financial Leasing, a direct wholly-owned subsidiary of the Company, entered into the finance lease and factoring framework agreement with OCT Ltd. on 18 May 2020, pursuant to which, OCT Financial Leasing agreed to provide finance lease and factoring services to OCT Ltd. The finance lease and factoring framework agreement will be valid for one year from 19 June 2020.

   OCT Ltd. is a connected person of the Company. Therefore, the arrangement of the said finance lease and factoring agreement constitutes a continuing connected transaction under the Listing Rules.

6. On 8 July 2020, Hefei OCT Huanchao Cultural Tourism Real Estate Development Co., Ltd* (合肥華僑城環巢文旅置業發展有限公司) ("Hefei OCT Huanchao"), an indirect non-wholly owned subsidiary of the Company, entered into a property management framework agreement with Hefei branch office of OCT Property (Group) Co., Ltd. ("OCT Property (Hefei)"), pursuant to which OCT Property (Hefei) agreed to provide property management services for the development project in respect of Hefei Chaohu Bantang Hot Spring Town and the office areas of Hefei OCT Huanchao to Hefei OCT Huanchao for the period from 8 July 2020 to 31 December 2022.

   OCT Property (Hefei) is an indirect wholly-owned subsidiary of OCT Ltd. Therefore, OCT Property (Hefei) is a connected person of the Company under Chapter 14A of the Listing Rules, and the transaction contemplated under the property management framework agreement constitutes a continuing connected transaction of the Company.

* *For identification purposes only*

Directors' Report

7. Hefei OCT Industry, an indirect non-wholly owned subsidiary of the Company, entered into a planning technical services framework agreement with Shenzhen OCT Innovation and Research Institute Co., Ltd. ("OCT IRI") on 17 August 2020, pursuant to which OCT IRI will provide planning and project design technical services for the development project in respect of Hefei Airport International Town to Heifei OCT Industry for the period from 17 August 2020 to 31 December 2022.

   OCT IRI, a company directly and wholly owned by OCT Group, is therefore a connected person of the Company, and the transaction contemplated under the planning technical services framework agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

8. On 7 July 2021, Hefei OCT Industry, an indirect non-wholly owned subsidiary of the Company, entered into the Property Services Framework Agreement with OCT Property (Hefei), in relation to the provision of property management services by OCT Property (Hefei) to Hefei OCT Industry for the Hefei Airport International Town Project and the office areas of Hefei OCT Industry, for the period from 7 July 2021 to 31 December 2022.

   OCT Property (Hefei) is an indirect wholly-owned subsidiary of OCT Ltd. Therefore, OCT Property (Hefei) is a connected person of the Company under Chapter 14A of the Listing Rules, and the transaction contemplated under the property management framework agreement constitutes a continuing connected transaction of the Company.

Details of Item 1 to 3 connected transactions are set out in the announcement of the Company dated 30 December 2019. Details of Items 4 to 5 connected transactions are set out in the announcement of the Company dated 18 May 2020 and the circular dated 29 May 2020. Details of Item 6 connected transaction are set out in the announcement of the Company dated 8 July 2020. Details of Item 7 connected transaction are set out in the announcement of the Company dated 17 August 2020. Details of Item 8 connected transaction are set out in the announcement of the Company dated 7 July 2021.

Due to the disposals of entities which took place in 2020, certain entities were disposed of and framework agreements entered into by those entities historically ceased to be agreements of the Group.

Directors' Report

The transaction amount and cap amount of the Connected Transactions for the year ended 31 December 2021 are as follows:

	Connected Transactions	Annual cap for 2021 (RMB'000)	**Actual amount incurred in 2021 (RMB'000)**
1	Tenancy Agreement between OCT Huaxin and OCT Entertainment with respect to office premises	1,100	**968**
2	Property Management Agreement between OCT Shanghai Land and OCT Property Service Shanghai Zhabei Branch	49,380	**3,440**
3	Electrical and Mechanical Services Consultation Agreement between OCT Shanghai Land and OCT Electricity	1,000	**660**
4	Property Management Framework Agreement between Hefei OCT Huanchao and OCT Property (Hefei)	10,000	**4,901**
5	Planning Technical Services Framework Agreement between Hefei OCT Industry and OCT IRI	8,000	**755**
6	Property Services Framework Agreement between Hefei OCT Industry and OCT Property (Hefei)	23,500	**11,328**

Directors' Report

	Connected Transactions	Annual cap (RMB'000)	Accumulated transactions amount up to 31 December 2021 (RMB'000)
7	Finance Lease and Factoring Agreement between OCT Ltd. and OCT Financial Leasing (Implementation agreement(s) signed within the effective period 2019.6.19–2020.6.18)	Interest and fees: 275,000 Principal: 2,225,000	**Interest and fees: 22,967** **Principal: 200,000**
8	Finance Lease and Factoring Agreement between OCT Ltd. and OCT Financial Leasing (Implementation agreement(s) signed within the effective period 2020.6.19–2021.6.18)	Interest and fees: 110,000 Principal: 890,000	**Interest and fees: –** **Principal: –**
9	Finance Lease and Factoring Agreement between OCT Group and OCT Financial Leasing (Implementation agreement(s) signed within the effective period 2019.6.19–2020.6.18)	Interest and fees: 110,000 Principal: 890,000	**Interest and fees: 4,906** **Principal: 50,000**
10	Finance Lease and Factoring Agreement between OCT Group and OCT Financial Leasing (Implementation agreement(s) signed within the effective period 2020.6.19–2021.6.18)	Interest and fees: 110,000 Principal: 890,000	**Interest and fees: –** **Principal: –**

No new implementation agreements were entered into after the effective period regarding items 7 to 10 above.

The Directors confirm that for the above Connected Transactions, the Company has complied with the disclosure, reporting and/or shareholders' approval requirements under Chapter 14A of the Listing Rules (if applicable).

Directors' Report

The independent non-executive Directors have reviewed the above Connected Transactions and confirmed that the above Connected Transactions are:

(1) entered into in the ordinary and usual course of business of the Company;

(2) on normal commercial terms or better, or if there are insufficient comparable transactions to judge whether the terms of those transactions are on normal commercial terms, as far as the Company is concerned, the terms of the above transactions are not less favourable than those available to or from independent third parties (as the case may be); and

(3) entered into under the terms of the agreements in respect of the relevant transactions, and the terms of the transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In addition, the Company's auditors have also confirmed in writing to the Board, nothing had come to their attention which caused them to believe that:

- the Connected Transactions had not received the approval of the Board;
- the Connected Transactions had not been entered into, in all material aspects, in accordance with the relevant agreements of the relevant transactions;
- the Connected Transactions had not been entered into, in all material aspects, in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group; and
- the transaction amount incurred in 2021 for each of the Connected Transactions had exceeded the aggregate annual value as disclosed in the Company's announcements dated 30 December 2019, 18 May 2020, 8 July 2020, 17 August 2020, and 7 July 2021.

The related party transactions are set out in Note 32 to the consolidated financial statements of the Company. Except for the connected transactions and continuing connected transactions disclosed above and in the following paragraph, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2021, OCT Group and its associates provided financial support to the Group, and the interest and related expenses payable by the Group to OCT Group and its associates amounted to approximately RMB36.84 million in total. Such financial support constitutes a connected transaction of the Company, but was exempted from complying with the requirements of reporting, announcement and approval from independent shareholders based on the reason that the financial support provided to the Group by OCT Group and its associates and which benefited the Company was made on normal commercial terms or better (for listed issuer's group) and is not secured by the assets of the Group.

Directors' Report

The Group entered into the connected transaction set out below, and has complied with Chapter 14A of the Listing Rules.

On 21 October 2021, Hefei OCT Industry, an indirect non-wholly owned subsidiary of the Company, entered into the Light Current Engineering Agreement with OCT Intelligent Technology (Shenzhen) Co., Ltd. ("OCT Intelligent Technology (Shenzhen)"), pursuant to which OCT Intelligent Technology (Shenzhen) will provide light current engineering services to Hefei OCT Industry for the Hefei Airport International Town Project at approximately RMB7,920,000 (tax included).

OCT Intelligent Technology (Shenzhen) is indirectly 40% owned by OCT Ltd. Therefore, OCT Intelligent Technology (Shenzhen) is a connected person of the Company under Chapter 14A of the Listing Rules and the transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Details of the above connected transaction are set out in the announcement of the Company dated 21 October 2021.

BANK LOANS AND OTHER LOANS

Particulars of bank loans and other loans of the Company and the Group as at 31 December 2021 are set out in Note 24 to the consolidated financial statements.

FIVE-YEAR SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years is set out on Pages 174 to 176 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Further information of the Group's policies and performance about the environmental, social and governance will be included in the Environmental, Social and Governance Report of the Company which will be published on the websites of the Company and the Stock Exchange in due course in compliance with the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules.

PENSION SCHEMES

The Group participates in two defined contribution pension schemes which cover the Group's full-time employees. Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution pension benefit schemes organised by the relevant local government authorities. The only obligation of the Group with respect to such pension benefit schemes is to make the specified contributions under the schemes. Furthermore, the Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of its employees in Hong Kong. The MPF Scheme is a defined contribution pension plan administered by independent trustees. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

Details of these pension schemes are set out in Note 26 to the consolidated financial statements.

Directors' Report

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' LIABILITY INSURANCE TO INDEMNITY

The Company has purchased appropriate and sufficient liability insurance to indemnify its Directors and senior management in respect of legal actions against the Directors and senior management.

AUDITOR

KPMG has been appointed as the auditor of the Company since 22 December 2017. At the Company's last annual general meeting, KPMG was re-appointed as the auditor of the Company.

PUBLIC FLOAT

To the knowledge of the Directors and based on the information that is publicly available to the Company, as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

SHARE OPTION SCHEME

Under the ordinary resolution passed at the extraordinary general meeting on 15 February 2011, the Board adopted a new share option scheme (the "New Scheme"). The purpose of the New Scheme is to attract and retain the best available talents, to provide additional incentive to the employees (full-time and part-time), Directors, consultants and advisers of the Group and to promote the business development of the Group. The New Scheme expired on 14 February 2021. During the year ended 31 December 2021, no share options were granted, exercised, lapsed and cancelled under the New Scheme.

The participants of the New Scheme include any full-time or part-time employee, Director, advisor and professional consultant of the Group or any member of the Group. The Directors may at their absolute discretion and on such terms as they may think fit, propose any eligible persons under the New Scheme to take up options.

An offer for the grant of options must be accepted within 28 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer was HK$1.00.

The subscription price of an ordinary share in respect of any particular option granted under the New Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

Directors' Report

The Company shall be entitled to issue options, provided that the total number of ordinary shares which may be issued upon exercise of all options to be granted under all the New Schemes and any other share option scheme of the Company does not exceed 10% of the ordinary shares in issue at the date of the approval of the New Scheme. The Company may at any time refresh such limit, subject to the Shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all options granted but yet to be exercised under all new schemes and any other share option scheme of the Company does not exceed 30% of the shares in issue at the time.

An option may be exercised in accordance with the terms of the New Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant. The total number of shares issued and may be issued upon exercise of options granted to any grantee (including both exercised and outstanding options), in any 12 -month period up to the date of grant shall not exceed 1% of the shares of the Company then in issue.

Pursuant to the terms of the New Scheme, the Company granted 30,100,000 options to some eligible participants (including some Directors and employees) at the exercise price of HK$4.04 and the grant price of HK$1 on 3 March 2011. Details of the above share options granted under the New Scheme are set out in the announcement of the Company dated 3 March 2011. As at 2 March 2016, the share options granted under the New Scheme have all expired, lapsed and cancelled. As the New Scheme had already expired, no further options could be issued under the New Scheme as at the date of this report.

Save for the above, at no time during the period prior to the date of this report was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement that enables the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporates.

DONATIONS

The Group made charitable and other donation of approximately RMB110,000 during the Period under Review.

After the end of the Period under Review, the Directors proposed no final dividend. Further details are disclosed in Note 28 to the consolidated financial statements of the Company.

By order of the Board
Chairman
Zhang Dafan

Hong Kong, 29 April 2022

Independent Auditor's Report

KPMG

Independent auditor's report to the shareholders of
Overseas Chinese Town (Asia) Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Overseas Chinese Town (Asia) Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 70 to 173, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Independent Auditor's Report

KEY AUDIT MATTERS *(continued)*

Assessing impairment of interests in associates

Refer to note 14 to the consolidated financial statements and the accounting policies in notes 1(l) and 2(d).

The key audit matter

As at 31 December 2021, the carrying value of the Group's interests in associates amounted to RMB3,607 million.

As disclosed in note 14 to the consolidated financial statements, the impairment loss on interests in associates amounted to RMB750 million as at 31 December 2021, mainly arose from two associates which shares were listed.

As disclosed in note 1(e) to the consolidated financial statements, interests in associates are carried in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates, less impairment loss. As such, the Group is required to assess at the end of each reporting period whether there is any indication that the carrying amounts of interests in associates may be impaired. For those associates in which such indication exists, the Group assessed their recoverable amounts, which are the higher of their fair value less costs of disposal and their value in use. The value in use of these associates was assessed by the directors, with reference of the independent valuations prepared by external valuers.

How the matter was addressed in our audit

Our audit procedures to assess impairment of interests in associates included the following:

- understanding the management's process for identifying the existence of impairment indicators of the interests in associates;
- where indicators of impairment have been identified, assessing the reasonableness of the recoverable amount of each of the relevant associates and obtaining an understanding from the management of their financial position and future prospects;
- obtaining and inspecting the valuations from the management which were prepared with reference of valuation reports prepared by the external valuers engaged by Group;
- evaluating the qualifications, expertise and objectivity of the independent external valuers;
- with the assistance of our internal valuation specialists, assessing the appropriateness of the valuation methodology and the reasonableness of the key assumptions, including the expected cashflow, discount rates and the expected long-term growth rate adopted in the valuation methodology;

Independent Auditor's Report

KEY AUDIT MATTERS *(continued)*

Assessing impairment of interests in associates *(continued)*

Refer to note 14 to the consolidated financial statements and the accounting policies in notes 1(l) and 2(d).

