



JY GRANDMARK HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2231

2021 ANNUAL REPORT



Company Profile

JY Grandmark Holdings Limited (stock code: 2231) was listed on the Stock Exchange on 5 December 2019 and the Group has been included as a constituent of the MSCI China Small Cap Index since May 2020.

JY Grandmark is a property developer, operator and property management service provider based in the PRC. It runs four principal businesses, namely (i) property development and sales, (ii) hotel operations, (iii) property management and (iv) commercial property investment, with business presence in Guangdong, Hainan, Yunnan, Jiangsu and Hunan provinces. As at 31 December 2021, the total gross floor area of the Group's land reserves reached approximately 4.1 million sq.m..

The Group positions itself as an "Eco-friendly and People-oriented Property Developer" (生態人文地產發展商). It develops homes and communities that it considers to be truly liveable for buyers by leveraging the natural resources, unique landscapes and features as well as rich culture of its selected project sites.



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Corporate Information

Board of Directors

Executive Directors

Mr. CHAN Sze Ming Michael
(Chairman)
Mr. LIU Huaxi (Vice-Chairman)
Ms. ZHENG Catherine Wei Hong
Mr. WU Xinping
Mr. XUE Shuangyou
(resigned on 30 July 2021)
Ms. WEI Miaochang

Independent non-executive Directors

Mr. MA Ching Nam
Mr. LEONG Chong
Mr. WU William Wai Leung

Audit Committee

Mr. WU William Wai Leung
(Chairman)
Mr. MA Ching Nam
Mr. LEONG Chong

Remuneration Committee

Mr. LEONG Chong (Chairman)
Mr. MA Ching Nam
Mr. WU William Wai Leung
Mr. LIU Huaxi

Nomination Committee

Mr. MA Ching Nam (Chairman)
Mr. LEONG Chong
Mr. WU William Wai Leung
Mr. LIU Huaxi

Legal Advisers

As to Hong Kong law:
lu, Lai & Li Solicitors & Notaries

As to PRC law:
Jingtian & Gongcheng

As to Cayman Islands law:
Conyers Dill & Pearman

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman)
Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Share Registrar

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

Registered Office

Cricket Square
Hutchins Drive, PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Suites 3008-10, 30/F, Tower One
Times Square, 1 Matheson Street
Causeway Bay
Hong Kong

Principal Place of Business and Head Office in the PRC

JY Grandmark Building
198 Guanjing Road
Nancun Town
Panyu District, Guangzhou City
Guangdong Province, the PRC

Auditor

PricewaterhouseCoopers

Company Secretary

Ms. WAI Ching Sum

Authorised Representatives

Mr. CHAN Sze Ming Michael
Ms. WAI Ching Sum

Principal Banks

Hang Seng Bank Limited
Chong Hing Bank Limited
The Bank of East Asia, Limited
Industrial and Commercial Bank of
China, Guangdong Branch

Company's Website

www.jygrandmark.com

Stock Code

2231

Listing Information

A. Equity Securities

- The Company's ordinary shares (stock code: 2231) are listed on the Main Board of the Stock Exchange.

B. Debt Securities

- 7.5% senior notes in an aggregate principal amount of US\$152,100,000 due 2023 (stock code: 4470) are listed on the Main Board of The Stock Exchange.

Financial Calendar

Interim results announcement	19 August 2021
Payment of interim dividend	17 September 2021
Unaudited annual results announcement	31 March 2022
Audited annual results announcement	21 April 2022
AGM	23 June 2022
Proposed payment of final dividend	on or about 15 July 2022

Closure of Register of Members and Other Key Dates

The Company's register of members will be closed during the following periods:

To determine the identity of Shareholders who are entitled to attend and vote at the AGM

Latest time for lodging transfer documents of shares	: 4:30 p.m. on Friday, 17 June 2022
Period of closure of register of members	: Monday, 20 June 2022 to Thursday, 23 June 2022 (both days inclusive)

To determine the Shareholders' entitlement to the proposed final dividend

Ex-entitlement date for the proposed final dividend	: Thursday, 30 June 2022
Latest time for lodging transfer documents of shares	: 4:30 p.m. on Monday, 4 July 2022
Period of closure of register of members	: Tuesday, 5 July 2022 to Friday, 8 July 2022 (both days inclusive)
Record date	: Friday, 8 July 2022

To qualify for attending and voting at the AGM and/or entitlement to the proposed final dividend, all properly completed transfer forms accompanied by the share certificate must be lodged with the Company's branch share registrar and transfer office in Hong Kong. Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than the corresponding latest time for lodging transfer document of shares.

The proposed final dividend will be paid on or about Friday, 15 July 2022 to Shareholders whose names appear on the register of members of the Company on Friday, 8 July 2022 upon approval by the Shareholders in the AGM.

Annual General Meeting

The AGM will be held on Thursday, 23 June 2022. The AGM Notice will be set out in the Company's circular dated Friday, 13 May 2022 and will be despatched together with this annual report to the Shareholders. The AGM Notice and the proxy form will also be published on the Company's website (www.jygrandmark.com) and the Stock Exchange's website (www.hkexnews.hk).

Dividends

Interim dividend	RMB3.63 cents per Share
Proposed final dividend	RMB0.97 cents per Share

Despatch of Corporate Communications

This annual report is available in both Chinese and English version. Printed copies in both languages will be delivered to Shareholders. This annual report is also published on the Company's website (www.jygrandmark.com) and the Stock Exchange's website (www.hkexnews.hk).

Milestones in 2021



January 2021

- We successfully issued US\$155,000,000 7.5% senior notes due 2022 and the existing notes accepted under the exchange offer of the 7.5% senior notes due 2021 amounted to US\$137,500,000



April 2021

- Jinke JY Grand Garden (金科景業雍景園), the metro superstructure project in Zengcheng District, Guangzhou City, which was co-developed with Jinke Property, was launched for sale, all the units of the first phase of the project were sold out, with the order amount reaching approximately RMB350 million



April 2021

- We were successfully elected as the qualified cooperative enterprises for the redevelopment project of Zhujiang Village, Huangpu District, Guangzhou, Guangdong Province. The project represents a successful implementation of the Group's development strategy on urban renewal, thus forging a new business driver for the Group



May 2021

- The first phase of JY Logan Jiuyun Mansion (景業龍光玖雲府), the project in Liuhe District of Nanjing which was co-developed with Logan Property was launched for sale, the units of the first phase of the project were sold well, with the order amount reaching RMB454 million

May 2021

- Guangzhou Yinong Enterprise Co., Ltd. (廣州意濃實業有限公司), a subsidiary of JY Grandmark, obtained the national first-class real estate developer qualification

June 2021

- We co-developed the land at the east side of Xinxin Road, Zhongxin Town, Zengcheng District, Guangzhou City with Gemdale Corporation. The land is used for Class II residential land (二類居住用地) with a land area of 25,989.93 square metres and a plot-ratio gross floor area of 83,168 square metres, the total consideration thereof is RMB918 million

June 2021

- Zhuodu Property, a subsidiary of the Group, introduced the “ERP System of Tianwen Property (天問物業 ERP 系統)”, the projects (being JY Lychee Town and JY Donghuzhou Haoyuan) had taken the lead in completing the operation of such system



September 2021

- JY Uniworld (Guangzhou), the new project developed in Shitan, Zengcheng District, Guangzhou, was officially open to the public

Major Honours and Awards in 2021

	Honour/Award	Awarding body
	<p>2021 China TOP 200 Real Estate Developers</p>	<p>China Index Academy</p>
	<p>Top 100 Chinese Real Estate Companies – 2021 China's Best Real Estate Enterprises with Greatest Growing Potential</p>	<p>Guandian Index Academy</p>
	<p>2021 China Urban Renewal Brand Value Enterprises (2021 中國城市更新品牌價值企業)</p>	<p>China Real Estate Business* (中國房地產報社)</p>
	<p>Zhuzhou Outstanding Construction Award (株洲市建設工程神農獎) (Buildings 1, 2, 8 and 9 of JY Mountain Lake Gulf Phase I)</p>	<p>Zhuzhou Construction Industry Association* (株洲市建築業協會)</p>
	<p>Guangdong Province Enterprise of Observing Contract and Valuing Credit in 2020 (Guangzhou Hongchuang Construction Co., Ltd.* (廣州市泓創建設有限公司))</p>	<p>Guangzhou Municipal Administration for Market Regulation* (廣州市市場監督管理局)</p>

Major Honours and Awards in 2021 (Continued)

	Honour/Award	Awarding body
	<p>▶ Top 20 of the 20th Creditworthy Property Developers of Guangdong (第二十屆廣東地產資信20強)</p>	<p>Guangdong Province branches and Guangzhou branches of Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China and Construction Bank of China and China Creditworthy Property Enterprises Association* (中國地產資信強企交流會)</p>
	<p>▶ The 12th YUANYE AWARDS – Real Estate Garden Demonstration Area Category Silver Award (地產園林示範區銀獎) (Jiangshan Shili display area in Yunnan, Tengchong)</p>	<p>Yuanye Awards International Competition Organising Committee</p>
	<p>▶ 2020-2021 Golden Award of International Environmental Art Innovation and Design Competition (“Huading Award”) (2020-2021年度國際環藝創新設計作品大賽(「華鼎獎」)金獎) (Sale Centre of Zengcheng Shitan)</p>	<p>China International Architectural Decoration and Design Art Fair</p>

Major Honours and Awards in 2021 (Continued)

	Honour/Award	Awarding body
 <p>The image shows an award notice from the Committee of Italy IIDA Award. It is dated November 25, 2021. The award is for 'Innovation Award' given to 'Guangzhou Runzhou Decoration Design Co., Ltd.' for their work on the 'Jingye Group Zengcheng Shitan sales centre'. The notice includes the IIDA logo and a seal.</p>	<p>▶ Innovation Award of Italy IIDA Award 2021 (Sale Centre of Zengcheng Shitan)</p>	<p><i>Committee of Italy IIDA AWARD</i></p>
 <p>The image is a certificate of honor for the 2021 Hong Kong Asia Pacific Designer Contest. It awards the 'Supreme Award' (至尊奖) in the 'Model House Space (Real Scene)' category (样板间空间 (实景类)). The design firm is 'Guangzhou Runzhou Decoration Design Co., Ltd.' (广州润周装饰设计有限公司) for the project 'Jingyuan High-end Small Town T4 Residential Sample Room' (锦园高景观小镇T4户型样板间).</p>	<p>▶ Hong Kong Asia Pacific Designer Contest 2021 – Model House Space (Real Scene) – “Supreme Award” (Model House No. T4 of JY Gaoligong Town in Tengchong)</p>	<p><i>Hong Kong Interior Design Association</i></p>

Major Honours and Awards in 2021 (Continued)

	Honour/Award	Awarding body
	<p>▶ Hong Kong Asia Pacific Design Contest 2021 – Soft Outfit Design (Real Scene) – “Gold Award” (Model House No. C1 of Zhaoqing International Technology and Innovation Centre)</p>	<p><i>Hong Kong Interior Design Association</i></p>
	<p>▶ Honorable Mention of International Design Awards in 2021 (“New Moon Over The Pearl River” Exhibition Centre of Guangzhou Jingye)</p>	<p><i>Organising committee for IDA</i></p>
	<p>▶ Honorable Mention of International Design Awards in 2021 (“Embracing Moon Eaves” Exhibition Centre of Yunnan Jingye)</p>	<p><i>Organising committee for IDA</i></p>

Project Overview

(As of 31 December 2021)

12 cities
Total land bank
approximately
4.1 million sq.m.



- Projects that are completed or comprise completed project phase
- Projects under development
- ▲ Projects held for future development



■ Yunnan Province
 ■ Hunan Province
 ■ Guangdong Province
 ■ Hainan Province
 ■ Jiangsu Province

I. Land bank calculated by cities

As of 31 December 2021, the Group had a total of 38 property projects in 12 cities. 35 of these properties were developed and owned by the Group, and 3 were developed by the Group's joint ventures and associates. As of 31 December 2021, the Group had a land bank of approximately 4.1 million sq.m. on an attributable basis. The average cost of land was approximately RMB1,873 per sq.m., excluding Zhongshan JY Yarra New Street (the completed property held for sale held by a joint venture of the Group).

The total GFA of the Group's land bank includes (i) the total GFA of property completed, (ii) the total GFA of property under development and (iii) the total GFA for future development.

The following table sets forth the land bank details of the Group by region as of 31 December 2021.