The key audit matter	How the matter was addressed in our audit
We identified assessing impairment of interests in associates as a key audit matter because impairment assessment requires significant judgement and estimation in key assumptions, including the expected cashflow, discount rates and the expected long-term growth rate, which increases the risk of error or potential management bias.	• inspecting sensitivity analysis prepared by management on the key assumptions adopted in the impairment assessments to understand the impact of reasonable changes in assumptions on the estimated recoverable amounts; • comparing the forecast data adopted in the impairment testing in the prior year, if applicable, with the current year's performance to assess the reliability of managements forecasting process, and making enquiries of management as to the reasons for any significant variations identified and whether these had been considered in the current assessment; and • assessing the disclosures in the consolidated financial statements in respect of the impairment assessment and the risks inherent in the key assumptions with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

KEY AUDIT MATTERS *(continued)*

Valuation of financial assets measured at fair value through profit or loss (FVTPL)

Refer to note 16 to the consolidated financial statements and the accounting policies in note 1(g).

The key audit matter

As at 31 December 2021, the aggregate carrying value of the Group's unlisted equity securities measured at FVTPL totalled RMB310 million which were classified under the fair value hierarchy as level 3.

The valuation of the Group's financial assets measured at FVTPL is based on valuation models which often require a considerable number of inputs.

Where observable data are not readily available, as in the case of all level 3 financial assets measured at FVTPL, estimates need to be developed which could involve significant management judgement.

The fair value of the Group's financial assets measured at FVTPL at 31 December 2021 was assessed by the directors primarily based on independent valuation reports prepared by a firm of qualified external valuers.

We identified assessing the fair value of financial assets measured at FVTPL as a key audit matter because of the degree of complexity involved in valuing these financial assets and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.

How the matter was addressed in our audit

Our audit procedures to assess the fair value of unlisted financial assets measured at FVTPL included the following:

- obtaining and inspecting the valuation assessment prepared by the external valuers engaged by the directors and on which the directors' assessment of the fair values of the Group's financial assets measured at FVTPL was based;
- assessing the external valuers' qualifications, experience and expertise in the assets being valued and considering their objectivity and independence;
- with the assistance of our internal valuation specialists, discussing with the external valuers, without the presence of management, their valuation methodologies in assessing the fair values of unlisted equity securities; assessing the key assumptions and critical judgements adopted which impacted the valuation by comparing these assumptions and critical judgements with market data, or other publicly available information; and
- assessing whether the disclosures in the consolidated financial statements reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

KEY AUDIT MATTERS *(continued)*

Net realisable value of inventories of comprehensive development business

Refer to note 18 to the consolidated financial statements and the accounting policies in note 1(m).

The key audit matter	How the matter was addressed in our audit
As at 31 December 2021, the aggregate carrying value of the Group's properties held for future development and under development for sale and completed properties held for sale (together "inventories of comprehensive development business") totalled RMB10,289 million. These principally comprise residential and office properties in Shanghai and Hefei held for sale. Inventories of comprehensive development business are carried at the lower of cost and net realisable value. The calculation of the net realisable value for each property development project at the financial reporting date is performed by management. The calculation of the net realisable value of inventories of comprehensive development business involves significant management judgement and estimation in preparing the updated estimations of the costs to complete each property development project as well as in assessing the expected future net selling prices for each property development project (with reference to recent sales transactions in nearby locations), the estimated future selling costs and the relevant taxes.	Our audit procedures to assess the net realisable value of inventories of comprehensive development business included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for each property development project; • conducting site visits to property development sites, on a sample basis, and discussing with management the progress of each property development project visited and the development budgets reflected in the latest forecasts for these property development projects; • evaluating the valuation methodology adopted by management for assessing the net realisable value of inventories of comprehensive development business and comparing the key estimates and assumptions adopted in the valuations, including those relating to average net selling prices, with market available data and the sales budget plans maintained by the Group;

Independent Auditor's Report

KEY AUDIT MATTERS *(continued)*

Net realisable value of inventories of comprehensive development business *(continued)*

Refer to note 18 to the consolidated financial statements and the accounting policies in note 1(m).

The key audit matter	How the matter was addressed in our audit
We identified the assessment of net realisable value of the Group's inventories of comprehensive development business as a key audit matter because of the significance of inventories of comprehensive development business to the assets of the Group and because of the inherent risks involved in estimating the costs to complete each property development project and the future selling prices for each property development project, particularly in light of the current economic circumstances and various property market measures implemented in various cities across Mainland China.	• comparing the estimated construction costs to complete each property development project with the Group's latest budgets and comparing the costs incurred to 31 December 2021 with budgets as at 31 December 2020 to assess the accuracy of management's forecasting and budgeting process; and • inspecting sensitivity analyses prepared by management for the extent of changes in key estimates and assumptions that, either individually or collectively, would be required for inventories of comprehensive development business to be materially misstated and considering the likelihood of such a movement in those key estimates and assumptions arising and the potential for management bias in their selection.

Independent Auditor's Report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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 RESPONSIBILITY 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 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 Wong Chun Pong.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 April 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Revenue	3	**1,474,128**	1,306,550
Cost of sales		**(1,169,981)**	(990,072)
Gross profit		**304,147**	316,478
Other income	4(a)	**55,024**	65,646
Other net gains	4(b)	**118,265**	465,514
Distribution costs		**(89,033)**	(97,768)
Administrative expenses		**(273,053)**	(352,270)
Profit from operations		**115,350**	397,600
Finance costs	5(a)	**(149,216)**	(183,099)
Share of profits less losses of associates	14	**(147,032)**	(66,902)
Share of profits less losses of joint ventures	15	**88,742**	(939)
Impairment losses on associates	14	**(750,000)**	(70,000)
(Loss)/profit before taxation	5	**(842,156)**	76,660
Income tax	6	**(56,952)**	(101,093)
Loss for the year		**(899,108)**	(24,433)
Attributable to:			
Equity holders of the Company		**(883,252)**	63,757
Non-controlling interests		**(15,856)**	(88,190)
Loss for the year		**(899,108)**	(24,433)
Basic loss per share (RMB)	10	**(1.49)**	(0.29)

The notes on pages 78 to 173 form part of these consolidated financial statements. Details of dividends payable to shareholders of the Company are set out in note 28(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Loss for the year		(899,108)	(24,433)
Other comprehensive income for the year (after tax and reclassification adjustments)	9		
Item that will not be reclassified to profit or loss:			
Equity investments at FVTOCI – net movement in fair value reserves (non-recycling)		243,697	90,240
Items that may be reclassified subsequently to profit or loss:			
Exchange differences		13,383	(87,654)
Share of other comprehensive income of associates and a joint venture		48,960	185,243
Cumulative exchange differences reclassified to profit or loss upon wind up of a subsidiary		–	6,270
		62,343	103,859
Other comprehensive income for the year		306,040	194,099
Total comprehensive income for the year		(593,068)	169,666
Attributable to:			
Equity holders of the Company		(577,212)	257,856
Non-controlling interests		(15,856)	(88,190)
Total comprehensive income for the year		(593,068)	169,666

The notes on pages 78 to 173 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2021

(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Investment property	11	2,408,972	2,487,968
Property, plant and equipment	11	986,334	981,721
Interests in leasehold land held for own use	11	1,187,080	1,228,041
		4,582,386	4,697,730
Intangible assets	12	33,639	42,702
Interests in associates	14	3,607,167	4,368,908
Interests in joint ventures	15	1,137,901	1,197,304
Other financial assets	16	309,638	1,141,530
Finance lease receivables	17	122,588	251,944
Deferred tax assets	27(b)	95,755	76,631
		9,889,074	11,776,749
Current assets			
Inventories and other contract costs	18	10,299,940	8,302,909
Finance lease receivables	17	98,928	108,679
Trade and other receivables	20	2,723,159	946,603
Cash at bank and on hand	21	3,331,662	4,274,938
		16,453,689	13,633,129
Assets of disposal group classified as held for sale	22(a)	–	12,079
		16,453,689	13,645,208

Consolidated Statement of Financial Position

At 31 December 2021

(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Current liabilities			
Trade and other payables	23	2,101,689	1,554,090
Contract liabilities	19	3,407,258	1,459,276
Bank and other loans	24	3,322,278	573,899
Related party loans	24	1,911,000	862,400
Lease liabilities	25	13,404	13,330
Current taxation	27(a)	158,777	169,570
		10,914,406	4,632,565
Liabilities directly associated with assets of disposal group classified as held for sale	22(b)	–	1,849
		10,914,406	4,634,414
Net current assets		5,539,283	9,010,794
Total assets less current liabilities		15,428,357	20,787,543
Non-current liabilities			
Bank and other loans	24	2,425,082	6,032,109
Related party loans	24	420,000	1,359,660
Lease liabilities	25	16,818	11,265
Deferred tax liabilities	27(b)	167,015	159,323
		3,028,915	7,562,357
NET ASSETS		12,399,442	13,225,186

Consolidated Statement of Financial Position

At 31 December 2021

(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
CAPITAL AND RESERVES			
Share capital	28(c)	67,337	67,337
Perpetual capital securities	28(d)	5,606,480	5,610,431
Reserves		2,946,691	3,752,628
Total equity attributable to equity holders of the Company		8,620,508	9,430,396
Non-controlling interests		3,778,934	3,794,790
TOTAL EQUITY		12,399,442	13,225,186

Approved and authorised for issue by the board of directors on 29 April 2022.

Zhang Dafan
Director

Xie Mei
Director

The notes on pages 78 to 173 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

(Expressed in Renminbi)

	Attributable to equity holders of the Company												
	Share capital RMB'000 *(Note 28(c))*	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Perpetual capital securities RMB'000 *(Note 28(d))*	PRC statutory reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2019 and 1 January 2020	67,337	36,884	147,711	52,517	5,296,195	460,937	151,963	(479,093)	8,947	3,602,677	9,346,075	3,573,373	12,919,448
Changes in equity for 2020:													
Profit for the year	–	–	–	–	283,209	–	–	–	–	(219,452)	63,757	(88,190)	(24,433)
Other comprehensive income	–	–	–	–	154,999	–	90,240	(51,140)	–	–	194,099	–	194,099
Total comprehensive income	–	–	–	–	438,208	–	90,240	(51,140)	–	(219,452)	257,856	(88,190)	169,666
Transfer to PRC statutory reserves	–	–	–	–	–	2,271	–	–	–	(2,271)	–	–	–
Disposal of other financial assets measured at FVTOCI	–	–	–	–	–	–	(81,622)	–	–	81,622	–	–	–
Dividends approved in respect of the previous year *(note 28(b)(ii))*	–	–	–	–	–	–	–	–	–	(8,558)	(8,558)	(370,631)	(379,189)
Issuance of perpetual capital securities	–	–	–	–	5,510,845	–	–	–	–	–	5,510,845	–	5,510,845
Distribution to the holders of perpetual capital securities	–	–	–	–	(237,618)	–	–	–	–	–	(237,618)	–	(237,618)
Redemption of perpetual capital securities	–	–	–	–	(5,397,199)	–	–	–	(26,481)	–	(5,423,680)	–	(5,423,680)
Share of other changes in equity of associates	–	–	–	–	–	–	–	–	(14,524)	–	(14,524)	–	(14,524)
Wind up of subsidiaries	–	–	–	(178)	–	–	–	–	–	178	–	–	–
Disposal of subsidiaries	–	–	–	(21,319)	–	(153,212)	–	–	–	174,531	–	(789,762)	(789,762)
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	1,470,000	1,470,000
Balance at 31 December 2020	67,337	36,884	147,711	31,020	5,610,431	309,996	160,581	(530,233)	(32,058)	3,628,727	9,430,396	3,794,790	13,225,186
Balance at 31 December 2020 and 1 January 2021	67,337	36,884	147,711	31,020	5,610,431	309,996	160,581	(530,233)	(32,058)	3,628,727	9,430,396	3,794,790	13,225,186
Changes in equity for 2021:													
Loss for the year	–	–	–	–	228,725	–	–	–	–	(1,111,977)	(883,252)	(15,856)	(899,108)
Other comprehensive income	–	–	–	–	–	–	243,697	62,343	–	–	306,040	–	306,040
Total comprehensive income	–	–	–	–	228,725	–	243,697	62,343	–	(1,111,977)	(577,212)	(15,856)	(593,068)
Transfer to PRC statutory reserves	–	–	–	–	–	9,000	–	–	–	(9,000)	–	–	–
Disposal of other financial assets measured at FVTOCI	–	–	–	–	–	–	(404,278)	–	–	404,278	–	–	–
Distribution to the holders of perpetual capital securities	–	–	–	–	(232,676)	–	–	–	–	–	(232,676)	–	(232,676)
Balance at 31 December 2021	67,337	36,884	147,711	31,020	5,606,480	318,996	–	(467,890)	(32,058)	2,912,028	8,620,508	3,778,934	12,399,442

The notes on pages 78 to 173 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021

(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Operating activities			
Cash used in operations	21(b)	(1,756,122)	(1,224,883)
Tax paid		(145,834)	(344,891)
Interest element of lease rentals paid		(752)	(3,839)
Other interest paid		(274,926)	(282,519)
Net cash used in operating activities		(2,177,634)	(1,856,132)
Investing activities			
Net cash flow from disposals of subsidiaries		706,416	1,713,009
Proceeds from disposal of other financial asset	16/29(e)(i)	1,100,601	480,991
Proceeds from disposal of trade security		–	117,829
Return of investment from a joint venture		941,430	–
Repayment of loans to associates		200,921	100,955
Payment for investments in joint ventures		(815,785)	(1,185,143)
Payment for investments in associates		(308,788)	(132,000)
Payment for return of dividend received in advance		–	(51,480)
Dividend received in advance from associates		219,529	–
Payment for purchase of property, plant and equipment and intangible assets		(58,539)	(218,181)
New loans to an associate		–	(3,439)
Proceeds from disposals of property, plant and equipment and investment properties		60,894	1,244
Decrease in deposits with banks with maturity of more than three months		–	119,990
Dividends received from associates and joint ventures		33,824	61,110
Interest received		74,431	50,858
Net cash generated from investing activities		2,154,934	1,055,743

Consolidated Cash Flow Statement

For the year ended 31 December 2021

(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Financing activities			
Capital element of lease rentals paid	21(d)	(16,974)	(24,607)
Proceeds from new loans	21(c)	2,338,099	4,759,006
Repayment of loans	21(c)	(3,001,643)	(3,430,078)
Proceeds from capital contribution of non-controlling interests		–	1,470,000
Issuance of perpetual capital securities	28(d)	–	5,510,845
Redemption of perpetual capital securities		–	(5,423,680)
Decrease in pledged deposits		–	766,055
Decrease/(increase) of restricted cash for REIT programme	21	273	(592)
Distribution to the holders of perpetual capital securities		(232,676)	(237,618)
Dividend paid to shareholders of the Company		–	(8,558)
Net cash (used in)/generated from financing activities		(912,921)	3,380,773
Net (decrease)/increase in cash and cash equivalents		(935,621)	2,580,384
Cash and cash equivalents at 1 January		4,269,520	1,798,074
Cash and cash equivalents included in assets and liabilities of a disposal group classified as held for sale		–	(4,637)
Effect of foreign exchange rate changes		(7,382)	(104,301)
Cash and cash equivalents at 31 December	21(a)	3,326,517	4,269,520

The notes on pages 78 to 173 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that other investments in equity securities are stated at their fair value as explained in the accounting policies.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(aa)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(q), (r), (s) or (t) depending on the nature of the liability.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests *(continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(aa)).

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(aa)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and 1(l)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates and joint ventures *(continued)*

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 1(l)(i))).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

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, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below:

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVTPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 29(e). These investments are subsequently accounted for as follows, depending on their classification:

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– fair value through other comprehensive income (FVTOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVTPL) if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Other investments in debt and equity securities *(continued)*

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(x)(viii).

(h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. Rental income from investment properties is accounted for as described in note 1(x)(iv).

Depreciation is calculated to write off the costs of investment properties, less its estimated residual value of 0% to 5%, using the straight-line method over their estimated useful lives of 18 to 50 years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)):

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– other items of property, plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment (see note 1(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(z)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful life	Residual value %
Buildings held for own use	20 to 32 years	0% to 5%
Machinery	3 to 10 years	0% to 5%
Motor vehicles	3 to 5 years	0% to 5%
Property, plant and equipment	3 to 5 years	0% to 5%
Interests in leasehold land held for own use	The shorter of the lease term and 50 years	0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

	Estimated useful life	Residual value %
Software	5 to 10 years	0%
Copyright	2 years	0%
Trademarks	7 years	0%

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leased assets *(continued)*

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily in relation office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(i) and 1(l)(iii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leased assets *(continued)*

(i) As a lessee (continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(x)(iv).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments, and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, including loans to associates and joint ventures, which are held for the collection of contractual cash flows which represent solely payments of principal and interest); and

– lease receivables.

Financial assets measured at fair value, including equity securities measured at FVTPL and equity securities designated at FVTOCI (non-recycling) are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– lease receivables: discount rate used in the measurement of the lease receivables.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments, and lease receivables (continued)

Measurement of ECLs *(continued)*

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments, and lease receivables (continued)

Significant increases in credit risk *(continued)*

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

– failure to make payments of principal or interest on their contractually due dates;

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

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

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments, and lease receivables (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(x)(ix) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivables is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(l)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- intangible assets;
- goodwill; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(iii) Impairment of other non-current assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories and other contract costs

(i) Comprehensive development business

Inventories of comprehensive development business are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property held for future development and under development for sale

The cost of properties held for future development and under development for sale comprises specifically identified cost, including the acquisition cost of interests in leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(z)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for sale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories and other contract costs *(continued)*

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1(m)(i)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 1(x).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(x)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(o)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(x)).

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 1(l)(i)).

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(l)(i).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 1(t) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

(s) Perpetual capital securities

Perpetual capital securities are classified as equity if it is non-redeemable, or redeemable only at the issuer's option, and any distributions are discretionary. Distributions on perpetual capital securities classified as equity are recognised as distributions within equity.

(t) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(z)).

(u) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Income tax *(continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Provisions, contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Sale of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when the property is delivered to the customers, 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 benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 1(n)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income *(continued)*

(ii) Sale of properties (continued)

For contracts where the period between the payment by the customer and the transfer of the promised property exceeds one year, the transaction price and the amount of revenue from the sales of completed properties is adjusted for the effects of a financing component. If the advance payments by the customer are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of delivery. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*, in accordance with the policies set out in note 1(z).

(iii) Sale of tickets of theme park

Revenue from the sale of tickets of theme park is recognised when the services are rendered and the tickets proceeds have been received. Revenue from the sale of tickets excludes sale related tax and is after deduction of any discounts.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(v) Hotel revenue

Hotel revenue is recognised when the services have been rendered.

(vi) Fund management fee income

Fund management fee income is recognised when the right to charge the management fee is obtained according to the contract.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income *(continued)*

(vii) Finance lease income

Finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

(viii) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(ix) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(l)(i)).

(x) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(z) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interests in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(bb) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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).

(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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 29(e) contain information about assumptions and their risk factors relating to valuation of other investments in equity securities, other key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below:

(a) Provision for completed properties held for sale and properties held for future development and under development for sale

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

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

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

(b) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(c) Land Appreciation Tax ("LAT")

As explained in note 6(a), the Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgement is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated as the end of each reporting period. Any increase or decrease in actual outcomes/estimates would affect the consolidated statement of profit or loss in the period in which such determination is made.

(d) Impairment loss of non-current assets

As explained in note 1(l)(iii), the Group determines that investment in associates is impaired when there has been a significant or prolonged decline in the recoverable amount below its cost. Management assesses the differences between the carrying amount and recoverable amount and makes provision for impairment loss. Any change in the assumptions adopted in calculating the recoverable amount would increase or decrease the provision for impairment loss and affect the Group's financial position. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to items such as level of discount rates and the expected long-term growth rate. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue, amount of operating costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are comprehensive development, equity investment and fund business and finance lease.

(i) Disaggregation of revenue

Revenue represents the sales value of goods or services supplied to customers net of sales related tax. Disaggregation of revenue with customer by business lines is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by business lines		
– Sale of properties	1,136,823	792,046
– Hotel revenue	242,156	187,856
– Fund management fee income	6,267	5,139
– Sale of tickets of theme park	–	115,817
	1,385,246	1,100,858
Revenue from other sources		
– Rental income from investment properties	73,077	183,188
– Finance lease income	15,805	22,504
	1,474,128	1,306,550

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 3(b)(i) and 3(b)(iv) respectively.

The Group's customer base is diversified and includes one customer with whom transactions have exceeded 10% of the Group's revenues (2020: one). In 2021, revenue from sales of property to this customer amounted to approximately RMB884,003,000 (2020: RMB261,319,000).

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For the year ended 31 December 2021

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(a) Revenue *(continued)*

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

As at 31 December 2021, the aggregated amount of RMB3,699,588,000 (2020: RMB2,285,030,000) under the Group's existing contracts expected to be recognised as revenue in the future upon delivery of properties to customers. The Group will recognise the expected revenue in future when or as the work is completed or, in the case of the properties for sale, when the properties are assigned to the customers, which is expected to occur over the next 12 months.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the most senior executive management of the Group for the purposes of resource allocation and performance assessment, the Group has the following three reportable segments.

- Comprehensive development business: this segment engaged in the development and operation of tourism theme park, developed and sold residential properties, development and management of properties, property investment and operation of hotel.

- Equity investment and fund business: this segment engaged in the investment in new urbanisation industrial ecosphere, such as domestic and overseas direct investments, industrial fund, and education.

- Finance lease business: this segment engaged in the finance lease business.

(i) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current and other non-current assets. Segment liabilities include trade creditors, accruals and lease liabilities attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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For the year ended 31 December 2021

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

The measure used for reporting segment result is "net profit" after taxation. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below:

	Comprehensive development business		Equity investment and fund business		Finance lease business		Total	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15								
Disaggregated by timing of revenue recognition								
Point in time	1,378,979	1,095,719	–	–	–	–	1,378,979	1,095,719
Over time	–	–	6,267	5,139	–	–	6,267	5,139
	1,378,979	1,095,719	6,267	5,139	–	–	1,385,246	1,100,858
Revenue from other sources	73,077	183,188	–	–	15,805	22,504	88,882	205,692
Revenue from external customers	1,452,056	1,278,907	6,267	5,139	15,805	22,504	1,474,128	1,306,550
Reportable segment profit/(loss) for the year	112,536	271,524	(991,126)	(277,805)	8,693	7,214	(869,897)	933

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(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

	Comprehensive development business		Equity investment and fund business		Finance lease business		Total	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Interest income								
– Bank deposits	24,155	12,469	82	308	1,034	508	25,271	13,285
– Amounts due from associates	1,649	19,370	–	–	–	–	1,649	19,370
Interest expense	(115,594)	(99,628)	(22,520)	(69,187)	(3,991)	(9,270)	(142,105)	(178,085)
Depreciation and amortisation for the year	(175,805)	(352,603)	–	–	–	–	(175,805)	(352,603)
Share of profits less losses of associates	173,097	46,601	(320,129)	(113,503)	–	–	(147,032)	(66,902)
Share of profits less losses of joint ventures	–	3,474	88,742	(4,413)	–	–	88,742	(939)
Impairment losses on associates	–	–	(750,000)	(70,000)	–	–	(750,000)	(70,000)
Reportable segment assets	20,742,486	16,059,025	4,275,040	5,882,709	348,279	375,054	25,365,805	22,316,788
Additions to non-current segment assets during the year	65,190	230,369	–	–	–	–	65,190	230,369
Reportable segment liabilities	11,776,530	7,504,714	1,300,813	3,397,869	45,565	49,291	13,122,908	10,951,874
Interests in associates	789,682	838,214	2,817,485	3,530,694	–	–	3,607,167	4,368,908
Interests in joint ventures	–	–	1,137,901	1,197,304	–	–	1,137,901	1,197,304

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For the year ended 31 December 2021

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliations of reportable segment profit or loss

	2021 RMB'000	2020 RMB'000
Reportable segment (loss)/profit derived from Group's external customers	(869,897)	933
Unallocated head office and corporate net expense	(29,211)	(25,366)
Consolidated loss for the year	(899,108)	(24,433)

(iii) Reconciliations of reportable segment assets and liabilities

	2021 RMB'000	2020 RMB'000
Assets		
Reportable segment assets	25,365,805	22,316,788
Elimination of inter-segment receivables	–	(26,815)
	25,365,805	22,289,973
Unallocated head office and corporate assets	976,958	3,131,984
Consolidated total assets	26,342,763	25,421,957

	2021 RMB'000	2020 RMB'000
Liabilities		
Reportable segment liabilities	13,122,908	10,951,874
Elimination of inter-segment payables	–	(26,815)
	13,122,908	10,925,059
Unallocated head office and corporate liabilities	820,413	1,271,712
Consolidated total liabilities	13,943,321	12,196,771

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(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(iv) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment property, property, plant and equipment, interests in leasehold land held for own use, intangible assets, goodwill and interests in associates and joint ventures and other financial assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods and properties sold. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, interests in leasehold land held for own use and investment properties, the location of the operation to which they are allocated, in the case of intangible assets, goodwill and other financial assets, and the location of operations, in the case of interest in associates and joint ventures.

	Revenues from external customers		Specified non-current assets	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Mainland China	1,469,634	1,301,771	9,118,270	10,874,022
Hong Kong	4,494	4,779	552,461	574,152
	1,474,128	1,306,550	9,670,731	11,448,174

4 OTHER INCOME AND NET GAINS

(a) Other income

	2021 RMB'000	2020 RMB'000
Interest income on financial assets measured at amortised cost:		
– Bank deposits	42,542	34,476
– Amounts due from associates	1,649	19,370
Total interest income	44,191	53,846
Government grants	10,285	10,972
Forfeiture income on deposit on pre-sale of properties	548	828
	55,024	65,646

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For the year ended 31 December 2021

(Expressed in Renminbi)

4 OTHER INCOME AND NET GAINS *(continued)*

(b) Other net gains

	2021 RMB'000	2020 RMB'000
Gain on disposal of subsidiaries	–	340,972
Net realised and unrealised gain/(loss) on equity securities	38,700	(9,704)
Net exchange gain	25,254	132,236
Net gain on disposal of investment properties	52,144	–
Net gain/(loss) on disposal of property, plant and equipment	1,516	(597)
Others	651	2,607
	118,265	465,514

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2021 RMB'000	2020 RMB'000
Interest on bank and other loans	176,829	264,359
Interest on lease liabilities	752	3,839
Interest on related party loans	102,259	90,402
Total interest expense	279,840	358,600
Less: amount capitalised*	(130,624)	(175,501)
	149,216	183,099

* The borrowing costs have been capitalised at a weighted average rate of 3.56% (2020: 4.22%) per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

5 PROFIT BEFORE TAXATION *(continued)*

(b) Staff costs

	2021 RMB'000	2020 RMB'000
Salaries, wages and other benefits	226,826	298,133
Contributions to defined contribution retirement plan *(note 26)*	14,650	7,420
	241,476	305,553

(c) Other items

	2021 RMB'000	2020 RMB'000
Amortisation of intangible assets *(note 12)*	9,126	9,311
Depreciation		
– owned property, plant and equipment	101,560	239,251
– right-of-use assets *(note 11(b))*	88,961	129,293
	190,521	368,544
(Reversals of impairment losses)/impairment losses		
– trade and other receivables	(153)	1,312
– finance lease receivables	(898)	(2,088)
– interests in associates *(note 14)*	750,000	70,000
Auditors' remuneration		
– audit services	4,438	2,848
– other services	1,976	3,269
	6,414	6,117
Rentals receivable from investment properties less direct outgoings of RMB2,488,000 (2020: RMB10,222,000)	70,589	172,966
Cost of inventories* *(note 18(b))*	935,640	622,479

* Cost of inventories includes RMB50,037,000 (2020: RMB77,246,000) relating to staff costs, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

Notes to the Consolidated Financial Statements

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(Expressed in Renminbi)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2021 RMB'000	2020 RMB'000
Current tax		
Provision for corporate income tax ("CIT") for the year (i)	55,417	31,341
Under/(over)-provision in respect of prior years	339	(37,961)
Withholding tax (iii)	–	47,411
	55,756	40,791
PRC land appreciation tax ("PRC LAT") (ii)	12,628	58,832
	68,384	99,623
Deferred tax		
Origination and reversal of temporary differences	(11,432)	1,470
	56,952	101,093

(i) CIT

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands during the year (2020: Nil).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year ended 31 December 2021 and 2020.

Pursuant to the income tax rules and regulations of the PRC, taxation for PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant cities in the PRC at 25% (2020: 25%).

(ii) PRC LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statement of profit or loss as income tax. The Group has estimated the tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual PRC LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for PRC LAT is calculated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(a) Taxation in the consolidated statement of profit or loss represents: *(continued)*

(iii) Withholding tax

Withholding taxes are levied on dividend distributions arising from profit of the Mainland China subsidiaries within the Group earned after 1 January 2008, and disposal gain earned by Hong Kong subsidiaries upon disposal of Mainland China subsidiaries at the applicable tax rates.