Location	No. of project	No. of project			Aggregate GFA			Total land bank (sq.m.)
		Completed	Under development	Future development	Completed	Under development	Future development	
					Saleable/ leaseable/ GFA unsold/ not leased (sq.m.)	(including non-saleable/ non-leaseable GFA) (sq.m.)	Estimated aggregate GFA for future development (sq.m.)	
Guangdong		7	6	4				
Conghua	3				36,888	–	–	36,888
Nansha	1				18,338	–	–	18,338
Zhongshan	1				27,555	–	–	27,555
Qingyuan	6				138,536	296,180	804,275	1,238,991
Zhaoqing	2				39,957	171,912	–	211,869
Huangpu	1				–	–	149,559	149,559
Zengcheng	3				–	237,672	11,786	249,458
Hainan		6	1	1				
Lingshui	5				286	–	–	286
Lingao	3				15,688	24,468	143,237	183,393
Yunnan		2	1	5				
Tengchong	8				34,556	86,765	1,079,170	1,200,491
Jiangsu		–	1	–				
Nanjing	1				–	36,385	–	36,385
Hunan		1	2	1				
Zhuzhou	4				80,328	145,824	474,826	700,978
Total	38	16	11	11	392,132	999,206	2,662,853	4,054,191

Land bank as of 31 December 2021

II. Land bank calculated by project types

No.	Project	Interest of the Group	Province	Location	Property Type	Site Area x Group Interest (note 1) (sq.m.)	Completed	Under development	Future development	Total Estimated GFA (note 2) (sq.m.)	Construction Completion Time/ Estimated Construction Completion Time
							Saleable/ leaseable GFA not leased x Group Interest (sq.m.)	Aggregate GFA (including non-saleable/ non-leaseable GFA) x Group Interest (sq.m.)	Estimated aggregate GFA for future development x Group Interest (sq.m.)		
1	JY Lychee Town Phase I	100%	Guangdong	JY Lychee Town Garden, Xuanxing Village, Wenquan Town, Conghua District, Guangzhou City, Guangdong Province, the PRC	Residential	70,385	5,540	-	-	5,540	2015.12
2	JY Lychee Town Phase II	100%	Guangdong	JY Lychee Town Garden, Xuanxing Village, Wenquan Town, Conghua District, Guangzhou City, Guangdong Province, the PRC	Residential	70,385	29,661	-	-	29,661	2018.10
3	JY Hot Spring Villas	100%	Guangdong	No. 288 Yuquan Avenue, Liangkou Town, Conghua District, Guangzhou City, Guangdong Province, the PRC	Hotel rooms	131,091	1,687	-	-	1,687	2016.10
4	JY Clearwater Bay No. 3 Phase I	100%	Hainan	Qingshui Bay Scenic Area, Yingzhou Town, Lingshui County, Hainan Province, the PRC	Residential	83,375	220	-	-	220	2015.12
5	JY Clearwater Bay No. 3 Phase II	100%	Hainan	Qingshui Bay Scenic Area, Yingzhou Town, Lingshui County, Hainan Province, the PRC	Residential	67,770	66	-	-	66	2016.12
6	JY Clearwater Bay No. 3 Phase III	100%	Hainan	Qingshui Bay Scenic Area, Yingzhou Town, Lingshui County, Hainan Province, the PRC	Residential	121,631	-	-	-	-	2018.07
7	JY Clearwater Bay No. 3 Phase VI	100%	Hainan	Qingshui Bay Scenic Area, Yingzhou Town, Lingshui County, Hainan Province, the PRC	Residential	58,823	-	-	-	-	2019.06
8	JY Clearwater Bay No. 3 Phase VII	100%	Hainan	Qingshui Bay Scenic Area, Yingzhou Town, Lingshui County, Hainan Province, the PRC	Residential	48,471	-	-	-	-	2019.06
9	JY Donghuzhou Haoyuan	30%	Guangdong	South of Huanishi Avenue, Nanheng County, Nansha Street, Nansha District, Guangzhou City, Guangdong Province, the PRC	Residential	17,791	18,338	-	-	18,338	2019.05
10	JY Yarra New Street (previously known as Zhongshan Yueheng Project)	50%	Guangdong	Yarra City Commercial Street, Southern District, Zhongshan City, Guangdong Province, the PRC	Shop	-	27,555	-	-	27,555	-

No.	Project	Interest of the Group	Province	Location	Property Type	Site Area x Group Interest (note 1) (sq.m.)	Completed	Under development	Future development	Total Estimated GFA (note 2) (sq.m.)	Construction Completion Time/Estimated Construction Completion Time
							Saleable/leaseable GFA	Aggregate GFA (including non-saleable/non-leaseable GFA) x Group Interest (sq.m.)	Estimated aggregate GFA for future development x Group Interest (sq.m.)		
11	JY Grand Garden Phase I	100%	Guangdong	JY Grand Garden, West of Yingzhou Avenue, Yingcheng Town, Yingde City, Qingyuan City, Guangdong Province, the PRC	Residential	67,812	115,214	-	-	115,214	2020.12
12	JY Gaoligong Town Phase I	100%	Yunnan	JY Gaoligong Town, Qushi Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	252,047	21,376	-	-	21,376	2019.12
13	JY Gaoligong Town Phase II	100%	Yunnan	JY Gaoligong Town, Qushi Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	252,047	13,180	-	113,842	127,022	2020.12
14	JY Mountain Lake Gulf Phase I (100# Lot)	100%	Hunan	79 Jincheng East Road, Hetang District, Zhuzhou City, Hunan Province, the PRC	Residential	101,175	80,328	-	-	80,328	2020.12
15	JY Egret Bay Phase I (previously known as JY Well-being Valley Phase I (06# Lot))	100%	Hainan	Ganlang Village, Nanbao Town, Lingao County, Hainan Province, the PRC	Residential	28,779	15,688	3,331	-	19,019	2020.12
16	JY Egret Bay Phase II (previously known as JY Well-being Valley Phase II (07# Lot))	100%	Hainan	Ganlang Village, Nanbao Town, Lingao County, Hainan Province, the PRC	Residential	59,717	-	21,137	80,093	101,230	2022.12
17	JY Well-being Valley Phase III (04# Lot)	100%	Hainan	Ganlang Village, Nanbao Town, Lingao County, Hainan Province, the PRC	Residential	51,513	-	-	63,144	63,144	2023.12
18	JY Grand Garden Phase II	100%	Guangdong	JY Grand Garden, West of Yingzhou Avenue, Yingcheng Town, Yingde City, Qingyuan City, Guangdong Province, the PRC	Residential	67,812	23,322	133,801	-	157,123	2021.06
19	JY Grand Garden Phase III	100%	Guangdong	Lot B, North of Guangbi Road, East of Yingzhou Avenue, Yingde City, Qingyuan City, Guangdong Province, the PRC	Residential	26,340	-	76,378	88,512	164,890	2023.12
20	JY Canglong Bay Project	80%	Guangdong	Lot B, North of Jiaoyu Road, East of Hongyun Avenue, Yinghong Town, Yingde City, Qingyuan City, Guangdong Province, the PRC	Residential	60,230	-	86,001	132,349	218,350	2023.12

Land Bank (Continued)

No.	Project	Interest of the Group	Province	Location	Property Type	Site Area x Group Interest (note 1) (sq.m.)	Completed	Under development	Future development	Total Estimated GFA (note 2) (sq.m.)	Construction Completion Time/Estimated Construction Completion Time
							Saleable/leaseable GFA	Aggregate GFA (including non-saleable/non-leaseable GFA) x Group Interest	Estimated aggregate GFA for future development x Group Interest		
21	JY Yonghua Shijia Project	100%	Guangdong	North of Lingnan Road, East of Hongyun Avenue, Yinghong Town, Yingde City, Qingyuan City, Guangdong Province, the PRC	Residential	60,877	-	-	182,630	182,630	2023.12
22	JY Yingde Jinxiong Project	100%	Guangdong	West of Baojing Road, South of Yingzhou Avenue, Yingcheng District, Yingde City, Qingyuan City, Guangdong Province, the PRC	Urban redevelopment: Commercial and residential property to be redeveloped	160,314	-	-	400,784	400,784	2023.12
23	JY Gaoligong Town Phase III	100%	Yunnan	JY Gaoligong Town, Qushi Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	252,047	-	-	68,893	68,893	2024.06
24	JY Mountain Lake Gulf Phase II (100# Lot)	100%	Hunan	79 Jincheng East Road, Hetang District, Zhuzhou City, Hunan Province, the PRC	Residential	101,175	-	-	236,787	236,787	2024.12
25	JY Mountain Lake Gulf Phase III (111# Lot)	100%	Hunan	North of Intersection of Jincheng East Road and Jinda Road, Zhuzhou City, Hunan Province, the PRC	Residential	85,260	-	91,512	183,129	274,641	2023.12
26	Jing Ye Square (previously known as JY Mountain Lake Gulf Phase IV (99# Lot))	100%	Hunan	299 Hetang Avenue, Hetang District, Zhuzhou City, Hunan Province, the PRC	Commercial	22,754	-	54,312	54,910	109,222	2022.12
27	Zhaoqing International Technology and Innovation Centre (Zone A)	90%	Guangdong	North of Zongbu 3rd Road, South of Zongbu 2nd Road, North of Yongli Avenue, West of Yingbin Road, New Area, Dinghu District, Zhaoqing City, Guangdong Province, the PRC	Business and commercial	26,446	-	143,173	-	143,173	2022.12
28	JY Uniworld (previously known as Zhaoqing International Technology and Innovation Centre (Zone B))	90%	Guangdong	17 Yongli Avenue, New Area, Dinghu District, Zhaoqing City, Guangdong Province, the PRC	Residential and commercial	40,335	39,957	28,739	-	68,696	2020.10
29	JY Jiangshan Shili Zone A	100%	Yunnan	JY Jiangshan Shili, Qushi Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	96,922	-	86,765	181,078	267,843	2022.06
30	JY Jiangshan Shili Zone B	100%	Yunnan	JY Jiangshan Shili, Qushi Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	48,559	-	-	145,677	145,677	2023.12

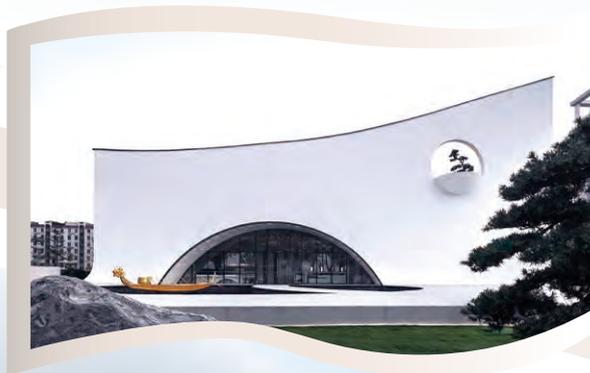
No.	Project	Interest of the Group	Province	Location	Property Type	Site Area x Group Interest (note 1) (sq.m.)	Completed	Under development	Future development	Total Estimated GFA (note 2) (sq.m.)	Construction Completion Time/Estimated Construction Completion Time
							Saleable/leaseable GFA	Aggregate GFA (including non-saleable/non-leaseable GFA) x Group Interest	Estimated aggregate GFA for future development		
31	JY Jiangshan Shili Zone C	100%	Yunnan	JY Jiangshan Shili, Qushi Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	30,724	-	-	92,172	92,172	2024.12
32	JY Jiangshan Shili Zone D	100%	Yunnan	JY Jiangshan Shili, Qushi Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	67,072	-	-	201,216	201,216	2025.06
33	Jinke JY Grand Garden	51%	Guangdong	Kengbei Village, Zhongxin Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC	Residential	16,376	-	60,225	11,786	72,011	2023.06
34	JY Uniworld (previously known as Zengcheng Shitan Project)	100%	Guangdong	West of Xincheng Avenue, Shitan Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC	Residential	26,938	-	115,839	-	115,839	2022.12
35	JY Logan Jiuyun Mansion (previously known as Nanjing Liuhe Project)	26%	Jiangsu	Lot at South of Qinyuan Road, East of Yanan Road, Xiongzhou Street, Liuhe District, Nanjing City, Jiangsu Province, the PRC	Residential	13,002	-	36,385	-	36,385	2022.12
36	Zhujiang Village Project	55%	Guangdong	Wenkang Road, Xiasha Industrial Zone, Huangpu District, Guangzhou City, Guangdong Province, the PRC	Residential and commercial	28,622	-	-	149,559 (note 3)	149,559 (note 3)	2024.12
37	Zhongxin Town Project in Zengcheng	50%	Guangdong	East of Xinxin Highway, Zhongxin Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC	Residential	12,995	-	61,608	-	61,608	2023.06
38	JY Yunshan Xigu	100%	Yunnan	JY Yunshan Xigu, Qushi Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	132,971	-	-	276,292	276,292	2024.12
						2,117,117	392,132	999,206	2,662,853	4,054,191	

Notes:

- (1) Relevant land use certificate was granted to the entire land parcel and breakdown of site area for each phase was not available.
- (2) The total GFA of the Group's land bank includes (i) the total GFA of property completed, (ii) the total GFA of property under development and (iii) the total GFA for future development. For projects held by non-wholly-owned subsidiaries, joint ventures and associates of the Group, the GFA is adjusted by the equity interest of the Group in the respective project.
- (3) The relevant GFA does not include the GFA for resettlement purpose.