During the year, no withholding taxes were included in the tax effect on the dividends distributed by Mainland China subsidiaries (2020: RMB18,940,000).

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2021 RMB'000	2020 RMB'000
(Loss)/profit before taxation	(842,156)	76,660
Notional tax on profit before taxation, calculated at the rates applicable the jurisdictions concerned	(210,538)	(32,922)
Tax effect of tax rate difference	–	(2)
Tax effect of non-deductible expenses	263,795	99,349
Tax effect of non-taxable income	(22,829)	(59,499)
Tax effect of temporary difference not recognised	20,934	91,154
Tax effect of temporary difference not previously recognised	(4,224)	(3,150)
Under/(over)-provision in respect of prior years	339	(37,961)
	47,477	56,969
PRC LAT	12,628	58,832
Tax effect of PRC LAT	(3,153)	(14,708)
	9,475	44,124
Income tax expense	56,952	101,093

The 10% withholding tax rate on gain on disposal of Mainland China subsidiaries earned by Hong Kong subsidiaries of the Group in 2020 was accounted for in calculation of notional tax.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2021 Total RMB'000
Chairman					
Zhang Dafan	–	–	–	–	–
Executive directors					
Xie Mei (Chief Executive Officer)	–	1,019	1,255	94	2,368
Lin Kaihua	–	798	883	94	1,775
Non-executive director					
Wang Wenjin	–	–	–	–	–
Independent non-executive directors					
Wong Wai Ling	199	–	–	–	199
Lam Sing Kwong Simon	199	–	–	–	199
Chu Wing Yiu	199	–	–	–	199
	597	1,817	2,138	188	4,740

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7 DIRECTORS' EMOLUMENTS *(continued)*

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2020 Total RMB'000
Chairman					
Zhang Dafan					
(appointed on 12 August 2020)	–	–	–	–	–
He Haibin					
(resigned on 12 August 2020)	–	–	–	–	–
Executive directors					
Xie Mei (Chief Executive Officer)	–	1,999	595	58	2,652
Lin Kaihua	–	1,489	457	58	2,004
Non-executive director					
Wang Wenjin					
(appointed on 19 June 2020)	–	–	–	–	–
Zhang Jing					
(resigned on 19 June 2020)	–	–	–	–	–
Independent non-executive directors					
Wong Wai Ling	213	–	–	–	213
Lam Sing Kwong Simon	213	–	–	–	213
Chu Wing Yiu	213	–	–	–	213
	639	3,488	1,052	116	5,295

Neither the chairman nor any of the directors waived any emoluments during the year (2020: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The emoluments of the five highest paid individuals are set out below:

	2021 RMB'000	2020 RMB'000
Salaries and other emoluments	3,007	3,882
Discretionary bonuses	17,906	13,198
Retirement scheme contributions	356	295
	21,269	17,375

The emoluments of the 5 (2020: 5) individuals with the highest emoluments are within the following bands:

	2021 Number of individuals	2020 Number of individuals
HK$2,500,001 – HK$3,000,000 (RMB2,073,326 – RMB2,487,990)	2	–
HK$3,000,001 – HK$3,500,000 (RMB2,487,991 – RMB2,902,655)	–	3
HK$3,500,001 – HK$4,000,000 (RMB2,902,655 – RMB3,317,320)	–	1
HK$4,000,001 – HK$4,500,000 (RMB3,317,321 – RMB3,731,985)	1	–
HK$5,500,001 – HK$6,000,000 (RMB4,561,316 – RMB4,975,980)	1	–
HK$6,000,001 – HK$6,500,000 (RMB4,975,980 – RMB5,390,645)	–	1
HK$10,000,001 – HK$10,500,000 (RMB8,293,301 – RMB8,707,965)	1	–

No individual received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2020: Nil). No individual waived or agreed to waive any emoluments during the year (2020: Nil).

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9 OTHER COMPREHENSIVE INCOME

	2021 RMB'000	2020 RMB'000
Exchange differences – on translation of financial statements of the Company and overseas subsidiaries	13,383	(87,654)
Share of other comprehensive income of associates and a joint venture	48,960	185,243
Cumulative exchange differences reclassified to profit or loss upon disposal of a subsidiary	–	6,270
Equity investments at FVTOCI: net movement in fair value reserves (non-recycling)	243,697	90,240
Other comprehensive income	306,040	194,099

There is no tax effect for each of the other comprehensive income items.

10 BASIC LOSS PER SHARE

(a) (Loss)/profit attributable to ordinary shareholders of the Company

	2021 RMB'000	2020 RMB'000
(Loss)/profit attributable to equity holders of the Company	(883,252)	63,757
Less: Profit attributable to the holders of perpetual capital securities *(note 28(d))*	(228,725)	(283,209)
Loss attributable to ordinary shareholders	(1,111,977)	(219,452)

(b) Weighted average number of ordinary shares

	2021 '000	2020 '000
Issued ordinary shares	748,366	748,366

No dilutive loss per share is presented as there were no dilutive potential ordinary shares in issue during both years.

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11 INVESTMENT PROPERTY, PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE

(a) Reconciliation of carrying amount

	Ownership interests in buildings held for own use RMB'000	Other properties leased for own use RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Property, plant and equipment RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Investment property RMB'000	Investment property under development RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use RMB'000	Total RMB'000
Cost:												
At 1 January 2020	1,962,381	32,755	687,614	16,449	312,435	35,148	3,046,782	5,389,295	465,802	5,855,097	1,797,959	10,699,838
Exchange adjustments	–	(1,494)	–	–	(147)	–	(1,641)	(15,817)	–	(15,817)	–	(17,458)
Additions	1,706	22,447	1,361	3,038	16,193	18,590	63,335	–	83,317	83,317	95,379	242,031
Disposals	–	–	(9,226)	(2,985)	(3,920)	–	(16,131)	–	–	–	–	(16,131)
Disposal of subsidiaries	(1,059,045)	–	(635,682)	(10,888)	(206,650)	(40,377)	(1,952,642)	(2,826,371)	(432,094)	(3,258,465)	(604,714)	(5,815,821)
Transfer to investment property	–	–	–	–	–	–	–	103,485	(103,485)	–	–	–
Transfer to assets of disposal groups classified as held for sale	–	–	(167)	(502)	(57)	–	(726)	(17,990)	–	(17,990)	–	(18,716)
Transfer to inventories	–	–	–	–	–	–	–	–	(13,540)	(13,540)	–	(13,540)
At 31 December 2020 and 1 January 2021	905,042	53,708	43,900	5,112	117,854	13,361	1,138,977	2,632,602	–	2,632,602	1,288,624	5,060,203
Exchange adjustments	–	(282)	–	–	(67)	–	(349)	(6,987)	–	(6,987)	–	(7,336)
Additions	–	22,527	1,320	817	18,533	41,895	85,092	–	–	–	–	85,092
Disposals	–	(37,487)	–	(1,072)	(2)	–	(38,561)	(3,791)	–	(3,791)	–	(42,352)
At 31 December 2021	905,042	38,466	45,220	4,857	136,318	55,256	1,185,159	2,621,824	–	2,621,824	1,288,624	5,095,607

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11 INVESTMENT PROPERTY, PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE *(continued)*

(a) Reconciliation of carrying amount *(continued)*

	Ownership interests in buildings held for own use RMB'000	Other properties leased for own use RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Property, plant and equipment RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Investment property RMB'000	Investment property under development RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use RMB'000	Total RMB'000
Accumulated depreciation:												
At 1 January 2020	366,234	14,712	461,073	13,482	173,850	–	1,029,351	563,966	5,392	569,358	200,980	1,799,689
Exchange adjustments	–	(1,081)	–	–	(90)	–	(1,171)	(1,701)	–	(1,701)	–	(2,872)
Charge for the year	70,243	16,403	31,487	1,140	41,153	–	160,426	162,627	–	162,627	49,580	372,633
Written back on disposals	–	–	(8,013)	(2,835)	(3,442)	–	(14,290)	–	–	–	–	(14,290)
Transfer to assets of disposal groups classified as held for sale	–	–	(26)	(502)	(57)	–	(585)	(12,955)	–	(12,955)	–	(13,540)
Disposal of subsidiaries	(401,655)	–	(443,850)	(7,967)	(163,003)	–	(1,016,475)	(567,303)	(5,392)	(572,695)	(189,977)	(1,779,147)
At 31 December 2020 and 1 January 2021	34,822	30,034	40,671	3,318	48,411	–	157,256	144,634	–	144,634	60,583	362,473
Exchange adjustments	–	37	–	–	(54)	–	(17)	(841)	–	(841)	–	(858)
Charge for the year	28,614	16,025	2,917	564	32,026	–	80,146	69,414	–	69,414	40,961	190,521
Written back on disposals	–	(37,487)	–	(1,072)	(1)	–	(38,560)	(355)	–	(355)	–	(38,915)
At 31 December 2021	63,436	8,609	43,588	2,810	80,382	–	198,825	212,852	–	212,852	101,544	513,221
Carrying amount:												
At 31 December 2021	841,606	29,857	1,632	2,047	55,936	55,256	986,334	2,408,972	–	2,408,972	1,187,080	4,582,386
At 31 December 2020	870,220	23,674	3,229	1,794	69,443	13,361	981,721	2,487,968	–	2,487,968	1,228,041	4,697,730

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11 INVESTMENT PROPERTY, PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE *(continued)*

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2021 RMB'000	2020 RMB'000
Ownership interests in leasehold land held for own use, carried at depreciated cost in the PRC, with remaining lease term of:		
– between 10 and 50 years	1,202,752	1,241,821
Other properties leased for own use, carried at depreciated cost	29,857	23,674
Investment property, carried at depreciated cost in the PRC, with remaining lease term of:		
– between 10 and 50 years	1,236,842	1,315,171
Included in "Inventories and other contract costs":		
Properties held for future development and under development for sale	3,131,403	4,192,225
Completed properties for sale	2,034,607	921,796
	5,166,010	5,114,021
	7,635,461	7,694,687

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets by class of underlying assets:		
Ownership interests in leasehold land	40,961	45,491
Other properties leased for own use	16,025	16,403
Investment property	31,975	67,399
	88,961	129,293
Interest on lease liabilities *(note 5(a))*	752	3,839
Expense relating to short-term leases or low-value leases	633	70

Note: During the year, additions to right-of-use assets were RMB539,697,000 (2020: RMB2,755,122,000). This amount included the purchase of a leasehold land of RMB517,170,000 (2020: RMB2,732,676,000) and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 21(d) and 25, respectively.

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11 INVESTMENT PROPERTY, PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE *(continued)*

(c) Ownership interests in leasehold land and buildings held for own use

The Group owns several buildings for its hotel business and office. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(d) Other properties leased for own use

The Group has obtained the right to use other properties as its offices through tenancy agreements. The leases typically run for an initial period of 2 to 5 years.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted)		Potential future lease payments under extension options not included in lease liabilities (undiscounted)	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Offices	**17,004**	5,444	**20,136**	28,264

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11 INVESTMENT PROPERTY, PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE *(continued)*

(e) Investment properties

(i) The Group leases out investment properties. The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease after that date at which time all terms are renegotiated.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	85,663	40,700
After 1 year but within 2 years	32,488	34,351
After 2 years but within 3 years	29,076	18,577
After 3 years but within 4 years	20,983	18,237
After 4 years but within 5 years	6,111	3,701
	174,321	115,566

(ii) As at 31 December 2021, certain investment properties with carrying amount of RMB2,004,676,000 (2020: RMB2,055,969,000) were securitised for a REIT programme (See note 24(a)(iv)). As the Group still retained the control and residual value of the investment properties under the terms of the REIT programme, the respective investment properties were not de-recognised.

(iii) As at 31 December 2021, the fair value of the investment properties held by the Group amounted to RMB2,797,101,000 (2020: RMB2,797,101,000).

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12 INTANGIBLE ASSETS

	Software and copyright RMB'000	Trademarks RMB'000	Total RMB'000
Cost:			
At 1 January 2020	8,854	56,000	64,854
Disposal of subsidiaries	(2,724)	–	(2,724)
At 31 December 2020 and 1 January 2021	6,130	56,000	62,130
Additions	63	–	63
At 31 December 2021	6,193	56,000	62,193
Accumulated amortisation:			
At 1 January 2020	3,932	8,000	11,932
Charge for the year	1,311	8,000	9,311
Disposal of subsidiaries	(1,815)	–	(1,815)
At 31 December 2020 and 1 January 2021	3,428	16,000	19,428
Charge for the year	1,126	8,000	9,126
At 31 December 2021	4,554	24,000	28,554
Carrying amount:			
At 31 December 2021	1,639	32,000	33,639
At 31 December 2020	2,702	40,000	42,702

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13 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

				Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of registered capital	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
深圳華僑城港亞控股發展有限公司 (Shenzhen Oversea Chinese Town Gang Ya Development Co., Ltd.) *(notes (i) & (ii) & (iii))*	The People's Republic of China ("PRC")	HK$180,000,000	HK$180,000,000	100%	–	100%	Consulting and management of corporation
深圳市華友投資有限公司 (Shenzhen Huayou Investment Co., Ltd.) *(notes (ii) & (iii))*	PRC	RMB3,000,000	RMB3,000,000	100%	–	100%	Investment management
惠州華力包裝有限公司 (Huizhou Huali Packaging Co., Ltd.) *(notes (i) & (ii) & (iii))*	PRC	HK$168,000,000	HK$168,000,000	100%	–	100%	Development of self-owned land industrial parks and property management
華昌國際有限公司 (City Legend International Limited)	Hong Kong	1 share	1 share	100%	–	100%	Investment holding
華僑城(上海)置地有限公司 (Overseas Chinese Town (Shanghai) Land Company Limited) ("OCT Shanghai Land") *(notes (ii) & (iii) & (iv))*	PRC	RMB3,030,000,000	RMB3,030,000,000	50.5%	–	50.5%	Real estate development
深圳市華京投資有限公司 (Shenzhen Huajing Investment Limited) *(notes (ii) & (iii))*	PRC	RMB1,000,000	RMB1,000,000	100%	–	100%	Investment holding and real estate development

Notes to the Consolidated Financial Statements

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13 INVESTMENTS IN SUBSIDIARIES *(continued)*

				Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of registered capital	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
深圳市華僑城華鑫股權投資管理有限公司 (Shenzhen OCT Huaxin Equity Investment Management Limited) *(notes (ii) & (iii))*	PRC	RMB30,000,000	RMB20,000,000	100%	–	100%	Investment management
華僑城(常熟)實業發展有限公司 (OCT (Changshu) Industry Development Co., Ltd.) *(notes (i) & (ii) & (iii))*	PRC	US$27,800,000	US$27,800,000	100%	–	100%	Development of self-owned land industrial parks and property management
華僑城融資租賃有限公司 (OCT Financial Leasing Co., Ltd.) *(notes (i) & (ii) & (iii))*	PRC	US$200,000,000	US$37,741,382.95	100%	100%	–	Finance lease
華僑城(常熟)投資發展有限公司 (OCT (Changshu) Investment and Development Co., Ltd.) *(notes (ii) & (iii))*	PRC	RMB1,000,000,000	RMB133,000,000	100%	–	100%	Tourism and real estate development
上海首馳企業管理有限公司 (Shanghai Shouchi Enterprise Management Ltd.) *(notes (ii) & (iii))*	PRC	RMB1,000,000	RMB1,000,000	50.5%	–	50.5%	Enterprise management
中聯前源－華僑城租賃住房一號第一期私募股權投資基金 (Zhonglian Qianyuan – Private Equity Investment Fund Phase I of OCT Rental House No.1) *(note (ii) & note 24(a)(ii))*	PRC	RMB2,150,000,000	RMB2,150,000,000	5.05%	–	5.05%	Property investment

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13 INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation and business	Particulars of registered capital	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
中聯前海開源－華僑城租賃住房一號第一期資產支持專項計劃 (Zhonglian Qianhaikaiyuan – Special Plan For Asset Support Phase I of OCT Rental House No.1.) *(note (ii) & note 24(a)(ii))*	PRC	RMB2,150,000,000	RMB2,150,000,000	5.05%	–	5.05%	Property investment
合肥華僑城環巢文旅置業發展有限公司 (Hefei OCT Huanchao Cultural Tourism Real Estate Development Co., Ltd.) *(notes (ii) & (iii))*	PRC	RMB400,000,000	RMB400,000,000	51%	–	51%	Tourism and real estate development
深圳華僑城港華投資控股有限公司 (Shenzhen OCT Ganghua Investment Holdings Co., Ltd.) *(notes (i) & (ii))*	PRC	HK$4,000,000,000	HK$3,070,000,000	100%	–	100%	Consulting and management of corporation
合肥華僑城實業發展有限公司 (Hefei OCT Industry Development Co., Ltd.) ("Hefei OCT") *(notes (ii) & (iii))*	PRC	RMB10,000,000,000	RMB3,000,000,000	51%	–	51%	Tourism and real estate development

Notes:

(i) These companies are wholly foreign-owned enterprises established in the PRC.

(ii) The English translation of the above subsidiaries' names is for reference only. The official name of these companies is in Chinese.

(iii) These companies are limited companies established in the PRC.

(iv) The company is a sino-foreign joint venture with limited liability established in the PRC.

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13 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following table lists out the information on the subsidiaries that have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	OCT Shanghai Land		Hefei OCT	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Principal place of business	**PRC**		**PRC**	
NCI percentage	**49.5%**	49.5%	**49.0%**	49.0%
Current assets	**4,613,040**	4,868,375	**9,226,736**	4,497,929
Non-current assets	**3,891,934**	4,016,689	**110,774**	99,007
Current liabilities	**(2,959,504)**	(1,129,524)	**(6,246,121)**	(1,593,138)
Non-current liabilities	**(1,333,383)**	(3,444,039)	**(1,734)**	–
Net assets attributable to equity holders	**4,212,087**	4,311,501	**3,089,655**	3,003,798
Carrying amount of NCI	**2,084,983**	2,134,193	**1,513,931**	1,471,861
Revenue	**519,810**	677,441	**884,137**	98,886
(Loss)/profit for the year attributable to equity holders	**(99,414)**	(87,959)	**85,857**	3,798
Total comprehensive income	**(99,414)**	(87,959)	**85,857**	3,798
(Loss)/profit allocated to NCI	**(49,210)**	(43,540)	**42,070**	1,861
Dividend distributed to NCI	**–**	(79,225)	**–**	–
Capital contribution of NCI	**–**	–	**–**	1,470,000
Cash flows from operating activities	**(70,158)**	(12,180)	**(1,739,531)**	(1,481,640)
Cash flows from investing activities	**82,248**	98,493	**(775)**	(4,237)
Cash flows from financing activities	**(144,702)**	(89,760)	**2,110,664**	3,000,000

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14 INTERESTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Listed investments *(notes 1 & 2)*		
– Share of net assets	**1,998,075**	2,871,192
– Goodwill	**313,438**	463,438
	2,311,513	3,334,630
Unlisted investments *(note 3)*		
– Share of net assets	**1,209,353**	900,392
– Goodwill	**86,301**	1,360
	1,295,654	901,752
Amount due from an associate *(note 4)*	**–**	132,526
	3,607,167	4,368,908

Note 1: As at 31 December 2021, the fair value of interests in associates which shares are listed amounted to RMB698,241,000 (2020: RMB2,089,076,000).

Note 2: As at 31 December 2021, a prolonged and significant shortfall in fair value of two listed associates compared to their carrying amounts and their deteriorating financial performance and potential financial difficulties as a result of the current volatile real estate market in Mainland China constituted an indication of impairment.

For the purpose of impairment testing, the directors re-assessed the recoverable amount of these associates with reference to their value-in-use ("VIU") with reference of the valuation reports prepared by external valuers. The VIU is derived by estimating the Group's share of the present value of the estimated future cash flows expected to be generated by these associates. The key assumptions for the VIU calculation mainly include the discount rates and the expected long-term growth rates. The directors estimated discount rates using after-tax rates that reflect current market assessment of the time value of money and the risks specific relating to the respective associate.

The discount rate and long-term growth rate adopted in the VIU calculation of Yuzhou Group Holdings Company Limited were 18% and 0% respectively, while the discount rate and long-term growth rate adopted in the VIU calculation of E-house (China) Enterprise Holdings Limited were 18% (2020: 14.1%) and 1.9% (2020: 2.3%) respectively.

In arriving the estimated future cash flows expected to be generated by these associates, the directors considered the impact of the current volatile real estate market in Mainland China to these associates. This led to significant variations in the estimated future cash flows comparing with those adopted in the impairment testing in the prior year.

As a result of the assessments, the VIU of these associates is lower than their carrying amounts. Accordingly, an impairment loss of RMB750,000,000 on the interests in associates were recognised by the Group.

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14 INTERESTS IN ASSOCIATES *(continued)*

Note 3: During the year, the Group entered into an investment agreement with Semk Holdings, Semk Global Investment Ltd. and Mr. Hui Ha Lam, pursuant to which the Group has subscribed for the new investor shares and acquired the existing investor shares of Semk Holdings (representing approximately 9.5% of the issued share capital of Semk Holdings in aggregate), at the aggregate consideration of HK$142,501,000 (equivalent to RMB118,788,000). The amount was paid up during the year. The Group has appointed a director in Semk Holdings and can exercise significant influence on Semk Holdings. Accordingly, Semk Holdings is considered as an associate of the Group. In January 2022, Semk Holdings listed on The Stock Exchange of Hong Kong Limited.

In addition, the Group entered into limited partnership agreements with third parties in relation to the establishment of partnerships for the purpose of investment and the Group had significant influence over these partnerships. The total capital contribution of these partnerships subscribed by the Group were RMB400,000,000 and RMB70,000,000 respectively. During the year ended 31 December 2021, the amount of RMB120,000,000 and RMB70,000,000 of capital contribution were paid by the Group.

Note 4: Amount due from an associate is unsecured, interest-bearing at 8% per annum and was recovered in 2021.

Details of the Group's individually material associates at 31 December 2021 are as follows:

			Proportion of ownership interest						
			2021			2020			
Name of associate	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary/ subsidiaries	Group's effective interest	Held by the Company	Held by a subsidiary/ subsidiaries	Principal Activities
Capital Converge Holdings Limited ("Capital Converge")	BVI	100 shares of US$1 each	49%	49%	–	49%	49%	–	Investment holding
民生教育集團有限公司 (Minsheng Education Group Company Limited) ("Minsheng Education")	Cayman Islands	4,017,720,000 shares of US$0.00001 each	7.8716%	–	7.8716%	7.8716%	–	7.8716%	Education services
禹洲集團控股有限公司 (Yuzhou Group Holdings Company Limited) ("Yuzhou Group")	Cayman Islands	6,543,909,500 shares of HK$0.1 each	9.9440%	–	9.9440%	9.9440%	–	9.9440%	Property development
易居(中國) 企業控股有限公司 (E-House (China) Enterprise Holdings Limited) ("E-House")	Cayman Islands	1,749,059,530 shares of US$0.00001 each	4.1949%	–	4.1949%	4.1949%	–	4.1949%	Real estate agency service, data and consulting services, brokerage network services
中山禹鴻房地產開發有限公司 Zhongshan Yuhong Real Estate Development Limited ("Zhongshan Yuhong")	PRC	RMB500,000,000	21%	–	21%	21%	–	21%	Property development

Note: The Group has assigned a director in the board of the associates, which makes significant influence on these associates.

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14 INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Name	Capital Converge		Minsheng Education		Yuzhou Group		E-House		Zhongshan Yuhong	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Group's effective interest	49%	49%	7.8716%	7.8716%	9.9440%	9.9440%	4.1949%	4.1949%	21%	21%
At 31 December:										
Current assets	3,000,194	3,804,197	4,060,549	2,726,446	146,401,111	148,070,157	9,701,310	15,729,789	3,017,668	2,636,505
Non-current assets	96,808	28,929	7,489,314	6,390,793	29,163,432	27,862,781	5,498,108	4,838,954	31,554	12,534
Current liabilities	(1,780,612)	(1,602,966)	(3,389,410)	(2,027,855)	(90,244,255)	(94,143,668)	(8,556,229)	(1,641,114)	(1,189,632)	(925,749)
Non-current liabilities	(121,269)	(1,181,644)	(3,330,332)	(2,928,807)	(46,874,560)	(48,859,713)	(3,608,439)	(4,615,909)	(1,031,431)	(1,285,583)
Perpetual bond	–	–	–	–	(1,911,986)	(1,911,986)	–	–	–	–
NCI	–	–	(197,230)	(124,935)	(14,705,119)	(9,673,456)	(1,538,802)	(4,036,003)	–	–
Equity attributable to shareholders	1,195,121	1,048,516	4,632,891	4,035,642	21,828,623	21,344,115	1,495,948	10,275,717	828,159	437,707
Group's share of net assets of the associate	585,609	513,773	364,683	317,670	2,170,638	2,122,466	62,754	431,056	173,913	91,919
Goodwill	–	–	132,137	132,137	–	–	181,301	331,301	1,360	1,360
Amounts due from an associate	–	–	–	–	–	–	–	–	–	132,526
Provision of impairment	–	–	–	–	(600,000)	–	–	–	–	–
Carrying amount in the consolidated financial statements	585,609	513,773	496,820	449,807	1,570,638	2,122,466	244,055	762,357	175,273	225,805

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14 INTERESTS IN ASSOCIATES *(continued)*

Name	Capital Converge		Minsheng Education		Yuzhou Group		E-House		Zhongshan Yuhong	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dividend receivable/ received from the associate	–	–	2,987	8,500	127,482*	173,020*	3,830	11,358	–	–
Revenue	1,142,901	1,525,970	2,394,012	1,107,206	27,071,240	10,411,604	8,865,987	8,051,509	1,747,777	–
Profit/(loss) for the year	168,025	193,867	635,195	131,467	(91,227)	(819,305)	(8,688,447)	304,723	390,452	(22,269)
Other comprehensive income	(21,420)	28,835	–	62,448	575,665	1,665,007	–	20,145	–	–
Total comprehensive income	146,605	222,702	635,195	193,915	484,438	845,702	(8,688,447)	324,868	390,452	(22,269)
Group's share of profit/(loss)										
– Share of profit/(loss) for the year	82,332	94,995	50,000	10,349	(9,072)	(81,472)	(364,472)	12,783	81,995	(4,676)
– Change of interest in associates	–	–	–	(3,550)	–	21,605	–	(75,108)	–	–
	82,332	94,995	50,000	6,799	(9,072)	(59,867)	(364,472)	(62,325)	81,995	(4,676)
Group's share of other comprehensive income	(10,496)	14,129	–	4,916	57,244	165,568	–	845	–	–
Group's share of total comprehensive income	71,836	109,124	50,000	11,715	48,172	105,701	(364,472)	(61,480)	81,995	(4,676)

* Dividends of RMB127,482,000 (2020: RMB138,580,000) were converted into shares of Yuzhou Group under the script dividend scheme.

Aggregate information of associates that are not individually material:

	2021	2020
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	534,772	294,700
Aggregate amounts of the Group's share of those associates'		
Profit/(loss) for the year	12,185	(39,737)
Other comprehensive income	(155)	(215)
Total comprehensive income	12,030	(39,952)

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15 INTERESTS IN JOINT VENTURES

	2021 RMB'000	2020 RMB'000
Unlisted investments:		
– Share of net assets	**1,137,901**	1,197,304

Details of the Group's interests in the joint ventures at 31 December 2021 are as follows:

			Proportion of ownership interest						
			2021			2020			
Name of joint venture	Place of incorporation and business	Issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
廈門僑潤投資合夥企業(有限合夥) (Xiamen Qiaorun Investment Partnership (Limited Partnership)) ("Xiamen Qiaorun")	PRC	Paid-up capital of RMB426,310,600	75.00%	–	75.00%	–	–	–	Investment Holding
深圳僑恒一號投資企業(有限合夥) (Shenzhen Qiaoheng No.1 Investment Partnership (Limited Partnership)) ("Shenzhen Qiaoheng")	PRC	Paid-up capital of RMB661,400,000	75.00%	–	75.00%	–	–	–	Investment Holding
HNW Investment Fund Series SPC – Serica SP ("Cayman Fund")	Cayman Islands	Paid-up capital of HKD850,000,000	49.00%	49.00%	–	49.00%	49.00%	–	Investment Holding

Note: During the year ended 31 December 2021, the Group entered into limited partnership agreements with third parties in relation to the establishment of partnerships for the purpose of investment and the Group had joint control over these partnerships. The total committed capital contribution of these partnerships subscribed by the Group amounted to RMB1,319,260,000. During the year ended 31 December 2021, amounts of RMB815,785,000 were paid up.