Project Overview

Guangdong



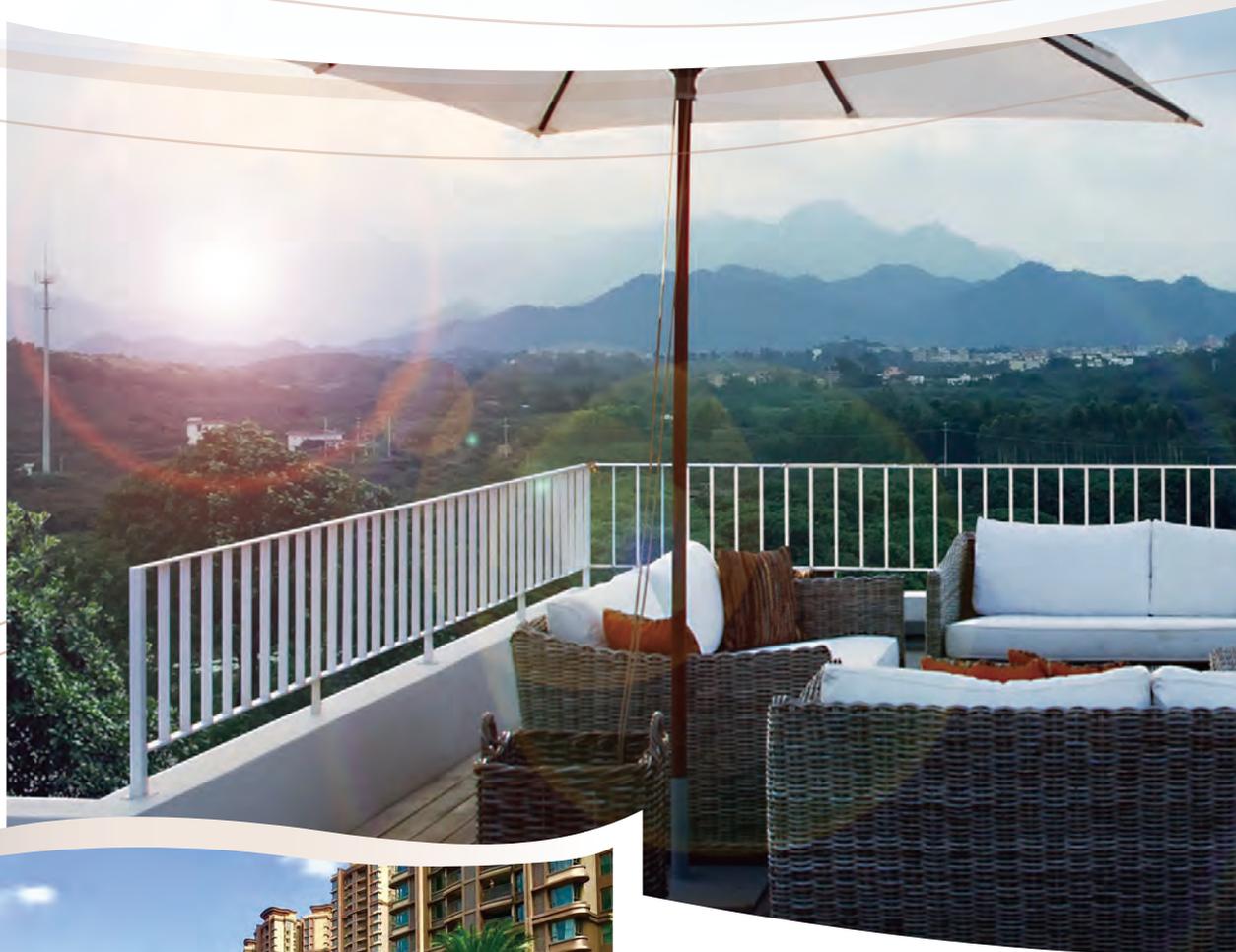
JY Grandmark adheres to a prudent and active land acquisition strategy, evaluates and acquires high-quality lands featured with superior ecological environment and humanistic resources, that create favorable conditions for property development and subsequent sales. While continuing to expand our foothold and scale, we strive to maintain the advantages of high profitability.

Hainan



Jiangsu





JY Lychee Town

— Conghua, Guangdong





JY Donghuzhou Haoyuan

— Nansha, Guangdong





Jinke JY Grand Garden

– Zengcheng, Guangdong





JY Yarra New Street

– Zhongshan, Guangdong





JY Uniworld

– Zhaoqing, Guangdong





JY Maofeng Town

— Baiyun, Guangdong



JY Uniworld

– Zengcheng, Guangdong



JY Hot Spring Villas

— Conghua, Guangdong

JY Egret Bay

—Lingao, Hainan





JY Clearwater Bay No.3

— Lingshui, Hainan



JY Mountain Lake Gulf

—Zhuzhou, Hunan

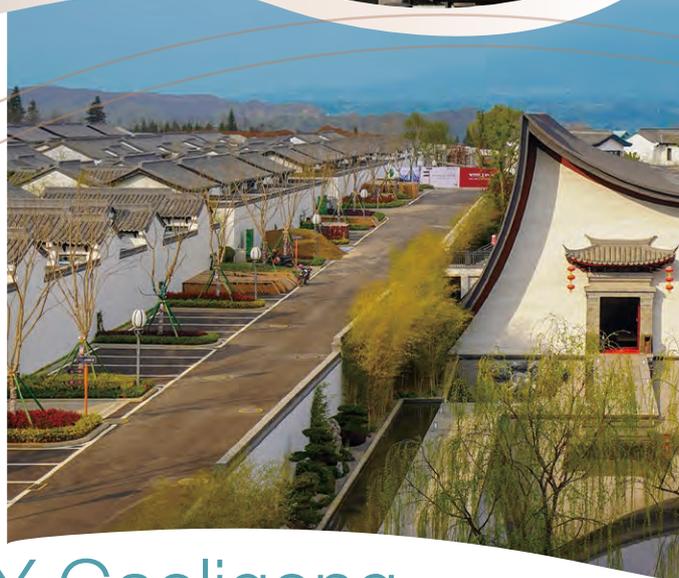




JY Logan Jiuyun Mansion

— Nanjing, Jiangsu





JY Gaoligong Town

— Tengchong, Yunnan





Performance Highlights

	Year ended 31 December		Year-over-Year Change
	2021	2020	
Contracted sales⁽¹⁾			
Contracted sales (RMB million)	4,216	3,524	+19.7%
Contracted GFA sold (sq.m.)	333,783	350,936	-4.9%
Contracted ASP (RMB/sq.m.)	12,631	10,040	+25.8%
Selected financial information			
Revenue (RMB thousand)	2,043,126	2,347,064	-12.9%
Cost of sales (RMB thousand)	(1,459,901)	(1,434,328)	+1.8%
Gross profit (RMB thousand)	583,225	912,736	-36.1%
Profit before income tax (RMB thousand)	363,739	784,510	-53.6%
Profit for the year (RMB thousand)	198,823	478,397	-58.4%
Attributable to:			
Owners of the Company (RMB thousand)	216,446	485,203	-55.4%
Non-controlling interests (RMB thousand)	(17,623)	(6,806)	+159.0%
Core net profit ⁽²⁾ (RMB thousand)	171,608	427,252	-59.8%
Gross profit margin	28.5%	38.9%	-10.4 percentage points
Core net profit margin	8.4%	18.2%	-9.8 percentage points
Basic earnings per share (RMB)	0.13	0.29	-55.2%

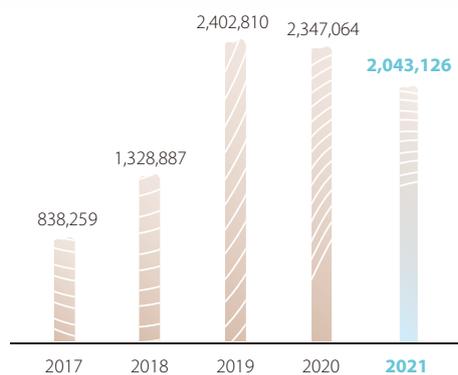
	As at 31 December		Year-over-Year Change
	2021	2020	
Total assets (RMB thousand)	13,926,374	10,886,437	+27.9%
Total liabilities (RMB thousand)	9,147,535	6,433,386	+42.2%
Total equity (RMB thousand)	4,778,839	4,453,051	+7.3%
Equity attributable to owners of the Company (RMB thousand)	3,109,827	3,035,243	+2.5%
Current ratio ⁽³⁾	1.9	2.1	-0.2 times
Net gearing ratio ⁽⁴⁾	46.0%	16.9%	+29.1 percentage points
Cash to current borrowings ratio ⁽⁵⁾	1.03	1.53	-0.5 times
Liabilities to assets ratio (excluding contract liabilities) ⁽⁶⁾	61.3%	54.8%	+6.5 percentage points

Notes:

- (1) Includes contracted sales by the Group's subsidiaries, joint ventures and associates. Contracted sales data is unaudited and is based on internal information of the Group. Contracted sales data may be subject to various uncertainties during the process of collating such sales information and is provided for investors' reference only.
- (2) Core net profit represents profit for the year excluding the post-tax gains or losses arising from changes in fair value of investment properties, disposals of subsidiaries and fair value gain on the remeasurement of investment in a joint venture.
- (3) Current ratio equals to current assets divided by current liabilities as of the end of the respective year.
- (4) Net gearing ratio represents the ratio of net debts (total borrowings net of cash and cash equivalents and restricted cash) divided by total equity as of the end of the respective year.
- (5) Cash to current borrowings ratio represents the ratio of cash on hand divided by current borrowings as of the end of the respective year.
- (6) Liabilities to assets ratio (excluding contract liabilities) equals to total liabilities minus contract liabilities divided by total assets minus contract liabilities as of the end of the respective year.

Revenue

(RMB'000)



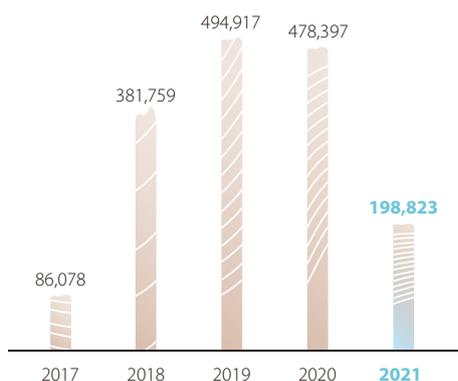
Gross profit and gross profit margin

(RMB'000)



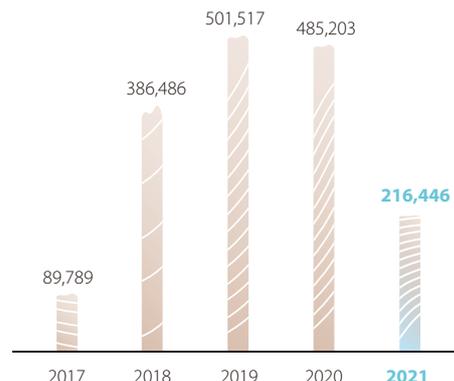
Profit for the year

(RMB'000)



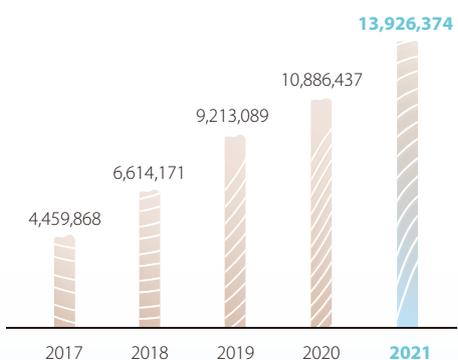
Profit attributable to owners of the Company

(RMB'000)



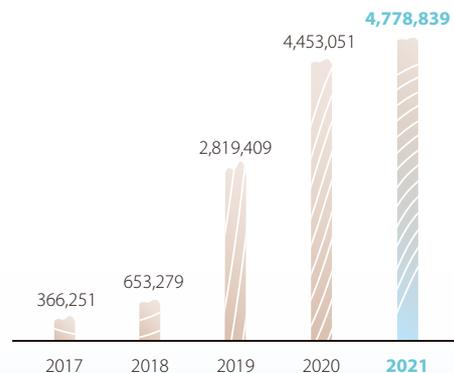
Total assets

(RMB'000)



Total equity

(RMB'000)



Chairman's Statement



Mr. CHAN Sze Ming Michael
Chairman

Under the current market environment, “stability” will be the theme of the Company’s development. We will optimise our investment structure based on the principles of cash utilization, debt reduction and leverage reduction, acquire projects with development potential through multiple channels, and capture industry trends and policy directions to explore new types of diversified businesses, including urban renewal, asset operation, leasing or old-age support and other sectors with growing demand.