In addition, during the year, the Group received the return of investment cost from Xiamen OCT Runyu Investment Partnership of RMB945,417,000.

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15 INTERESTS IN JOINT VENTURES *(continued)*

Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed as follows:

Name	Xiamen Qiaorun	Shenzhen Qiaoheng	Cayman Fund	
	2021 RMB'000	2021 RMB'000	2021 RMB'000	2020 RMB'000
Group's effective interest	75.00%	75.00%	49.00%	49.00%
Current assets	421,435	604	256,955	296,507
Non-current assets	3,398	663,994	1,436,554	1,494,296
Current liabilities	–	–	(57,641)	(65,441)
Non-current liabilities	–	–	(981,120)	(1,009,968)
Equity attributable to shareholders	424,833	664,598	654,748	715,394
Group's share of net assets of the joint venture	318,625	498,449	320,827	350,543
Carrying amount in the consolidated financial statements	318,625	498,449	320,827	350,543
Included In the above assets and liabilities:				
Cash and cash equivalents	33	604	222,235	263,098
Non-current financial liabilities (excluding trade and other payables and provisions)	–	–	(981,120)	(1,009,968)
Dividend received from the joint venture	–	–	24,870	–
Revenue	–	–	88,608	–
(Loss)/profit for the year	(1,480)	3,198	(14,725)	–
Other comprehensive income	–	–	4,834	–
Total comprehensive income	(1,480)	3,198	(9,891)	–
Group's share of (loss)/profit	(1,110)	2,399	(7,215)	–
Group's share of other comprehensive income	–	–	2,369	–
Group's share of total comprehensive income	(1,110)	2,399	(4,846)	–
Included in the above (loss)/profit:				
Depreciation and amortisation	–	–	55,998	–
Interest income	27	4	1,165	–
Interest expense	–	–	29,856	–
Income tax expense	–	–	8,977	–

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16 OTHER FINANCIAL ASSETS

	2021 RMB'000	2020 RMB'000
Equity securities designated at FVTOCI (non-recycling)		
– Equity securities listed in Hong Kong *(note 29(e))*	–	866,712
Financial assets measured at FVTPL		
– Unlisted equity securities	309,638	274,818
	309,638	1,141,530

Note: No dividends were received on these investments during the year (2020: Nil).

During the year, the Group disposed all of shares of Tongcheng-Elong Holdings Limited ("Tongcheng-Elong") in a series of transactions and received cash consideration of RMB1,096,721,000 upon the disposals. The cumulative fair value change that was recognised in other comprehensive income on the disposed investment was reclassified to retained profits.

17 FINANCE LEASE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Finance lease receivables	221,516	360,623
Less: due within one year	(98,928)	(108,679)
	122,588	251,944

As at 31 December, the total future minimum lease payments receivables under finance leases were as follows:

	2021				2020			
	Lease payments receivable RMB'000	Unearned finance income RMB'000	Loss allowance RMB'000	Carrying amount RMB'000	Lease payments receivable RMB'000	Unearned finance income RMB'000	Loss allowance RMB'000	Carrying amount RMB'000
Within 1 year	110,219	(10,219)	(1,072)	98,928	127,644	(17,644)	(1,321)	108,679
After 1 year but within 5 years	131,131	(6,131)	(2,412)	122,588	273,889	(18,884)	(3,061)	251,944
	241,350	(16,350)	(3,484)	221,516	401,533	(36,528)	(4,382)	360,623

As at 31 December 2021, amounts due from a fellow subsidiary is RMB105,000,000 (2020: RMB197,599,000).

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18 INVENTORIES AND OTHER CONTRACT COSTS

	2021 RMB'000	2020 RMB'000
Comprehensive development business		
Properties held for future development and under development for sale	5,946,200	6,440,379
Completed properties held for sale	4,343,022	1,858,122
Other inventories	3,681	3,143
	10,292,903	8,301,644
Other contract costs	7,037	1,265
	10,299,940	8,302,909

(a) The analysis of lease terms of inventories under comprehensive development business is as follows:

	2021 RMB'000	2020 RMB'000
In Mainland China		
– medium-term leases (between 10 and 50 years)	4,717,151	4,607,716
– long leases (over 50 years)	5,572,071	3,690,785
	10,289,222	8,298,501

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount of inventories sold	935,640	622,479

The amount of completed properties held for sale, properties held for future development and under development for sale expected to be recovered after more than one year is RMB7,124,635,000 (2020: RMB5,717,522,000). All of the other inventories are expected to be recovered within one year.

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18 INVENTORIES AND OTHER CONTRACT COSTS *(continued)*

(c) Contract costs

Contract costs capitalised as at 31 December 2021 and 2020 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "distribution costs" in the statement of profit or loss in the period in which revenue from the related property sales is recognised.

The Group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

The amount of capitalised contract costs expected to be recovered after more than one year is RMB2,380,000 (2020:Nil).

19 CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Comprehensive development business	3,407,258	1,459,276

The Group receives deposits and sale proceeds from customers after they sign the sale and purchase agreement. These receipts in advance are recognised as contract liabilities until the properties are completed and transferred control to the customers.

Movements in contract liabilities

	2021 RMB'000	2020 RMB'000
Balance at 1 January	1,459,276	512,781
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(670,820)	(176,336)
Increase in contract liabilities as a result of receiving deposits and sale proceeds in respect of properties still under construction as at 31 December	2,618,802	1,615,625
Disposal of subsidiaries	–	(492,794)
Balance at 31 December	3,407,258	1,459,276

The amount of forward sales deposits received expected to be recognised as income after more than one year is RMB23,015,000 (2020: Nil).

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20 TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivable		
– Amounts due from third parties	6,626	13,042
Less: loss allowance *(note 29(a))*	(320)	(228)
	6,306	12,814
Other receivables *(note (i))*:		
– Amounts due from associates	13,690	113,634
– Amounts due from intermediate parents	1,094	1,094
– Amounts due from fellow subsidiaries	10,467	708,727
– Amounts due from third parties	62,016	66,865
	87,267	890,320
Less: loss allowance	(53)	(325)
	87,214	889,995
Financial assets measured at amortised cost	93,520	902,809
Deposits and prepayments *(note (ii))*	2,629,639	43,794
	2,723,159	946,603

Notes:

(i) Except for amounts of RMB4,006,000 (2020: RMB72,401,000) which are interest-bearing at 2.5% (2020: 2.5%) per annum, the amounts due from associates, intermediate parents, fellow subsidiaries and other related parties are unsecured, non-interest bearing and repayable on demand.

(ii) As at 31 December 2021, the balance included prepaid leasehold land costs of RMB2,311,958,000 (2020: Nil) in respect of three land purchase, of which the Group obtained one land use right certificate in February 2022. Accordingly, a prepayment of RMB1,033,391,000 was transferred to inventories subsequent to year end. The remaining amount is expected to be transferred to inventories upon obtaining the respective land use right certificates.

(iii) As at 31 December 2021, all of the trade and other receivables are expected to be recovered within one year.

Ageing analysis

As at the end of the reporting period, the ageing analysis of trade debtor's receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	6,306	4,344
1 to 2 years	–	8,470
	6,306	12,814

Further details on the Group's credit policy are set out in note 29(a).

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21 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash at bank and on hand represents:

	2021 RMB'000	2020 RMB'000
Cash at bank and on hand on the consolidated statement of financial position	3,331,662	4,274,938
Less: Restricted cash for REIT programme *(note 24(a)(iv))*	(5,145)	(5,418)
Cash and cash equivalents on the consolidated cash flow statement	3,326,517	4,269,520

(b) Reconciliation of (loss)/profit before taxation to cash used in operations:

	Note	2021 RMB'000	2020 RMB'000
(Loss)/profit before taxation		(842,156)	76,660
Adjustments for:			
Depreciation and amortisation	5(c)	195,558	377,855
Interest income	4(a)	(44,191)	(53,846)
Finance costs	5(a)	149,216	183,099
Net (gain)/loss on disposal of property, plant and equipment	4(b)	(1,516)	597
Net realised and unrealised (gains)/loss on unlisted equity securities	4(b)	(38,700)	9,704
Share of profits less losses of associates		147,032	66,902
Share of profits less losses of joint ventures		(88,742)	939
Impairment loss on associates		750,000	70,000
Gain on disposal of investment properties	4(b)	(52,144)	–
Gain on disposals of subsidiaries	4(b)	–	(340,972)
(Reversals of impairment losses)/impairment losses on trade and other receivables	5(c)	(153)	1,312
Reversals of impairment losses on finance lease receivables	5(c)	(898)	(2,088)
Changes in working capital:			
Increase in inventories and other contract costs		(1,866,407)	(3,046,303)
(Increase)/decrease in trade and other receivables		(2,574,015)	239,579
Decrease in finance lease receivables		140,004	117,240
Increase/(decrease) in trade and other payables		667,659	(364,850)
Increase in contract liabilities		1,703,331	1,439,289
Cash used in operations		(1,756,122)	(1,224,883)

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21 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION *(continued)*

(c) Reconciliation of liabilities arising from financing activities

	Bank and other loans RMB'000	Related party loans RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2020	8,115,677	972,750	78,830	9,167,257
Changes from financing cash flows:				
Proceeds from new loans	2,256,618	2,502,388	–	4,759,006
Repayment of loans	(2,525,484)	(904,594)	–	(3,430,078)
Capital element of lease rentals paid	–	–	(24,607)	(24,607)
Total changes from financing cash flows	(268,866)	1,597,794	(24,607)	1,304,321
Exchange adjustments	(240,803)	(9,078)	(425)	(250,306)
Other changes:				
Disposal of subsidiary	(1,000,000)	(339,406)	(51,650)	(1,391,056)
Increase in lease liabilities from entering into new leases during the year	–	–	22,447	22,447
Total changes from other changes	(1,000,000)	(339,406)	(29,203)	(1,368,609)
At 31 December 2020 and 1 January 2021	**6,606,008**	**2,222,060**	**24,595**	**8,852,663**
Changes from financing cash flows:				
Proceeds from new loans	**1,200,099**	**1,138,000**	**–**	**2,338,099**
Repayment of loans	**(1,975,512)**	**(1,026,131)**	**–**	**(3,001,643)**
Capital element of lease rentals paid	**–**	**–**	**(16,974)**	**(16,974)**
Total changes from financing cash flows	**(775,413)**	**111,869**	**(16,974)**	**(680,518)**
Exchange adjustments	**(83,235)**	**(2,929)**	**(245)**	**(86,409)**
Other change:				
Increase in lease liabilities from entering into new leases during the year	**–**	**–**	**22,846**	**22,846**
Total change from other change	**–**	**–**	**22,846**	**22,846**
At 31 December 2021	**5,747,360**	**2,331,000**	**30,222**	**8,108,582**

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21 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION *(continued)*

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2021 RMB'000	2020 RMB'000
Within operating cash flows	2,312,710	2,131,136
Within investing cash flows	–	95,379
Within financing cash flows	16,974	24,607
	2,329,684	2,251,122

These amounts relate to the following:

	2021 RMB'000	2020 RMB'000
Lease rentals paid	17,726	28,446
Prepaid for leasehold land	2,311,958	2,222,676
	2,329,684	2,251,122

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22 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 17 December 2020, the Group entered into an agreement to dispose part of the assets of its subsidiary, Anhui Huali Packaging Co., Ltd. ("Anhui Huali") at a consideration of RMB47,380,000. The Group also decided to deregister this subsidiary after the disposal of assets. Accordingly, all the identifiable assets and liabilities of Anhui Huali are reclassified as assets and liabilities of disposal group classified as held for sale as at 31 December 2020. The disposal of assets was completed on 14 January 2021 and the deregistration of Anhui Huali was completed on 4 November 2021.

(a) Assets of disposal group classified as held for sales:

	2020 RMB'000
Investment properties	5,034
Property, plant and equipment	140
Deferred tax assets	2,238
Trade and other receivables	30
Cash and cash equivalents	4,637
	12,079

The assets of disposal group excluded an amount of RMB27,555,000 due from the Group which was eliminated in consolidation.

(b) Liabilities directly associated with assets of disposal group classified as held for sale:

	2020 RMB'000
Trade and other payables	1,849

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23 TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade creditors:		
– Amounts due to fellow subsidiaries	–	7,957
– Amounts due to third parties	646,423	464,199
	646,423	472,156
Other payables and accruals:		
– Amounts due to associates	221,443	80,520
– Amounts due to fellow subsidiaries	346,453	343,740
– Amounts due to third parties	620,781	413,524
	1,188,677	837,784
Interest payables:		
– Amount due to an associate	18,331	54,798
– Amount due to the intermediate parent	53,619	36,350
– Amounts due to fellow subsidiaries	71	71
– Amounts due to other related parties	76,110	49,605
– Amounts due to third parties	26,023	29,168
	174,154	169,992
Financial liabilities measured at amortised cost	2,009,254	1,479,932
Deposits *(note)*	92,435	74,158
	2,101,689	1,554,090

Note: As at 31 December 2021, except for the deposit of RMB45,253,000 (2020: RMB48,361,000) which is expected to be settled after one year, the remaining deposit, other payables and accrued expenses are expected to be settled within one year.

As at 31 December 2021, the deposit payable to fellow subsidiaries amounted to RMB12,000,000 (2020: RMB15,919,000).

Ageing analysis

As at 31 December 2021, the ageing analysis of trade creditors payable, based on the invoice date, are as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	641,786	458,241
1 to 2 years	2,391	10,395
2 to 3 years	2,083	3,339
Over 3 years	163	181
	646,423	472,156

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24 LOANS

(a) At 31 December, the loans are repayable as follows:

		2021 RMB'000	2020 RMB'000
(i)	Bank and other loans		
	Within 1 year or on demand	1,387,278	573,899
	After 1 year but within 2 years	832,317	2,335,130
	After 2 years but within 5 years	660,500	786,979
	After 5 years	932,265	975,000
		2,425,082	4,097,109
		3,812,360	4,671,008
(ii)	Related party loans		
	Within 1 year or on demand	421,400	421,400
	After 1 year but within 2 years	420,000	59,350
	After 2 years but within 5 years	–	1,300,310
		841,400	1,781,060
(iii)	Loans from non-controlling interests		
	Within 1 year or on demand	1,489,600	441,000
(iv)	Loan in respect of REIT programme		
	Within 1 year or on demand	1,935,000	–
	After 1 year but within 2 years	–	1,935,000
		1,935,000	1,935,000
		8,078,360	8,828,068

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24 LOANS *(continued)*

(a) At 31 December, the loans are repayable as follows: *(continued)*

On 30 November 2019, OCT Shanghai Land, a subsidiary of the Group, participated in a real estate investment trust (the "REIT") programme in the Shenzhen Stock Exchange. The funds raised under the REIT programme totals RMB2,150,000,000, consist of preferential asset-backed securities amounted to RMB1,935,000,000 from qualified investors other than the Group who enjoy a fixed return of income from the REIT of 4.24% per annum, and secondary asset-backed securities amounted to RMB215,000,000 subscribed by the Group which entitle the Group to receive any residual income from the REIT. Income of the REIT are derived from the rental and operational income from the investment properties with carrying amount of RMB2,055,969,000 securitised by OCT Shanghai Land. In the event that the rental and operating income is not sufficient to cover the expected return payable to preferential asset-backed securities holders, OCT Shanghai Land is obliged to compensate the shortfall so that the preferential asset-backed securities holders will still enjoy the fixed return of 4.24% per annum. The REIT has a term of three years with an option to extend further three years by the REIT scheme manager. Upon expiry of the term, the principal amount of RMB1,935,000,000 and the outstanding fixed return on that date shall be returned to the preferential asset-backed securities holders, and the residual amounts are to be retained by OCT Shanghai Land.

As the underlying investment properties did not meet the criteria of de-recognition, the Group did not de-recognise the investment properties, and the net proceeds of RMB1,935,000,000 received from the preferential asset-backed securities holders were treated as financial liabilities of the Group. The secondary asset-back securities invested by the Group was eliminated upon consolidation.

In accordance with the terms of the REIT, OCT Group, the ultimate holding company of the Group, may be required to settle the returns or principal amount to the holder of preferential asset-back securities if OCT Shanghai Land is unable to settle the due balances.

The average interest rates at 31 December were as follows:

	2021	2020
Bank loans	1 month HIBOR + 1.15% to 4.75%	1 month HIBOR + 1.15% to 4.75%
Related party loans	4.35% to 4.37%	Nil to 4.56%
Loans from non-controlling interests	4.75% to 9.00%	9.00%
Loan in respect of REIT programme	4.24%	4.24%

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24 LOANS *(continued)*

(b) Details of the loans are analysed as follows:

	2021 RMB'000	2020 RMB'000
Current		
Secured		
– Bank and other loans	42,735	10,000
Guaranteed		
– Bank and other loans	878,511	–
Unsecured		
– Bank and other loans	466,032	563,899
– Related party loans	421,400	421,400
– Loan from non-controlling interests	1,489,600	441,000
	2,377,032	1,426,299
Loan in respect of REIT programme	1,935,000	–
	5,233,278	1,436,299
Non-current		
Secured		
– Bank and other loans	932,265	975,000
Guaranteed		
– Bank and other loans	1,298,228	2,701,289
Unsecured		
– Bank and other loans	194,589	420,820
– Related party loans	420,000	1,359,660
	614,589	1,780,480
Loan in respect of REIT programme	–	1,935,000
	2,845,082	7,391,769
	8,078,360	8,828,068

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24 LOANS *(continued)*

(b) Details of the loans are analysed as follows: *(continued)*

At 31 December, guaranteed bank loans are guaranteed by related parties as follows:

	2021 RMB'000	2020 RMB'000
Shenzhen Overseas Chinese Town Co., Ltd. ("OCT Ltd.")	660,500	130,500
Overseas Chinese Town (HK) Co., Ltd. ("OCT (HK)")	1,516,239	2,570,789
	2,176,739	2,701,289

(c) The secured loans are secured by the following assets:

	2021 RMB'000	2020 RMB'000
Ownership interests in buildings held for own use	821,845	850,681
Interests in leasehold land held for own use	906,818	938,729
	1,728,663	1,789,410

(d) Details of loans from related parties are as follows:

	2021 RMB'000	2020 RMB'000
Current		
– Loan from an associate	421,400	421,400
– Loans from non-controlling interests	1,489,600	441,000
	1,911,000	862,400
Non-current		
– Loans from intermediate parents	420,000	1,359,660
	2,331,000	2,222,060

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25 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of reporting periods:

	2021		2020	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	13,404	13,622	13,330	13,543
After 1 year but within 2 years	11,053	11,459	5,818	6,199
After 2 years but within 5 years	5,765	6,162	5,447	6,191
	16,818	17,621	11,265	12,390
	30,222	31,243	24,595	25,933
Less: total future interest expenses		(1,021)		(1,338)
Present value of lease liabilities		30,222		24,595

26 EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in Shenzhen, Huizhou, Shanghai, Hefei and Changshu where the Group is required to make contributions to the Schemes at a rate ranging from 14% to 16% (2020: 13% to 20%) of the eligible employees' salaries.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly amount of HK$1,500. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

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27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2021 RMB'000	2020 RMB'000
PRC CIT	34,289	44,845
PRC LAT	124,488	124,725
	158,777	169,570

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accounting depreciations in excess of depreciation allowances	Credit loss allowance	Accrued expenses	Unrealised profit	Tax loss	Advertising expense	Capitalisation of contract cost	Interest capitalised	Undistributed profits	Fair value adjustment from business combinations	Fair value change of other financial assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:												
At 1 January 2020	25,415	5,016	179,733	11,848	–	–	(896)	–	(44,028)	(139,794)	(4,214)	33,080
(Charged)/credited to profit or loss	(1,942)	(407)	(48,647)	(358)	25,198	753	(217)	(4,407)	20,531	5,763	2,263	(1,470)
Transfer to assets and liabilities of disposal groups classified as held for sale	(150)	–	–	–	(2,086)	–	–	–	–	–	–	(2,236)
Disposals of subsidiaries	(23,323)	(3,377)	(75,145)	(11,490)	–	–	1,113	–	–	156	–	(112,066)
At 31 December 2020 and 1 January 2021	–	1,232	55,941	–	23,112	753	–	(4,407)	(23,497)	(133,875)	(1,951)	(82,692)
(Charged)/credited to profit or loss	–	(275)	(2,526)	–	21,624	301	–	–	(373)	2,356	(9,675)	11,432
At 31 December 2021	–	957	53,415	–	44,736	1,054	–	(4,407)	(23,870)	(131,519)	(11,626)	(71,260)

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27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(b) Deferred tax assets and liabilities recognised: *(continued)*

(ii) Reconciliation to the consolidated statement of financial position

	2021 RMB'000	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	95,755	76,631
Net deferred tax liabilities recognised in the consolidated statement of financial position	(167,015)	(159,323)
	(71,260)	(82,692)

(c) Deferred tax liabilities not recognised

As set out in note 6(a), withholding tax is levied on Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries. Since the Group could control the quantum and timing of distribution of profits of the Group's subsidiaries in the Mainland China, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

At 31 December 2021, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB796,000,000 (2020: RMB558,908,000). Deferred tax liabilities of RMB39,800,000 (2020: RMB27,945,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(v) to the consolidated financial statements, the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB261,637,000 (2020: RMB209,697,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. These tax losses could be carried forward for a maximum of five years.

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28 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Perpetual capital securities RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2020		67,337	36,884	248,970	32,449	5,296,195	–	–	2,078,068	7,759,903
Changes in equity for 2020:										
Total comprehensive income for the year		–	–	–	–	438,208	(764,252)	–	333,948	7,904
Distribution to the holders of perpetual capital securities		–	–	–	–	(237,618)	–	–	–	(237,618)
Issuance of perpetual capital securities	28(d)	–	–	–	–	5,510,845	–	–	–	5,510,845
Redemption of perpetual capital securities		–	–	–	–	(5,397,199)	–	(26,481)	–	(5,423,680)
Dividends approved in respect of the previous year	28(b)(ii)	–	–	–	–	–	–	–	(8,558)	(8,558)
Balance at 31 December 2020 and 1 January 2021	33	67,337	36,884	248,970	32,449	5,610,431	(764,252)	(26,481)	2,403,458	7,608,796
Changes in equity for 2021:										
Total comprehensive income for the year		–	–	–	–	228,725	(172,608)	–	(203,473)	(147,356)
Distribution to the holders of perpetual capital securities		–	–	–	–	(232,676)	–	–	–	(232,676)
Balance at 31 December 2021	33	67,337	36,884	248,970	32,449	5,606,480	(936,860)	(26,481)	2,199,985	7,228,764

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For the year ended 31 December 2021

(Expressed in Renminbi)

28 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Dividends

(i) No dividend will be attributed to equity shareholders of the Company attributable to the year (2020: Nil).

(ii) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year*

	2021 RMB'000	2020 RMB'000
No final dividend in respect of the previous financial year, approved and paid during the year, per ordinary share (2020: HK1.25 cents per ordinary share (equivalent to RMB1.14 cents per ordinary share))	–	8,558

(c) Share capital

Authorised and issued share capital

Authorised:

	2021		2020	
	Ordinary shares of HK$0.1 each No. of shares '000	Share capital HK$'000	Ordinary shares of HK$0.1 each No. of shares '000	Share capital HK$'000
At 1 January and 31 December	2,000,000	200,000	2,000,000	200,000

Issued and fully paid:

	2021		2020	
	Ordinary shares of HK$0.1 each No. of shares '000	Share capital RMB'000	Ordinary shares of HK$0.1 each No. of shares '000	Share capital RMB'000
At 1 January and 31 December	748,366	67,337	748,366	67,337

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28 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Perpetual capital securities

On 15 July 2020, the Company issued senior guaranteed perpetual capital securities with a principal amount of US$500,000,000 (equivalent to RMB3,468,150,000).

The securities confer a right to receive distributions at the applicable distribution rate of 4.5% per annum from and including 15 July 2020, payable semi-annually on 15 July and 15 January of each year. After 15 July 2023, the distribution rate would be reset to a percentage per annum equal to the sum of (a) 4.312%, (b) the Treasury Rate and (c) a margin of 4% per annum.

On 25 August 2020, the Company issued another senior guaranteed perpetual capital securities with a principal amount of US$300,000,000 (equivalent to RMB2,052,900,000).

The securities confer a right to receive distributions at the applicable distribution rate of 4.5% per annum from and including 25 August 2020, payable semi-annually on 15 February and 15 August of each year. After 25 August 2023, the distribution rate would be reset to a percentage per annum equal to the sum of (a) 4.343%, (b) the Treasury Rate and (c) a margin of 4% per annum.

The securities are unconditionally and irrevocably guaranteed by Overseas Chinese Town Enterprises Limited Company.

The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the Company, in whole but not in part.

In the opinion of the management, the Company is able to control the delivery of cash or other financial assets to the holders of the perpetual capital securities due to redemption other than an unforeseen liquidation of the Company. Accordingly, the perpetual capital securities are classified as equity instruments.

(e) Nature and purpose of reserves

(i) Share premium and contributed surplus

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account and the contributed surplus account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

The excess of the issued price net of any issuance expenses over the par value of the shares issued has been credited to the share premium account of the Company.

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For the year ended 31 December 2021

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28 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(e) Nature and purpose of reserves *(continued)*

(ii) Capital reserve

Capital reserve comprises the following:

– difference between the total amount of registered capital and the amount of contributions from the owners of a subsidiary; and

– the portion of the grant date fair value of unexercised share options granted to employees, directors and consultants of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(u)(ii) to the consolidated financial statements.

(iii) PRC statutory reserve

Transfers from retained earnings to PRC statutory reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries incorporated in the PRC and were approved by the respective boards of directors.

The subsidiaries in the PRC are required to transfer 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to PRC statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividends to the owners.

PRC statutory reserve can be used to make good previous years' losses, if any, and may be converted into paid up capital provided that the balance of PRC statutory reserve after such conversion is not less than 25% of the registered capital.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(y) to the consolidated financial statements.

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVTOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(g)).

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28 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(e) Nature and purpose of reserves *(continued)*

(vi) Other reserves

Other reserves mainly include enterprise expansion fund and securities issue fee.

The subsidiaries in the PRC are required to transfer a certain percentage of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the enterprise expansion fund. The percentage of this appropriation is decided by the directors of the subsidiaries.

The difference between the redemption price and the principal of the redeemed perpetual capital securities which mainly attributable securities issue fee was debited to other reserve.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

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

The Group monitors its capital structure on the basis of the gearing ratio, which is defined as total borrowings including bills payable and loans divided by total assets.

During 2021, the Group's strategy, which was unchanged from 2020, was to maintain the gearing ratio at a level of industry average. In order to maintain or adjust the ratio, the Group may issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's gearing ratio at 31 December was as follows:

	2021 RMB'000	2020 RMB'000
Total borrowings	8,078,360	8,828,068
Total assets	26,342,763	25,421,957
Gearing ratio	30.7%	34.7%

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to bank deposits and trade and other receivables.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

The Group has no concentration of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in note 31, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 31.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

In respect of other trade receivables, the Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers. Trade receivables are normally due within 60–120 days from the date of billing. Debtors with balances that are more than 1 month past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers. In order to minimise the credit risk related to the sales of properties, the Group will not deliver the properties to customers until all proceeds are received.

In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Trade and other receivables (continued)

For other receivables, regular review and follow-up actions are carried out on long-aged other receivables, which enable management to assess their recoverability and to minimise exposure to credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. The specific impairment losses have been made for the certain other receivables to reflect the relevant ECL.

For lease receivables, the Group enters into transactions only with recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers that the Group has credit transactions with. Besides, the Group monitors and controls the lease receivables regularly to mitigate the risk of significant exposure from bad debts.

The Group measures loss allowances for trade receivables and lease receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2021		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.56%	6,406	100
Over 3 years past due	100%	220	220
		6,626	320

	2020		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.06%	12,822	8
Over 3 years past due	100%	220	220
		13,042	228

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29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Trade and other receivables (continued)

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade and receivables during the year is as follows:

	2021 RMB'000	2020 RMB'000
Balance at 1 January	228	1,095
Impairment loss recognised	92	227
Impairment loss reversed	–	(7)
Uncollectible amounts written off	–	(852)
Disposal of subsidiaries	–	(235)
Balance at 31 December	320	228

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The directors have taken into account the forecasts of operating performance, as well as the ability of the Group to renew bank loans and related party loans and the financial support from shareholders in assessing the sufficiency of liquidity requirements in the foreseeable future.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

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29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

For bank and other loans subject to repayment on demand clause which can be exercised at the bank's sole discretion, the maturity analysis shows the cash outflow based on expected repayment dates with reference to the schedule of repayments set out in the banking facilities letter and, separately, the impact to the timing of the cash outflow if the lenders were to invoke unconditional rights to call the loans with immediate effect.