I am pleased to present the annual results of JY Grandmark for the year ended 31 December 2021 to the Shareholders.

RESULTS

During the reporting period, the aggregated contracted sales of the Group was approximately RMB4,216.0 million, representing a year-on-year growth of 19.7%. The total contracted sales GFA was approximately 334,000 sq.m., representing a year-on-year decrease of 4.8%. The contracted average selling price increased by approximately 25.8% year-on-year to RMB12,631 per sq.m. in 2021.

During the reporting period, the Group's recognised revenue was RMB2,043.1 million (2020: RMB2,347.1 million), representing a year-on-year decrease of 13.0%. The annual profit was RMB198.8 million (2020: RMB478.4 million), representing a year-on-year decrease of 58.4%. Core net profit was RMB171.6 million (2020: RMB427.3 million), representing a year-on-year decrease of 59.8%. Profit attributable to owners of the Company was RMB216.4 million (2020: RMB485.2 million), representing a year-on-year decline of 55.4%.

The Board recommended a final dividend of RMB0.97 cent per ordinary share, together with the 2021 interim dividend of RMB3.63 cents per ordinary share, total cash dividends for the year of 2021 will be RMB4.60 cents per ordinary share (2020: RMB10.32 cents per ordinary share). The dividend payout ratio is approximately 35% of the profit attributable to owners of the Company.

BUSINESS REVIEW FOR 2021

Macro environment: the consolidation of real estate market was deepened throughout the year, and the investment fundamentals became stable and upward

In 2021, the real estate market underwent a deep consolidation under the keynote of "three stabilities", and policies were frequently introduced to regulate the industry in terms of land, finance and credit to guide the industry towards a healthy and stable development. Against this background, nationwide real estate development and investment slowed down from January to November and rose amidst stability. According to the data of the National



Bureau of Statistics of China, the amount of real estate development and investment increased by 6% year-on-year, the commercial property sales area increased by 4.8% year-on-year and the sales increased by 8.5%. Nevertheless, the area of land acquisition by real estate companies fell by 11.2% year-on-year amidst the “two centralisations” and tightened financing.

From the overall perspective, the property market showed the characteristics of normalised regulation, intensified competition and market differentiation during the year. In the challenging market environment, JY Grandmark has achieved steady development: in terms of finance, we held tight to the cash flow and optimised our financial structure adhering to the “three red lines”; in terms of land bank, we implemented diversified land bank strategies, and broadened the channels of land bank by both acquisition and expansion as well as strong alliances; in terms of business, we pursued diversified development, with our property development, property management, hotel and other business segments keeping pace with the market, and achieved steady growth on the basis of innovative ideas; in terms of brand, by virtue of our quality management, we continued to be listed on the “Top 20 Creditworthy Property Developers of Guangdong (廣東地產資信20強)”, and were also selected as one of the “Top 200 Real Estate Enterprises in China (中國房地產200強企業)” and the “2021 Best Real Estate Enterprises with Greatest Growing Potential in China (2021中國房地產成長力卓越榜)”.

1) **Property development and sales**

In terms of property sales, the Group's performance achieved steady growth in 2021. The contracted sales of the Group's projects across China amounted to approximately RMB4.2 billion, representing a year-on-year growth of 19.7%.

In 2021, our property business was restructured to continue our established strengths in home upgrading and vacation property sectors, while focusing on the expansion of the “traffic-oriented” urban property sector, which improved the comprehensive benefits of the Company.

As to urban property, the Group launched three new projects in two hotspot cities, namely Zengcheng District of Guangzhou (two projects) and Liuhe District of Nanjing (one project). The two projects launched in the first half of 2021 were both located in the new and old centres of the city, above the metro stations and targeting urban residents with rigid demand of housing, and continued to record impressive sales throughout the year. In the second half of the year, another project of the Group in Zengcheng District of Guangzhou was fast-tracked to the market. The project, located in the core development zone of the Guangdong-Hong Kong-Macao Greater Bay Area, was recognised by the market for its new Chinese-style landscape in line with the local cultural and aesthetic trend, low density community space planning, extremely high utilisation rate of household space and higher delivery standards than surrounding competing products. Therefore, it realised hot sales despite the tightening of the property market in the second half of the year.

In home upgrading and residential and vacation property sectors, JY Grandmark has enhanced the marketing conversion by operating value-added products for customer experience. For example, we took our two major vacation property projects in Yunnan and Hainan as the platform to conduct in-depth research on the needs of our target customers in terms of residence, tourism, entertainment and community life, etc.. On that basis, we created community spaces such as owners' farms, owners' canteens and overhead ball chambers, and continued to plan and organise various community activities, which have enhanced the in-depth experience and brand stickiness of our target customers, and revitalised the owners' resources, as well as provided the Group with ideas to build a community operation system.

In 2021, in the face of multi-dimensional market challenges, JY Grandmark kept pace with the market to formulate precise sales policies and marketing strategies, strengthened the link between content operation and customers' value experience, and shaped the value of projects. It also formed an online and offline closed-loop marketing approach through connecting online communication and offline experience, enhancing the overall customer acquisition and conversion capabilities. Relying on effective market judgment and sales strategies, the Group achieved the goal of steady growth and persevered in the path of quality development, resulting in both sound performance and market reputation as its several projects have passed the assessment of provincial and municipal engineering awards.

2) **Property management**

In 2021, Zhuodu Property under the Group recorded revenue of RMB22.2 million, representing a year-on-year growth of 21.3%. Zhuodu Property achieved a steady increase in revenue throughout the year, as well as improvements in the quality and efficiency of management services, innovative business growth drivers and customer satisfaction.

In addition to the basic property services, Zhuodu Property has established an extraordinary team with more focus on training and mobilizing the comprehensive capabilities of service personnel to develop and implement diversified businesses, including the provision of security services, conference services, celebration services, gift bag services, etc., so as to enhance the team's comprehensive business capabilities and meet the multi-dimensional needs of customers. In terms of management, Zhuodu Property has completed the standardized design, operation and improvement of the whole stage from pre-intervention, case management to post-takeover acceptance, and constructed a normalized property service system, which provides guidelines to enhance the quality of services, the efficiency and level of management and services. For customers, Zhuodu Property has completed the launch of the Enterprise Resource Planning system, which changed and improved the approach and efficiency of property management through the application of intelligence system, thus enhancing the service experience of owners.

Through the overall increase in service level, Zhuodu Property achieved a good brand reputation in 2021, with record high customer satisfaction and a steady improvement in reputation in terms of safety service, engineering service and environmental service, etc. Among the communities served by Zhuodu Property, JY Mountain Lake Gulf Project in Zhuzhou was awarded the three-star property demonstration community of Zhuzhou.

3) Hotel operations

In 2021, the Group's hotel business recorded revenue of RMB78.8 million, representing a year-on-year growth of over 28%. In particular, the revenue of Just Stay Resort reached RMB59.3 million and the total number of visitors to the hot spring area exceeded 214,000 for the year, hitting the record high.

In the face of operational challenges posed by the recurrence of the pandemic, Just Stay hotels enhanced customer experience and service quality by upgrading and improving the facilities and equipment, diversifying the operating projects, adding value to the product experience and other operational initiatives. At the same time, the hotels strengthened online marketing and promotion by seizing major nodes such as "Canton Fair", holidays and themed peak seasons to increase the occupancy rate and repeated occupancy rate of new and existing customers through online marketing to attract traffic, offline experience and word-of-mouth communication, resulting in a steady growth in turnover for the year.

In addition to upgrading the product experience, the hotels also focused on the collection of market feedback, including the establishment of a customer service call-back system, a customer feedback system and an Online Travel Agency platform rating enhancement and promotion programme, so that the products and services are closer to customer needs and the market, creating word-of-mouth through experience and enhancing the brand's premium capacity.

4) Urban renewal and land bank

In 2021, the Group inaugurated the Zhujiang Village Redevelopment Project in Huangpu District of Guangzhou, which would increase approximately 268,700 sq.m. financing area in the centre of the city, thereby initiating the layout of urban renewal and bringing greater expected value to the Group's development.

Urban renewal, as a channel to acquire prime land in core cities, will continue to be an important driver of land bank expansion and business growth for the Group. The Group will continue to expand into the Guangdong-Hong Kong-Macao Greater Bay Area, actively develop its urban renewal business and seek strong alliances with competent and qualified partners to enhance its comprehensive competitiveness in the same sector. In addition, the Group will continue to pursue a diversified land acquisition strategy, and increase its quality land bank with a flexible approach through strengthened mergers and acquisitions, joint development and other models, in addition to tenders, auctions or listing-for-sale.

FUTURE STRATEGIES AND PROSPECTS

To enhance investment accuracy and revitalise assets through innovative business models with a prerequisite of stability

We believe that, under the keynote of “houses are for living in, not for speculation”, financial regulation will continue to be tightened and the property market will maintain structural adjustment, while the characteristics of market differentiation will become more obvious and the industry model will enter an inflection point. The credit environment is expected to improve in the fourth quarter of 2021, which also indicates that there is still room for release in the market supply.

Under the current market environment, “stability” will be the theme of the Company's development. We will optimise our investment structure based on the principles of cash utilization, debt reduction and leverage reduction, acquire projects with development potential through multiple channels, capture industry trends and policy directions to explore new types of diversified businesses, including urban renewal, asset operation, leasing or old-age support and other sectors with growing demand. Meanwhile, we will strengthen the effective integration of our own diversified businesses, revitalise our assets with an operational mindset and explore new business growth points, so as to cope with market changes under the business environment with normalised regulation in a better way and pursue for long-term, stable and quality development.

1) Investment and operations

In 2022, we will implement a prudent financial strategy. On one hand, we will continue to adhere to the “three red lines”, enhancing cash flows and reducing debt ratio while broadening financing channels and strengthening capital management. We will enhance the mechanism for cash flow management throughout the process, from investment and land acquisition, construction and sales to subsequent operations, so as to strengthen capital liquidity. On the other hand, we will focus more on investment recovery by accelerating the construction, sale and conversion of the lands we have acquired, and explore new business models to increase the value of our properties and revitalise our assets, thus creating higher capital efficiency for the Company.

Under the environment of “two centralisations” and tightened financing, we will place more emphasis on investment accuracy and maintain the “high growth” land acquisition standard by acquiring lands inherently with attractive premium and profitability in economic zones of top level and cities with population inflows. In view of this, core cities will be our focus for future development. We will concentrate on the lands in first and second tier cities and hotspot growth markets. We will strengthen our market research and control of land acquisition in the early stage, and optimise our cost investment through diversified land acquisition models such as urban renewal and strong alliances to make room for subsequent operations.

In the course of operation, we will deepen our operation from three dimensions of corporate governance, social responsibility and the environment to promote healthy development of the Company. Firstly, we will pay more attention to corporate governance by establishing an effective governance system around risk control, code of conduct and integrity building, and enhance the integrity and recognition of the Company internally and externally through institutional guarantee, compliance training, laws and regulations, and information disclosure. Secondly, we will pay more attention to people-oriented care by protecting the interests of our employees and consumers through talent management, employee care and fulfillment of social responsibility, and create a virtuous cycle of development ecology. Thirdly, we will incorporate the requirements of “double carbon” to better implement our own development concept of “eco-friendly and people-oriented”. With concerns on environmental protection, energy conservation and green development, we will broaden sources of income and reduce expenditure, improve efficiency and quality, and deepen the development model of “eco-friendly and people-oriented” from various dimensions such as people, building, environment and community.

2) **Business and product strategies**

In the new stage, “focusing on quality, strengthening operation, optimising experience, and improving reputation” will be the foothold of our business.