	2021						2020					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	2,101,689	-	-	-	2,101,689	2,101,689	1,479,932	-	-	-	1,479,932	1,479,932
Bank and other loans	3,470,893	905,584	797,145	1,012,497	6,186,119	5,747,360	761,684	4,407,082	853,983	1,308,376	7,331,125	6,606,008
Related party loans	1,959,029	448,802	-	-	2,407,831	2,331,000	932,254	75,715	1,397,616	-	2,405,585	2,258,314
Lease liabilities	13,622	11,459	6,162	-	31,243	30,222	13,543	6,199	6,191	-	25,933	24,595
	7,545,233	1,365,845	803,307	1,012,497	10,726,882	10,210,271	3,187,413	4,488,996	2,257,790	1,308,376	11,242,575	10,368,849

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash and cash equivalent and bank and other loans at variable rates. Due to the anticipation about the interest rates of cash and cash equivalent and pledged deposits not changing significantly, bank and other loans at variable rates mainly expose the Group to cash flow interest rate risk. As at 31 December 2021, the Group's outstanding bank and other loans of RMB3,812,360,000 (2020: RMB4,527,929,000) are issued at variable rates.

Sensitivity analysis

At 31 December 2021, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB7,610,000 (2020: RMB9,215,000).

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2020.

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29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. In prior years, the currencies giving rise to this risk are primarily United States dollars ("USD") and HKD. Since the functional currency used in the Company was changed from RMB to HKD and HKD is pegged to USD, the Group would not exposed to currency risk in USD and HKD.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

	Exposure to foreign currencies (expressed in RMB)	
	2021	2020
	RMB'000	RMB'000
Cash at bank and on hand	**403,399**	161,335
Inter-company receivables and payables within the Group	**480,168**	9,751
Trade and other receivables	**463**	706,417
Net exposure arising from recognised assets and liabilities	**884,030**	877,503

(ii) Sensitivity analysis

The sensitivity analysis assumes that the change foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. For inter-company balances eliminated on consolidation, the related foreign exchange gains or losses will not be eliminated, unless the receivables or payables form part of the Group's net investment in the subsidiaries. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

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29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis (continued)

Based on the assumption that Hong Kong dollars continue to be pegged to United States dollars, management estimated that a 5% depreciation of USD/HKD against RMB, the Group's profit would be increased by RMB44,201,000 (2020: RMB43,875,000).

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group's entities' profits after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rates ruling at the end of the reporting periods for presentation purposes.

(e) Fair value measurement of financial instruments

(i) Financial assets and liabilities measured at fair value

a. Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

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29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement of financial instruments *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

a. Fair value hierarchy *(continued)*

The Group employed valuer to perform valuations for the unlisted equity securities. A valuation report with analysis of changes in fair value measurement is prepared by the valuer at the reporting date, and reviewed and approved by the management. Discussion of the valuation process and results with the management and the Audit Committee is held twice a year, to coincide with the reporting dates.

	Fair value at 31 December 2021 RMB'000	Fair value measurements as at 31 December 2021 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Other financial assets:				
– Unlisted equity securities	**309,638**	**–**	**–**	**309,638**

	Fair value at 31 December 2020 RMB'000	Fair value measurements as at 31 December 2020 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Other financial assets:				
– Listed equity securities	866,712	866,712	–	–
– Unlisted equity securities	274,818	–	–	274,818
	1,141,530	866,712	–	274,818

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29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement of financial instruments *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

a. Fair value hierarchy *(continued)*

During the year ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

b. Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**Rate**
Unlisted equity instruments	Market comparable companies	Discount for lack of marketability	17–46%

The fair value of unlisted equity instruments is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2021, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's profit by RMB1,789,000 (2020: RMB1,259,000).

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29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement of financial instruments *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

b. Information about Level 3 fair value measurements *(continued)*

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2021 RMB'000	2020 RMB'000
Unlisted equity securities:		
At 1 January	274,818	289,858
Disposal	(3,880)	(5,987)
Changes in fair value recognised in profit or loss during the year	38,700	(9,053)
At 31 December	309,638	274,818
Total gain/(loss) for the year included in profit or loss for assets held at the end of the reporting year	38,700	(9,053)

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2020 and 2021.

30 COMMITMENTS

Capital commitments outstanding at 31 December not provided for in the financial statements are as follows:

	2021 RMB'000	2020 RMB'000
Investment property	–	1,336
Inventories	3,760,297	1,825,776
Investment in an associate and a joint venture	783,475	606,518
	4,543,772	2,433,630

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31 CONTINGENT LIABILITIES

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly installment before the issuance of the individual property ownership certificate; the banks can draw down the security deposits up to the amount of outstanding mortgage installments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

The management does not consider it probable that the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers default payment. The management also considers that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group. No liabilities therefore is recognised in respect of these guarantees.

As at 31 December 2021, guarantees given to financial institutions for mortgages facilities granted to buyers of the Group's properties amounts to RMB498,005,000 (2020: RMB99,864,000).

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group has a related party relationship with the following parties:

Name of party	Relationship with the Group
OCT Group	Ultimate parent
OCT Ltd.	Intermediate parent
OCT (HK)	Intermediate parent
Konka Group Company Limited, its subsidiaries and associates	Fellow subsidiary
Shenzhen Overseas Chinese Town Water and Electricity Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Property Services Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town International Media and Performance Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Innovation Research Institute Co., Ltd.	Fellow subsidiary
Overseas Chinese Town Intelligent Technology (Shenzhen) Co., Ltd.	Fellow subsidiary
Overseas Chinese Town Culture Tourism and Technology Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Entertainment Investment Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Properties Co., Ltd.	Fellow subsidiary
Nanjing Overseas Chinese Town Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town International Travel Service Co., Ltd.	Fellow subsidiary

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32 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, major related party transactions entered by the Group during the year are as follows:

	2021 RMB'000	2020 RMB'000
Sales of goods and provide services	–	22,516
Purchase of goods and services	34,204	27,828
Rental income	–	4,801
Rental expense	4,597	3,640
Interest expense *(note)*	102,259	90,402
Interest income	1,649	19,370
Repayment of loans *(note)*	1,026,131	904,594
New borrowings *(note)*	1,138,000	2,502,388
New loans to an associate	–	3,439
Repayment from associates	200,921	100,956
Finance lease income	8,483	11,890
Finance lease received	80,000	50,000

Note: For the year ended 31 December 2021, OCT Group and its subsidiaries provided financial supports to the Group, and such financial supports constituted to connected transactions of the Group, but were exempted from complying with the requirements of reporting, announcement and approval from independent shareholders based on that the financial supports provided to the Group by OCT Group and its subsidiaries and which benefited the Group was made on the normal commercial terms (or more favorable than that provided to the listing issuer) to provide loans to the Group; and no asset of the Group was pledged as collateral for these financial supports.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

32 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management personnel remuneration

Remuneration for key management personnel, including amount paid to the Group's directors as disclosed in note 7 to the consolidated financial statements and certain of the highest paid employees as disclosed in note 8 to the consolidated financial statements, is as follows:

	2021 RMB'000	2020 RMB'000
Short-term employee benefits	16,088	16,929
Post-employment benefits	671	364
	16,759	17,293

Total remuneration is included in "staff costs" (see note 5(b)).

(d) Balance with related parties

Amounts due from/(to) related parties are set out in notes 17, 20, 23 and 24 to the consolidated financial statements.

(e) Applicability of the Listing Rules relating to connected transactions

Apart from the connected transactions and continuing connected transactions disclosed in the section headed "Connected Transactions" in the Directors' Report, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2021 RMB'000	2020 RMB'000
Non-current assets		
Property, plant and equipment	22,881	22,217
Investments in subsidiaries	681,565	679,899
Interest in an associate	379,412	379,412
Interest in a joint venture	350,543	350,543
	1,434,401	1,432,071
Current assets		
Other receivables	7,409,148	10,046,559
Cash at bank and on hand	709,314	362,775
	8,118,462	10,409,334
Current liabilities		
Other payables	130,235	814,736
Lease liabilities	6,664	5,444
Bank loans	1,344,543	420,820
	1,481,442	1,241,000
Net current assets	6,637,020	9,168,334
Total assets less current liabilities	8,071,421	10,600,405
Non-current liabilities		
Bank loans	832,317	2,991,609
Lease liabilities	10,340	–
	842,657	2,991,609
NET ASSETS	7,228,764	7,608,796
CAPITAL AND RESERVES		
Share capital	67,337	67,337
Perpetual capital securities	5,606,480	5,610,431
Reserves	1,554,947	1,931,028
TOTAL EQUITY	7,228,764	7,608,796

Approved and authorised for issue by the board of directors on 29 April 2022.

Zhang Dafan
Director

Xie Mei
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in Renminbi)

34 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2021, the directors consider the immediate parent and the ultimate controlling party of the Group to be Pacific Climax Limited ("Pacific Climax") and OCT Group. Pacific Climax and OCT Group are incorporated in BVI and PRC respectively, which do not produce financial statements available for public use.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts–Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Five-Year Financial Summary

For the year ended 31 December

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	**1,474,128**	1,306,550	2,071,903	1,584,694	4,109,462
Cost of sales	**(1,169,981)**	(990,072)	(1,306,174)	(1,026,106)	(2,561,837)
Gross profit	**304,147**	316,478	765,729	558,588	1,547,625
Other income	**55,024**	65,646	93,836	124,257	26,431
Other net gains	**118,265**	465,514	221,979	368,930	1,058,258
Distribution costs	**(89,033)**	(97,768)	(103,200)	(124,736)	(215,451)
Administrative expenses	**(273,053)**	(352,270)	(403,405)	(334,304)	(265,228)
Other operating expenses	**–**	–	–	(459)	(954)
Profit from operations	**115,350**	397,600	574,939	592,276	2,150,681
Finance costs	**(149,216)**	(183,099)	(268,732)	(175,061)	(187,942)
Share of profits less losses of associates	**(147,032)**	(66,902)	306,063	418,994	104,060
Share of profits less losses of joint ventures	**88,742**	(939)	(8,150)	229,244	(8,322)
Impairment losses on associates	**(750,000)**	(70,000)	–	–	–
(Loss)/profit before taxation	**(842,156)**	76,660	604,120	1,065,453	2,058,477
Income tax	**(56,952)**	(101,093)	(354,514)	(206,898)	(642,388)
(Loss)/profit for the year from continuing operations	**(899,108)**	(24,433)	249,606	858,555	1,416,089
Discontinued operation					
Profit for the year from discontinued operation	**–**	–	–	68,272	9,662
(Loss)/profit for the year	**(899,108)**	(24,433)	249,606	926,827	1,425,751
Attributable to:					
Equity holders of the Company	**(883,252)**	63,757	266,961	798,702	1,106,804
Non-controlling interests	**(15,856)**	(88,190)	(17,355)	128,125	318,947
(Loss)/profit for the year	**(899,108)**	(24,433)	249,606	926,827	1,425,751
(Loss)/earning per share (RMB)					
Basic	**(1.49)**	(0.29)	0.04	0.77	1.59
Diluted	**(1.49)**	(0.29)	0.04	0.76	1.41

Five-Year Financial Summary

For the year ended 31 December

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Non-current assets					
Fixed assets	**4,582,386**	4,697,730	8,900,149	6,436,647	4,556,985
Intangible assets	**33,639**	42,702	52,922	6,273	1,597
Goodwill	**–**	–	570	570	570
Interests in associates	**3,607,167**	4,368,908	5,410,696	4,919,831	2,638,854
Interests in joint ventures	**1,137,901**	1,197,304	302,560	287,330	11,222
Other financial assets	**309,638**	1,141,530	1,618,292	1,437,525	599,711
Finance lease receivables	**122,588**	251,944	382,253	230,870	164,096
Trade and other receivables	**–**	–	1,623	2,476	–
Deferred tax assets	**95,755**	76,631	222,012	191,012	–
	9,889,074	11,776,749	16,891,077	13,512,534	7,973,035
Current assets					
Trading securities	**–**	–	118,480	–	–
Inventories and other contract costs	**10,299,940**	8,302,909	5,767,090	7,055,723	8,237,853
Finance lease receivables	**98,928**	108,679	117,206	65,342	–
Trade and other receivables	**2,723,159**	946,603	880,060	1,222,255	365,154
Cash at bank and on hand	**3,331,662**	4,274,938	2,681,489	3,222,953	6,927,464
	16,453,689	13,633,129	9,564,325	11,566,273	15,530,471
Assets of disposal group classified as held for sale	**–**	12,079	–	–	242,010
	16,453,689	13,645,208	9,564,325	11,566,273	15,772,481

Five-Year Financial Summary

For the year ended 31 December

	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Current liabilities					
Trade and other payables	2,101,689	1,554,090	2,875,136	2,657,446	3,074,121
Contract liabilities	3,407,258	1,459,276	512,781	143,949	–
Lease liabilities	13,404	13,330	26,489	–	–
Bank and other loans	3,322,278	573,899	2,099,413	4,979,886	3,989,954
Related party loans	1,911,000	862,400	913,400	2,037,700	1,385,700
Current taxation	158,777	169,570	791,848	748,884	722,847
	10,914,406	4,632,565	7,219,067	10,567,865	9,172,622
Liabilities directly associated with assets of disposal group classified as held for sale	–	1,849	–	–	43,878
	10,914,406	4,634,414	7,219,067	10,567,865	9,216,500
Net current assets	5,539,283	9,010,794	2,345,258	998,408	6,555,981
Total assets less current liabilities	15,428,357	20,787,543	19,236,335	14,510,942	14,529,016
Non-current liabilities					
Bank and other loans	2,425,082	6,032,109	6,016,264	1,410,771	1,019,751
Related party loans	420,000	1,359,660	59,350	–	–
Lease liabilities	16,818	11,265	52,341	–	–
Deferred tax liabilities	167,015	159,323	188,932	194,514	196,324
	3,028,915	7,562,357	6,316,887	1,605,285	1,216,075
NET ASSETS	12,399,442	13,225,186	12,919,448	12,905,657	13,312,941
Total equity attributable to equity holders of the Company	8,620,508	9,430,396	9,346,075	9,466,242	9,672,327
Non-controlling interests	3,778,934	3,794,790	3,573,373	3,439,415	3,640,614
TOTAL EQUITY	12,399,442	13,225,186	12,919,448	12,905,657	13,312,941