In property development, we will follow the principle of “quality first”. That is to say, at the design stage, after integrating the ecological landscape, native culture and living habits of the people of the site, we will take into account the regional aesthetic trend and humanistic quality details from the aspects of community, landscape, construction to living space, so as to enhance the design quality. At the construction stage, we will implement strict management systems such as material control, sample first, actual measurement and layer-by-layer acceptance to ensure the high-quality standard of our products through refined management of each process and to sustain our quality advantage in similar competing products.

At the moment when the added value of consumption has become a competitive factor, we will pay more attention to customer experience and operational empowerment in development. Through the whole-process design of supporting space creation, importing of resources and community operation, we will inject multiple experience values into the projects and products, and create product IP while promoting the integration and upgrade of products and services in urban life.

In this regard, we will also conduct innovative exploration of diversified businesses around property development, deeply integrating our own property, hotel operations and commercial property investment businesses with the development and operation of projects to form a two-way long-term development mechanism. In the JY Maofeng Town Project in Baiyun District, Guangzhou, we have taken the lead in launching innovative exploration of business resource integration. Relying on the operational experience of our hotel brand, we will explore the market space and potential consumer demand in the area where the project is located, and plan and develop a one-stop short-haul travel and residence experience consumption model integrating farm, camp and Bed and Breakfast. Through the mobilisation and operation of internal and external resources, we will revitalise our assets and generate innovative revenue.

In the future, based on our in-depth study of the city and the needs of the people, we will further innovate and iterate on our own products under the existing product development framework of urban property, residential and vacation property and urban renewal, to enrich product categories to better match the market trend and the upgrade and transformation of the city. With the Zhujiang Village Redevelopment Project as our next focus, we will develop urban business card-level products. At the same time, in addition to product development, we will also create diversified community experience spaces and community activities such as ecology, culture, aesthetics, recreation and sports and gardening through customised supporting spaces and lifestyle services for different communities. That would bring an ecological and humanistic lifestyle to our consumers and enhance the market competitiveness and influence of our brand through differentiated value building.

3) Outlook

The real estate industry in the PRC, after experiencing a series of adjustments with the objective of “stabilities”, has entered a new stage of stable development and in-depth exploration. The Group believes that housing demand will remain strong in the future, not only in terms of “quantity”, but also in terms of “quality”. In such an industry market with improvement and upgrade and service transformation, bringing high-quality housing products and providing customized residential services to consumers will be the two cores of future business development and exploration of the Group.

Looking ahead, the Group will actively face market challenges, and enhance its power of product, co-ordination and management capabilities and business operation capabilities. The Group will maintain a development momentum of high growth, high quality and high profit under the new industry mechanism and industry model with a prerequisite of stability, while strengthening its brand building and enhancing its market competitiveness and social influence.

APPRECIATION

I hereby express my sincere gratitude to the customers and business partners for their long-term support. My heartfelt appreciation also goes to our Directors, the management team and all employees for their excellent work and contributions in the past year.

In particular, I would like to thank you, our Shareholders, for your continuing support and trust, which is very important for the growth of the Group and also very much valued by the Board.

I am very confident in the strategies that we envision and implement. Our professional and seasoned management team has well placed JY Grandmark to deliver growth in its profitability in relation to its core businesses in the future.

CHAN Sze Ming Michael

Chairman of the Board

Guangzhou, the PRC, 21 April 2022

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

Overall performance

During the year of 2021, the aggregated contracted sales of the Group, including those of the Group's joint ventures and associate, was approximately RMB4,216.0 million, representing a year-on-year growth of 19.7% as compared to RMB3,523.6 million in 2020. The total contracted sales GFA was approximately 334,000 sq.m., representing a slight decrease by 4.8% as compared to approximately 351,000 sq.m. in the previous year. The contracted average selling price ("ASP") increased by approximately 25.8% year-on-year to RMB12,631 per sq.m. in 2021.

During the year of 2021, the Group's recognised revenue was RMB2,043.1 million, representing a decrease of 13.0% as compared to RMB2,347.1 million in 2020. The operating profit was RMB339.7 million, representing a decrease of 54.4% as compared to RMB744.7 million in 2020. Profit for the year was RMB198.8 million, representing a decrease of 58.4% as compared to RMB478.4 million in 2020. Core net profit amounted to RMB171.6 million, representing a decrease of 59.8% as compared to RMB427.3 million in 2020.

Revenue

Our revenue represents consolidated revenue from (i) property development and sales; (ii) hotel operations;

(iii) property management; and (iv) commercial property investment which are all derived in the PRC. During the year of 2021, revenue of the Group amounted to RMB2,043.1 million, representing a decrease of 13.0% as compared to RMB2,347.1 million in the corresponding period of 2020.

Property development and sales

We focus on the development of quality residential properties with comfortable and convenient living environment. During the year of 2021, revenue from recognised sales of property development of the Group amounted to RMB1,932.5 million, representing a decrease of 14.1% from RMB2,248.8 million in 2020, accounting for 94.6% of the Group's total revenue. The decrease in revenue recognised was primarily due to decline in the overall recognised ASP as a result of change in the portfolio of properties delivered. The properties delivered in 2021 was largely concentrated in residential products that cater for the need of first home buyers in cities such as Qingyuan and Zhaoqing, of which the average selling price was relatively lower. In addition, the ASP of certain existing projects were lowered due to marketing strategies to promote sales.

The following table sets forth the breakdown of our revenue from property development and sales by geographical location for the years ended 31 December 2021 and 2020.

City	Year ended 31 December 2021				Year ended 31 December 2020			
	Recognised revenue from sales of properties RMB'000	% of recognised revenue from sales of properties %	Total GFA delivered Sq.m.	Recognised ASP RMB/Sq.m.	Recognised revenue from sales of properties RMB'000	% of recognised revenue from sales of properties %	Total GFA delivered Sq.m.	Recognised ASP RMB/Sq.m.
Guangzhou	167,371	8.7%	9,386	17,832	510,461	22.7%	33,950	15,036
Zhongshan	-	-	-	-	27,855	1.3%	1,218	22,869
Zhaoqing	503,394	26.0%	63,798	7,890	141,532	6.3%	8,111	17,449
Qingyuan	444,101	23.0%	78,079	5,688	440,967	19.6%	76,868	5,737
Lingshui	17,361	0.9%	642	27,040	191,466	8.5%	8,241	23,233
Lingao	88,628	4.6%	12,597	7,036	23,476	1.0%	3,175	7,394
Tengchong	472,674	24.5%	33,676	14,036	677,031	30.1%	75,377	8,982
Zhuzhou	87,930	4.5%	17,118	5,137	162,127	7.2%	28,792	5,631
Others (Note)	150,993	7.8%	N/A	N/A	73,907	3.3%	N/A	N/A
Total/overall	1,932,452	100.0%	215,296	8,274	2,248,822	100.0%	235,732	9,226

Note: Others represented service income from property development and management.

Hotel operations

Apart from property development and sales, we also operate Just Stay Hotel and Just Stay Resort under our hotel operations business. During the year of 2021, revenue from hotel operations of the Group amounted to RMB78.8 million, which increased by 28.3% from RMB61.4 million in 2020. Despite the bleak performance in the first half of 2020 due to the outbreak of COVID-19 pandemic, the operation of the two Just Stay hotels had recovered since the second quarter of 2020. With efforts on upgrading customer experience and strengthening marketing activities, revenue from hotel operations have recorded a steady growth throughout the year of 2021.

Property management

We also derived income from our property management services provided to purchasers of residential properties. During the year of 2021, revenue from property management services of the Group amounted to RMB22.2 million, representing an increase of 21.3% as compared with RMB18.3 million in 2020, mainly due to increase in GFA of the properties under management.

Commercial property investment

Other than holding properties for development and sales, we also own commercial properties for leasing purpose. During the year of 2021, revenue from commercial property investment of the Group amounted to RMB9.7 million, representing a decrease by 47.8% as compared with RMB18.6 million in 2020. The decrease was due to less GFA leased by the Group throughout the year of 2021 mainly as a result of the disposal of a commercial project located in Zhongshan in December 2020.

Cost of sales

Our cost of sales comprises (i) costs of properties sold which are directly associated with the revenue from property development and sales; (ii) costs in relation to hotel operations; (iii) costs directly attributable to the provision of property management; and (iv) costs in relation to commercial property investment which are directly associated with rental income derived from our investment properties.

During the year of 2021, cost of sales of the Group amounted to RMB1,459.9 million, representing an increase of 1.8% as compared with RMB1,434.3 million in 2020. The slight increase in cost of sales was primarily due to increase in land costs. In terms of costs per sq.m., the average land costs of properties delivered in 2021 increased to RMB1,628 from RMB941 in 2020.

Gross profit and gross profit margin

During the year of 2021, the Group's gross profit amounted to RMB583.2 million, representing a decrease of 36.1% as compared with RMB912.7 million in 2020. The Group's gross profit margin decreased to 28.5% from 38.9% in 2020.

During the year of 2021, the Group's gross profit margin from our property development and sales decreased to 30.0% from 40.0% in 2020. Such decrease was largely resulted from lower recognised ASP as well as the increase in average land costs. Analysing based on the gross profit margin by city, the top three cities ranked by revenue are Zhaoqing, Tengchong and Qingyuan which attained an average gross profit margin of approximately 28.9%, and the revenue of these three cities accounted for 73.5% of our total revenue from properties development and sales in 2021.

Selling and marketing expenses

Our selling and marketing expenses consist primarily of advertising costs, commission fees, employee benefit expenses and other miscellaneous expenses. During the year of 2021, selling and marketing expenses of the Group amounted to RMB153.3 million, representing an increase by 23.0% as compared with RMB124.6 million in 2020, accounting for 7.5% of total revenue (2020: accounting for 5.3% of total revenue). Such increase was mainly attributable to the increase in commission fees and advertising costs to strengthen the Group's brand influence, and accelerate the pace of sales. The Group will continue to exercise effective cost-control measures whilst striving to continue with the marketing efforts.

Administrative expenses

Administrative expenses primarily comprised of employee benefit expenses, entertainment expenses for our business, office expenses, travelling expenses and other miscellaneous expenses. During the year of 2021, the Group's administrative expenses amounted to RMB138.1 million, representing a slight decrease by 2.1% as compared with RMB141.0 million in 2020, accounting for 6.8% of total revenue (2020: accounting for 6.0% of total revenue). The decrease was primarily resulted from continuous cost-control measures imposed.

Other income and other expenses

During the year of 2021, our other income primarily represented government grants and forfeited deposits from our customers in relation to the sales of properties. Other expenses primarily represented donations to charitable organisations.

Other gains – net

Our other gains – net primarily consisted of gains or losses from changes of fair value on investment properties, fair value gain on the remeasurement of investment in a joint venture, interest on financial assets at fair value through profit or loss and net foreign exchange gains or losses. The Group's other gains – net decreased from RMB86.7 million in 2020 to RMB33.4 million in 2021, mainly attributable to the decrease in gains from changes of fair value on investment properties by RMB77.3 million, which was partially offset by the fair value gain on remeasurement of investment in a joint venture amounted to RMB34.1 million in 2021.

Finance (income)/costs – net

Finance (income)/costs – net comprised mainly interest expenses on bank and other borrowings and leases net of capitalised interest expenses, net exchange gains or losses on foreign currency borrowings and interest income from bank deposits. The Group's finance (income)/costs – net changed from finance costs of RMB13.3 million in 2020 to finance income of RMB0.4 million in 2021, mainly due to decrease in interest expenses charged to finance costs by RMB25.3 million, which was partially offset by the decrease in net exchange gains on foreign currency borrowings by RMB8.9 million and the decrease in finance income by RMB2.8 million in 2021.

Share of profit of investments accounted for using the equity method

The Group's share of profit of investments accounted for using the equity method decreased from RMB53.1 million in 2020 to RMB23.6 million in 2021, mainly caused by less GFA delivered from the Group's associate during the year of 2021.

Income tax expense

Income tax expense decreased to RMB164.9 million in 2021 from RMB306.1 million in 2020, mainly due to decrease in assessable profits for the year of 2021.

Profit for the year

As a result of the aforementioned, profit for the year of the Group decreased from RMB478.4 million in 2020 to RMB198.8 million in 2021, representing a year-on-year decrease of 58.4%. Core net profit amounted to RMB171.6 million, representing a decrease of 59.8% as compared with RMB427.3 million in 2020. Profit attributable to owners of the Company amounted to RMB216.4 million, representing a decrease of 55.4% as compared with RMB485.2 million in 2020.

Core net profit represents profit for the year excluding the post-tax gains or losses arising from changes in fair value of investment properties, disposals of subsidiaries and fair value gain on the remeasurement of investment in a joint venture.

The basic and diluted earnings per share amounted to RMB0.13 (2020: RMB0.29).

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group funded and is expected to continue to fund its operations principally from cash generated from its operations, borrowings from financial institutions and proceeds from issuance of senior notes.

Cash positions and fund available

As at 31 December 2021, the total cash and bank balances of the Group were RMB2,299.8 million (31 December 2020: RMB2,361.4 million), of which RMB1,030.4 million (31 December 2020: RMB2,037.6 million) was cash and cash equivalents and RMB1,269.4 million (31 December 2020: RMB323.8 million) was restricted cash.

Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings. Such guarantee deposits will only be released after full repayment of relevant borrowings. As at 31 December 2021, the Group had placed cash deposits of approximately RMB70.0 million (31 December 2020: RMB197.3 million) with designated banks as security for bank borrowings.

As at 31 December 2021, the Group's undrawn borrowing facilities were approximately RMB782.7 million (31 December 2020: RMB1,055.4 million).

Borrowings

As at 31 December 2021, the total interest-bearing bank and other borrowings of the Group were RMB4,495.7 million (31 December 2020: RMB3,111.8 million), of which RMB2,256.8 million (31 December 2020: RMB1,569.0 million) was included in non-current liabilities and RMB2,238.9 million (31 December 2020: RMB1,542.8 million) was included in current liabilities of the Group, respectively.

- (a) On 8 February 2021, the Company issued senior notes with nominal interest rate 7.5% in an aggregate principal amount of US\$155,000,000 in Hong Kong (the “**2021 Notes**”). The issue of the 2021 Notes comprised of the exchange offer of the existing senior notes due 9 March 2021 amounting to US\$137,500,000 and completion of concurrent new money issuance amounting to US\$17,500,000. The 2021 Notes have matured on 7 February 2022. The 2021 Notes were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 9 February 2021.

The above senior notes are guaranteed by certain subsidiaries of the Group.

- (b) As at 31 December 2021, the Group's borrowings are denominated in following currencies:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
RMB	2,960,725	1,550,014
HK\$	523,363	588,567
US\$	1,011,609	973,224
	4,495,697	3,111,805

Management Discussion and Analysis (Continued)

- (c) As at 31 December 2021, bank and other borrowings totalling RMB2,881.7 million (31 December 2020: RMB1,548.0 million) of the Group were secured by the following assets together with the Group's shares of certain subsidiaries:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Lands	12,720	13,263
Property, plant and equipment	248,843	260,917
Investment properties	179,484	197,902
Properties under development	2,328,613	965,675
Completed properties held for sale	623,748	927,913
Trade receivables	2,154	1,206
Restricted cash	70,000	197,276
	3,465,562	2,564,152

- (d) The repayment terms of the borrowings were as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within 1 year	2,238,921	1,542,827
1 to 2 years	773,874	627,049
2 to 5 years	1,085,782	615,264
Over 5 years	397,120	326,665
	4,495,697	3,111,805

Cost of borrowings

For the year ended 31 December 2021, total cost of borrowings of the Group amounted to RMB242.5 million, representing a decrease of 9.9% from RMB269.1 million in 2020, mainly attributable to lower average balance of borrowings during the year. The Group's annual weighted average effective interest rate for the year of 2021 was 6.84% (2020: 6.50%).

Net gearing ratio

As of 31 December 2021, net gearing ratio was maintained at an industry-low level of 46.0%. The Group will continue to optimise the asset-debt structure and maintain adequate liquidity in the long run.

Net gearing ratio represents the ratio of net debts (total borrowings net of cash and cash equivalents and restricted cash) divided by total equity as of the end of the respective year.

Contingent liabilities

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate, which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

As at 31 December 2021, the outstanding guarantees were RMB1,636.6 million (31 December 2020: RMB1,341.6 million). Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The Directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

- (b) As at 31 December 2021, the Group had provided guarantees for borrowings of the Group's joint venture amounting to RMB387.5 million (31 December 2020: RMB422.5 million).

Commitments

As at 31 December 2021, the commitments of the Group for property development expenditure amounted to RMB1,984.2 million (31 December 2020: RMB2,375.2 million).

Currency risks

The Group's businesses are principally conducted in Renminbi ("**RMB**"). The monetary assets and liabilities of the Group's subsidiaries in the PRC are mainly denominated in RMB and the foreign exchange risk is immaterial. The non-PRC subsidiaries' functional currency is HK Dollar ("**HK\$**"). As at 31 December 2021, major non-HK\$ assets and liabilities of the non-PRC subsidiaries are cash and cash equivalents and borrowings, which are denominated in RMB or US\$. Fluctuation of the exchange rate of HK\$ against RMB or US\$ could affect the Group's results of operations.

The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk. However, management of the Group monitors foreign exchange risk exposure and will consider hedging significant foreign exchange risk exposure should the need arise.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2021, the Group did not have any plan for material investments and capital assets.

SIGNIFICANT INVESTMENTS, MAJOR ACQUISITIONS AND DISPOSALS

- (1) On 4 June 2021, Guangzhou Yinong Enterprise Co., Ltd.* (廣州意濃實業有限公司) (“**Guangzhou Yinong**”) (an indirect wholly-owned subsidiary of the Company) entered into an investment cooperation agreement with Guangzhou Jincan Real Estate Development Co., Ltd.* (廣州市金瓏房地產開發有限公司) (“**Guangzhou Jincan**”), Guangzhou Jinshuo Real Estate Development Co., Ltd.* (廣州市金碩房地產開發有限公司) (the “**Target Company**”) and Guangzhou Jinxuan Real Estate Development Co., Ltd.* (廣州市金軒房地產開發有限公司) (the “**Project Company**”), pursuant to which, amongst others, Guangzhou Yinong shall cooperate with Guangzhou Jincan in the joint investment and development of a piece of land located at Zengcheng District, Guangzhou, the PRC through the Target Company and the Project Company. Pursuant to the agreement, Guangzhou Yinong shall pay the investment funds and contribute to the Target Company’s capital, and the Target Company shall be owned by Guangzhou Jincan and Guangzhou Yinong as to 50% and 50%, respectively. After the registration of changes in shareholding of the Target Company by the relevant governmental authorities, taking into account of (i) the voting rights of Guangzhou Jincan and Guangzhou Yinong in the shareholders meetings of the Target Company, and (ii) the composition of the board of directors and the voting rules and procedures of board meetings of the Target Company and the Project Company, each of the Target Company and the Project Company will be accounted for as a subsidiary of the Company.
- For further details, please refer to the announcement of the Company dated 4 June 2021.
- (2) On 9 December 2021, Guangzhou Yinong entered into an equity transfer agreement with Shaanxi International Trust Co., Ltd. (陝西省國際信託股權有限公司) (“**Shaanxi Trust**”), Guangzhou Jinke Real Estate Development Co., Ltd.* (廣州金科房地產開發有限公司) (“**Guangzhou Jinke**”), Guangzhou Xinze Jiyong Real Estate Development Co., Ltd.* (廣州鑫澤集永房地產開發有限公司) (“**Guangzhou Xinze**”) and Guangzhou Jingyu Real Estate Development Co., Ltd.* (廣州景譽房地產開發有限公司) (“**Guangzhou Jingyu**”) pursuant to which amongst others Shaanxi Trust agreed to transfer 35.7% and 34.3% of the equity interest of Guangzhou Xinze to Guangzhou Yinong and Guangzhou Jinke at a consideration of approximately RMB215.6 million and RMB207.1 million, respectively.
- Upon completion of the transaction, Guangzhou Xinze will be owned by Guangzhou Yinong and Guangzhou Jinke as to 51% and 49%, respectively. Guangzhou Jingyu will remain wholly owned by Guangzhou Xinze after the transaction. Accordingly, both of Guangzhou Xinze and Guangzhou Jingyu will become the subsidiaries of the Company and the financials of which will be consolidated into those of the Company.
- For further details, please refer to the announcement of the Company dated 9 December 2021.
- Save as disclosed above, the Group did not hold any other significant investments in, or conduct material acquisitions and disposals of subsidiaries, associates or joint ventures during the year of 2021.

Biographies of the Directors and Senior Management

Directors

Executive Directors

Mr. CHAN Sze Ming Michael (陳思銘), aged 33, was appointed as a Director on 2 November 2018 and was redesignated as an executive Director and the chairman of the Company on 13 November 2019. Mr. Michael Chan founded the Group in December 2013. He is primarily responsible for formulating development strategies of the Group, establishing overall business, operation and management directions and project investment strategies, managing design centre, finance centre, audit and supervision centre, human resources and administration centre and operation centre of the Group.

Mr. Michael Chan obtained a Bachelor of Commerce (major in Finance) in July 2011 from Griffith University in Australia. After graduation, he founded the Group in 2013, and has since then obtained over 8 years of experience in the real estate development industry. Mr. Michael Chan was awarded “Real Estate Innovator in 2018” (「2018年度地產創新人物」) by China Times (《華夏時報》), and “New China’s Real Estate Leader of the Year” (「中國房地產年度新領軍人物」) by China International Real Estate & Architectural Technology Fair (CIHAF) (中國國際房地產與建築科技展覽會) in 2019.

Mr. LIU Huaxi (劉華錫), aged 47, was appointed as a Director on 24 May 2019 and was redesignated as an executive Director and the vice chairman of the Company on 13 November 2019. Mr. Liu joined the Group in May 2019. He is primarily responsible for managing investment centre, cost centre, procurement centre, treasure department of the Group, and the subsidiaries of the Company in Hong Kong. He is a member of the Remuneration Committee and Nomination Committee.

Before joining the Group, Mr. Liu has worked in Agile Group Holdings Limited (雅居樂集團控股有限公司) since 1995. He was responsible for project operation and development, hotel business, property management, administration and human resources management, capital market operation and management of Agile Foundation* (廣東省雅居樂公益基金會). He left as the vice president of Agile Group Holdings Limited (雅居樂集團控股有限公司), and chairman of Agile Foundation* (廣東省雅居樂公益基金會) in 2014. From August 2014 to April 2019, he has worked in Zhongshan Yuelai Real Estate Investment Group Co., Ltd.* (中山市悅來房地產投資集團有限公司) as the vice chairman and executive president. He was responsible for the overall management of the company, C&L International Holdings Pty Ltd, a company where Mr. Liu held 30% shareholding, completed the real estate project of Royal Como – 663-667 Chapel Street, South Yarra, Melbourne in Australia in 2018. He has over 26 years of experience in real estate development industry and senior management.

Mr. Liu graduated from Hohai University (河海大學) in the PRC in July 1995 majoring in Industrial Enterprise Management. He was named “Person of the Year” (年度影響力風雲人物) for 2015-2016 Zhongshan Zhuhai Jiangmen Real Estate Overall Rating (中珠江樓市總評榜) by Sohu and www.focus.cn in 2016.

Ms. ZHENG Catherine Wei Hong (alias 鄭紅) (previously known as Zheng Weihong, 鄭衛紅), aged 54, was appointed as a Director on 2 November 2018 and was redesignated as an executive Director of the Company on 13 November 2019. Ms. Catherine Zheng joined the Group in March 2014 and is now the president of the Group. She is primarily responsible for managing marketing centre of the Group, and the subsidiaries of the Company operating property management and hotel operations business.

Before joining the Group, Ms. Catherine Zheng has worked in Agile Property Land Co., Ltd.* (雅居樂地產置業有限公司) as the assistant to president from 2001 to 2010, and in Guangzhou Panyu Agile Real Estate Development Co., Ltd.* (廣州番禺雅居樂房地產開發有限公司) as the general manager from 2010 to 2014. She was responsible for formulating medium-term to long-term development plan and regular operation plans based on the overall development plan of the company, managing the real estate projects, supervising on accomplishment of the operation targets and plans of the company and participating in marketing activities. Ms. Catherine Zheng has over 20 years of experience in the real estate development industry and senior management.

Ms. Catherine Zheng obtained a Master of Business Administration with Distinction in May 2001 from The University of Western Sydney in Australia. Ms. Catherine Zheng was awarded “Outstanding Female Entrepreneur of Guangdong Province” (廣東省優秀女企業家) by Guangdong Female Entrepreneur Association* (廣東省女企業家協會) in May 2013 and she became the vice president of the Council Committee of Guangzhou Female Entrepreneur Association* (廣州市女企業家協會) since January 2012. She has been the vice president of the 8th Council Committee of Guangzhou Panyu Nancun General Chamber* (廣州市番禺區南村總商會) since June 2016.

Mr. WU Xinping (吳新平), aged 57, was appointed as a Director on 2 November 2018 and was redesignated as an executive Director of the Company on 13 November 2019. Mr. Wu joined the Group in March 2017, and is now the vice president of the Group. He is primarily responsible for managing engineering centre of the Group, Guangzhou Hongchuang Construction Co., Ltd.* (廣州市泓創建設有限公司) and Guangzhou Chuangyi Decoration Engineering Co., Ltd.* (廣州創藝裝飾工程有限公司).

Before joining the Group, Mr. Wu has worked in Agile Property Land Co., Ltd.* (雅居樂地產置業有限公司) as the general manager of the Engineering Centre from 1999 to 2017. He was responsible for formulating medium-term to long-term development plan and regular operation plans based on the overall development plan of the company, supervising the real estate projects, and controlling the costs of the company. Mr. Wu has over 22 years of experience in the real estate development industry and senior management.

Mr. Wu graduated from Yangzhou University (揚州大學) in the PRC in October 1998 majoring in Economics Management. He received his licence as a senior engineer from the Human Resources Bureau of Nantong City* (南通市人事局) in the PRC in July 2003. He was also a member of the Chartered Institute of Building in March 2011.

Ms. WEI Miaochang (韋妙嫦), aged 53, was appointed as a Director on 24 May 2019 and was redesignated as an executive Director of the Company on 13 November 2019. Ms. Wei joined the Group in July 2014, and is now the general manager of finance centre of the Group. She is primarily responsible for overseeing financial management of the Group, including profit forecast and analysis and taxation management.

Before joining the Group, Ms. Wei has worked in certain group companies of Agile Group Holdings Limited as (i) the finance manager from 1998 to 2006 where she was responsible for the financial management work, and (ii) the manager of audit and supervision centre from 2006 to 2014 where she was responsible for the audit supervision work of the group. Ms. Wei has over 23 years of experience in financial management, audit and senior management.

Ms. Wei graduated from University of Electronic Science and Technology of China in the PRC, majoring in Financial Management learning online in June 2013. She received the certificate of accounting (intermediate) in the PRC issued by the Ministry of Human Resources and Social Security and Ministry of Finance of the People's Republic of China in December 2008. She was further designated as certified internal auditor by The Institute of Internal Auditors in November 2012.

Independent non-executive Directors

Mr. MA Ching Nam, BBS, CStJ, J.P. (馬清楠), aged 69, was appointed as an independent non-executive Director of the Company on 13 November 2019. He is responsible for providing independent judgement on the Group's strategies, performance, resources and standard of conduct. Mr. Ma is the chairman of the Nomination Committee, and member of the Audit committee and the Remuneration Committee.

Mr. Ma obtained a degree of Bachelor of Science in Economics with honours from The University of Hull in July 1977. He was admitted as a solicitor in England and Wales, Hong Kong, Victoria (Australia) and Singapore. He is also a Notary Public, China Appointed Attesting Officer and Civil Celebrant of Marriages. Mr. Ma has been practicing law for over 41 years. He is currently a partner of Hastings & Co., Solicitors & Notaries.

Mr. Ma currently serves as director of Tai Sang Bank Limited, Heptacontinental group of companies, Ma Kam Ming Company Limited, Ma's Enterprises Company Limited and Ma Kam Ming Charitable Foundation. He is also the independent non-executive director of Union Medical Healthcare Limited (2138.HK) and Time Watch Investments Limited (2033.HK).

Mr. Ma was the President of the Hong Kong Society of Notaries (2007-2013). He was Chairman of Po Leung Kuk (2018) and now Advisor of Po Leung Kuk Advisory Board 2020. He was appointed a member of Political and Consultative Conference in Hunan Province, the People's Republic of China (2003-2017). He has been a visiting professor of the China Agricultural University since 1999.

Mr. LEONG Chong (梁翔), aged 56, was appointed as an independent non-executive Director on 13 November 2019. He is responsible for providing independent judgment on the Group's strategies, performance, resources and standard of conduct. Mr. Leong is the chairman of the Remuneration Committee, and member of the Audit Committee and the Nomination Committee.

Before joining the Group, Mr. Leong worked as (i) construction analyst of the research department in Carr Indosuez Asia Group from 1994 to 1995, (ii) research analyst in ING Baring Securities (Hong Kong) Limited from 1995 to 1997, (iii) analyst and vice president in the equity research division of Morgan Stanley Dean Witter Asia Limited from 1997 to 2000, (iv) director in equity research department of Credit Suisse First Boston (Hong Kong) Limited from 2000 to 2001. Then, he joined Morgan Stanley Dean Witter Asia Limited (摩根士丹利添惠亞洲有限公司) and worked in the Morgan Stanley group of companies from 2002 to 2015. Prior to his departure, he was working in the capacity of a managing director in the investment banking division in Hong Kong. Since 2015 until 2019, he was the deputy general manager of S.F. Holding Co., Ltd.. Mr. Leong has over 28 years of experience in securities and investment industry and senior management.

Mr. Leong obtained the degree of Bachelor of Arts with a major in Computer Science in December 1990 by University of California, Berkeley.

Mr. WU William Wai Leung (胡偉亮), aged 55, was appointed as an independent non-executive Director on 13 November 2019. He is responsible for providing independent judgment on the Group's strategies, performance, resources and standard of conduct. Mr. Wu is the chairman of the Audit Committee, member of the Remuneration Committee and Nomination Committee.

Before joining the Group, Mr. Wu worked as (i) analyst and then associate in the corporate finance department of Marleau, Lemire Securities Inc., Canada from 1993 to 1995, (ii) business analyst of Salomon Brothers Hong Kong Limited from 1995 to 1996, (iii) assistant manager in the corporate finance division of Schroders Asia Limited from 1996 to 1998, (iv) manager and then senior manager from 1998 to 1999 in the equity capital markets department of BNP Equities Hong Kong Limited, (v) director of E2-Capital Limited and E2-Capital (HK) Limited from 1999 to 2001, and then head of equity capital markets and joint head of corporate finance of SBI E2-Capital Limited (joint venture between Softbank Investment and E2-Capital Group) from 2001 to 2002, (vi) employee of Sunwah Kingsway Capital Holdings Limited (188.HK) (previously known as SW Kingsway Capital Holdings Limited) from 2002 to 2011, with the titles of executive director and chief executive officer from 2006 to 2010 and strategy consultant from 2010 to 2011, (vii) chief executive officer of RHB Hong Kong Limited from 2011 to 2017 and (viii) executive director and chief executive officer of Power Financial Group Limited (397.HK) from 2017 to 2019. Since January 2019 until now, Mr. Wu is the managing director of investment banking at Glory Sun Securities Limited (previously known as China Goldjoy Securities Limited) (an indirect subsidiary of China Goldjoy Group Limited (1282.HK)). He also became a responsible officer for asset management (type 9) in April 2019 and a responsible officer for advising on corporate finance (type 6) in May 2019. Currently, he is an independent non-executive director of Asia Allied Infrastructure Holdings Limited (711.HK) since 2015. He is also an independent director of Document Security Systems (DSS-NYSE-Amer) since 2019, Alset Ehome International Inc. (NASDAQ: AEI) (formerly HF Enterprises Inc. (NASDAQ: HFEN)) since 2020 and Alset Capital Acquisition Corp. Unit (NASDAQ: ACAXU) since 2022. He is also the director of Hong Kong – ASEAN Economic Cooperation Foundation Limited, and Monte Jade Science and Technology Association of Hong Kong Limited. Mr. Wu has over 28 years of experience in financial industry and senior management.

Mr. Wu graduated from Simon Fraser University, Vancouver, BC, Canada with a degree of Bachelor in Business Administration in October 1990, and a degree of Master in Business Administration in June 1993. He became the chartered financial analyst designated by The Institute of Chartered Financial Analysts in September 1996.

Mr. Wu is also a member of Guangxi Zhuang Autonomous Region Committee of the Chinese People's Political Consultative Conference, life chairman of HK Guangxi Chamber of Commerce Limited, vice chairman of Federation of Hong Kong Guangxi Community Organizations and Honorary Chairman of Islands Community Foundation Association.

Senior Management

Ms. TAN Yuxing (譚玉杏), aged 47, is the vice president of the Group. She joined the Group in April 2014. She is primarily responsible for managing the subsidiaries and associated companies of the Company in Guangzhou and Zhaoqing.

Before joining the Group, Ms. Tan worked in Agile Group Holdings Limited as (i) the secretary to the head of real estate management centre from 2000 to 2004, the supervisor of the Panyu project contract cost department where she was responsible for monitoring the project costs and budgets from 2004 to 2006, and the secretary and assistant to the vice chairman from 2006 to 2014 where she assisted the vice chairman in managing the projects in the PRC. She has over 21 years of experience in management of real estate projects and senior management.

Ms. Tan graduated from Zhongyang Guangbo Dianshi University* (中央廣播電視大學) (currently known as The Open University of China) in the PRC in January 2008 majoring in Law. She further received the certificate of assistant engineer in the PRC issued by Human Resources and Social Security Department of Guangdong Province in the PRC in December 2010.

Mr. LAN Chiyuan (藍熾源), aged 43, is the vice president of the Group. He joined the Group in May 2014. He is primarily responsible for managing design centre of the Group.

Before joining the Group, Mr. Lan first worked as the chief designer in Foshan Jianyi Jianzhu Design Institute Co., Ltd.* (佛山市建藝建築設計院有限公司) from 2001 to 2007. He then worked as the assistant to general manager and head of Foshan branch of Guangdong Yuejian Design & Research Institute Co., Ltd.* (廣東粵建設計研究院有限公司佛山分公司) from 2007 to 2010. He then worked as manager in the design department of Agile Group Holdings Limited (3383.HK) from 2010 to 2014. He was responsible for the technical guidance design management work and daily management of the department.

Mr. Lan graduated from Guangzhou University in July 2001 majoring in Building Construction. He further received the certificate of architectural design engineer (intermediate) in the PRC issued by the Ministry of Human Resources of Meizhou City of the PRC in February 2009.

Mr. LIU Huaqiang (劉華強), aged 42, is the financial controller of the Group. He joined the Group in April 2018. He is primarily responsible for financial management, financing and investor relations of the Group.

Before joining the Group, Mr. Liu worked in PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. Guangzhou Branch for nine years. He left the firm as senior manager in the audit department in 2011. From 2011 to 2014, he was the general manager of the financial planning management department of Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd.* (中新天津生態城投資開發有限公司), the master developer of the Tianjin Eco-City, the PRC. He was responsible for financial management and analytical work. He then worked as the assistant to general manager and the financial controller in Huafa Industrial (HK) Limited, a company engaging in real estate development, leasing and investment from 2014 to 2018. Mr. Liu has over 19 years of experience in finance and senior management.

Mr. Liu obtained a Bachelor of Management in Accounting (minor in Computer Science and Application) in Sun Yat-Sen University in June 2002, a Master of Business Administration in November 2016 from The University of Hong Kong. He was a certified public accountant by The Guangdong Institute of Certified Public Accountants in September 2006.

Ms. WAI Ching Sum (衛靜心), aged 54, is the deputy general manager and company secretary of the Group. She joined the Group in August 2017. Ms. Wai is primarily responsible for corporate governance and corporate affairs of the Group.

Before joining the Group, Ms. Wai worked in various group companies of UDL Management Limited from 1996 to 1999. She left the group as the company secretary. She then worked as the company secretary of (i) COSCO International Holdings Limited (currently known as COSCO SHIPPING International (Hong Kong) Co., Ltd.) (517.HK) from 1999 to 2005 and (ii) Agile Property Holdings Limited (currently known as Agile Group Holdings Limited) (3383.HK) from 2005 to 2014. Ms. Wai was an executive director and the financial director of Sumpo Food Holdings Limited (currently known as Leyou Technologies Holdings Limited) (1089.HK) from 2014 to 2015. From 2015 to 2017, she was the company secretary of Pacific Century Group Holdings (HK) Limited, an investment management company. Ms. Wai has over 25 years of experience in senior management and provision of company secretarial services to private and listed companies.

Ms. Wai obtained a Master of Science in Financial Economics, through long distance learning, in December 1997 from University of London, the United Kingdom, and a Master of Laws in Chinese Comparative Law in November 2002 from the City University of Hong Kong. She was admitted as a fellow member of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators in June 2002.

Directors' Report

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

Principal Activities

The Company is an investment holding company and the principal activities of the Group are property development and sales, hotel operations, property management and commercial property investment in the PRC. Particulars of the principal activities of the Company's subsidiaries are set out in note 36 to the consolidated financial statements of the Group. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2021.

Business Review

A business review of the Group for the year ended 31 December 2021 and its future development is set out in the chairman's statement from page 36 to page 43 and management discussion and analysis from page 44 to page 50 of this annual report.

Results

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of comprehensive income on page 104 of this annual report.

Dividend

The Board recommends the payment of a final dividend of RMB0.97 cent per share for the year ended 31 December 2021 (the "**2021 Proposed Final Dividend**"). The 2021 Proposed Final Dividend, if approved, shall be payable on or about Friday, 15 July 2022 and is subject to the approval of the Shareholders at the AGM. The Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 8 July 2022 will be entitled to the 2021 Proposed Final Dividend.

The 2021 Proposed Final Dividend will be declared in RMB and paid in HK\$. The final dividend payable in HK\$ will be converted from RMB at the average exchange rate of HK\$ against RMB announced by the People's Bank of China on Thursday, 23 June 2022.

Annual General Meeting

The AGM will be held on Thursday, 23 June 2022. The AGM Notice will be published and despatched to the Shareholders in accordance with the requirements of the Listing Rules in May 2022.

Closure of Register of Members

(a) For determining the entitlement of the Shareholders to attend and vote at the AGM

The register of members of the Company will be closed from Monday, 20 June 2022 to Thursday, 23 June 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to determine the identity of members who are entitled to attend and vote at the AGM, all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 17 June 2022.

(b) For determining the entitlement to the 2021 Proposed Final Dividend

The register of members of the Company will be closed from Tuesday, 5 July 2022 to Friday, 8 July 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible for the 2021 Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 4 July 2022.

Donations

Charitable and other donations made by the Group for the year ended 31 December 2021 amounted to approximately RMB0.5 million (2020: RMB3.8 million).

Reserves and Distributable Reserves of the Company

Movements in the reserves of the Group and the Company during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity on page 105 of this annual report and note 38 to the consolidated financial statements respectively.

As at 31 December 2021, the Company's reserves available for distribution to equity shareholders in accordance with its articles of association and the laws of the Cayman Islands amounted to approximately RMB1,858.2 million.

Material Acquisitions and Disposals

Save as disclosed in the section headed "Management Discussion and Analysis – Significant investments, major acquisitions and disposals" in this annual report, during the year ended 31 December 2021 and up to the date of this annual report, the Group did not have any material acquisition or disposal of subsidiaries and associated companies.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

Borrowings

Details of the Group's borrowings as at 31 December 2021 are set out in note 29 to the consolidated financial statements.

Share Capital

Details of the movements in the issued share capital of the Company for the year ended 31 December 2021 are set out in note 27 to the consolidated financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles and there are no restrictions against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

Major Customers and Suppliers

Sales to the Group's five largest customers accounted for less than 30% of the Group's total revenue for the year. During the year ended 31 December 2021, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 53.9% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 14.9% of the Group's total purchases.

To the best knowledge of the Directors, none of the Directors, their respective close associates or any Shareholder who owns more than 5% of the issued share capital of the Company had any interest in any of the five largest customers and suppliers of the Group during the year ended 31 December 2021.

Relationship with Stakeholders

The Group recognises that the employees, customers and suppliers are the keys to corporate sustainability and is keen on developing long-term relationships with stakeholders. The Company places significant emphasis on human capital and strives to foster an environment in which the employees can develop their full potential and to assist their personal and professional growth. The Company provides a fair and safe workplace, promoting diversity to its staff, providing competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts on-going efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions. The Company understands that it is important to maintain good relationship with customers. The Group is also dedicated to developing good relationship with suppliers as long-term business partners to ensure stable supplies of materials. The Group reinforces business partnerships with suppliers and contractors by recurring communication in a proactive and effective manner so as to ensure quality and delivery.

Directors

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

Executive Directors

Mr. CHAN Sze Ming Michael (*Chairman*)
 Mr. LIU Huaxi (*Vice-Chairman*)
 Ms. ZHENG Catherine Wei Hong
 Mr. WU Xinping
 Mr. XUE Shuangyou (Resigned on 30 July 2021)
 Ms. WEI Miaochang

Independent non-executive Directors

Mr. MA Ching Nam
 Mr. LEONG Chong
 Mr. WU William Wai Leung

Pursuant to Article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his/her appointment and be subject to re-election of such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. According to Article 84(2) of the Articles, any Director appointed pursuant to Article 83(3) of the Articles shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Pursuant to Article 84(1) of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years and shall then be eligible for re-election.

In accordance with Article 84(1) of the Articles and the CG Code contained in Appendix 14 to the Listing Rules, Mr. LIU Huaxi, Ms. WEI Miaochang and Mr. LEONG Chong will retire by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts and Letters of Appointment

Each of the executive Directors has entered into a service contract with the Company of an initial term commencing from the Listing Date until and including the date of the third annual general meeting (or if such meeting adjourned, the adjourned meeting), which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors was appointed by the Company for a term of three years commencing from the Listing Date in accordance with their respective letters of appointment with the Company, which may be terminated by not less than three months' notice in writing served by either party on the other.

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

Independence of Independent Non-Executive Directors

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

Directors' Emoluments and Five Highest Paid Individuals

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2021 are set out in note 39 to the consolidated financial statements of the Group in this annual report.

None of the Directors waived his/her emoluments or has agreed to waive his/her emoluments for the year ended 31 December 2021.

Directors' Interests in Competing Business

Mr. LIU Huaxi holds 50% interest in Zhongshan Yuelai Real Estate Investment Group Co., Ltd.* (中山市悦來房地產投資集團有限公司) (“**Zhongshan Yuelai**”), Zhongshan Yuelai which in turn owns 5% interest in Zhongshan Jingyue Investment Co., Ltd.* (中山市景悅投資有限公司) (“**Zhongshan Jingyue**”), the Company's joint venture.

Mr. LIU Huaxi currently holds interests in the entities which operate property development and property management in Zhongshan, the PRC (the “**Zhongshan Business**”).

Set out below are the interests of Mr. LIU Huaxi in the Zhongshan Business (save for the intermediary holding companies) which may potentially compete with the Group's businesses for the purpose of Rule 8.10(2) of the Listing Rules during the year ended 31 December 2021:

Company name	Business nature	Interest
Zhongshan Yuelai	Investment holding	Direct shareholder holding 50% interest
Zhongshan Yuechuang Real Estate Investment Co., Ltd.* (中山市悅創房地產投資有限公司)	Property development	Indirect shareholder holding 50% interest
Zhongshan Yingfuda Real Estate Development Co., Ltd.* (中山市盈富達房地產開發有限公司)	Property development	Indirect shareholder holding 50% interest
Zhongshan Yueying Property Management Co., Ltd.* (中山市悅盈物業管理有限公司)	Property management	Indirect shareholder holding 50% interest

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

Disclosure Pursuant to Rule 13.21 of the Listing Rules

On 29 December 2020, the Company as borrower, Hang Seng Bank Limited as facility agent and mandated lead arranger (the “**Agent**”) and certain other financial institutions as lenders, among others, entered into a facilities agreement (the “**Facilities Agreement**”) in relation to certain term loan facilities in the aggregate principal amount of HK\$734,000,000 (the “**Facility**”) for a term of 36 months from the date of the Facilities Agreement subject to the terms and conditions as set out therein.

Pursuant to the Facilities Agreement, if (i) the family trust of Mr. CHAN Sze Ming Michael (“**Mr. Chan**”) ceases to beneficially own directly or indirectly more than 50% of the issued shares in or control the Company; or (ii) Mr. Chan ceases to remain or continue to act as chairman and executive director of the Company or to maintain control over the management and business of the Company and its subsidiaries, the Company shall promptly notify the Agent upon becoming aware of that event, and the Facility will be immediately and automatically cancelled and all outstanding loans together with accrued interest accrued will become immediately due and payable within ten days of demand by the Agent.

Compliance With Non-Competition Undertakings

Deed of Non-Competition

Each of the Company's Controlling Shareholders, namely, Sze Ming Limited and Mr. CHAN Sze Ming Michael (together, the “**Covenantors**”), has entered into the Deed of Non-competition on 13 November 2019, pursuant to which each of the Covenantors has given an irrevocable non-competition undertaking in favor of the Company namely, each of the Covenantors has, among other matters, irrevocably undertaken and covenanted with the Company that at any time during the Relevant Period (as defined below), each of the Covenantors shall directly or indirectly, and shall procure that their close associates and entities or companies controlled by them or its close associates (other than the Group) shall:

- (a) not be engaged, interested or otherwise involved, directly or indirectly, in any business in any form or manner which is, directly or indirectly, in competition with the business that the Group carries out that includes property development and sales, hotel operations, property management and commercial properties investment business in the PRC (including but not limited to Guangdong, Hainan, Yunnan and Hunan provinces) and any business in any form or manner that is or is likely to be in competition with that of any member of the Group or the Group as a whole from time to time (excluding, for the avoidance of doubt, sales and purchases of properties by the Covenantor for personal residential and/or investment purpose(s) from time to time) (the “**Restricted Activity(ies)**”);
- (b) not directly or indirectly solicit, interfere with or endeavor to entice away from the Group any person, firm, company or organisation who to his/its knowledge is from time to time or has, at any time within the immediate past two years before the date of the Prospectus, been a customer, supplier, distributor, director, consultant or employee of the Group;
- (c) not at any time employ any person who has been a director, manager, employee of or consultant to the Group who is or may be likely to be in possession of any confidential information or trade secrets relating to any business of the Group; and
- (d) not directly or indirectly solicit or persuade any person who has dealt with the Group or is in the process of negotiating with the Group in relation to any Restricted Activity, or cease to deal with the Group or reduce the amount of business which the person would normally do with the Group.

Compliance With Non-Competition Undertakings (continued)

Deed of Non-Competition (continued)

Notwithstanding the undertakings under (a) to (d) above, nothing shall restrict any of the Covenantors from acquiring or holding interests in equity securities issued by any company engaged in any Restricted Activity provided that each of them (individually or together) will not directly or indirectly own more than 5% of the total issued share capital of such company or control the exercise of more than 5% of the voting rights thereof or control the composition of the board of directors of such company and that the business and assets of the aforesaid company relating thereto account for less than 5% of the relevant company's consolidated turnover and consolidated assets, respectively, as shown in that company's latest audited consolidated accounts.

For the above purpose, the "Relevant Period" means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

- (i) the date on which the Covenantors and his/its close associates (individually or taken as a whole) cease to own 30% or more of the then issued Share capital of the Company directly or indirectly or cease to be the Controlling Shareholders of the Company for the purpose of the Listing Rules and do not have power to control the Board; and
- (ii) the date on which the Shares cease to be listed on the Stock Exchange.

Annual Review

The Covenantors have confirmed that they did not refer, or to procure the referral of, any investment or commercial opportunities relating to the Restricted Activities to the Group during the year ended 31 December 2021.

The Company has received a written confirmation from each of the Covenantors in respect of the compliance by them and their close associates with the terms of the Deed of Non-Competition.

The independent non-executive Directors have reviewed the Deed of Non-Competition and assessed whether the Covenantors and their close associates have complied with the terms of the Deed of Non-Competition, and were satisfied that each of the Covenantors has complied with its/his undertakings under the Deed of Non-Competition during the year ended 31 December 2021.

Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of Directors during the year ended 31 December 2021 and up to the date of this annual report is set out below:

- Mr. XUE Shuangyou resigned as executive Director with effect from 30 July 2021.
- Mr. LIU Huaxi is primarily responsible for managing investment centre, cost centre, procurement centre, treasure department of the Group, and the subsidiaries of the Company in Hong Kong.
- Mr. WU William Wai Leung is an independent director of Alset Ehome International Inc. (NASDAQ: AEI). The former name of Alset Ehome International Inc. was HF Enterprise Inc..
- Mr. WU William Wai Leung has been an independent director of Alset Capital Acquisition Corp. Unit (NASDAQ: ACAXU) since 2022.

Connected Transactions

According to the requirements under Chapter 14A of the Listing Rules, the connected transaction of the Company, which are subject to the annual reporting requirements, for the year ended 31 December 2021 is set out as follows:

On 27 January 2021, the Company and Guangzhou Yinong Enterprise Co., Ltd.* (廣州意濃實業有限公司) (“**Guangzhou Yinong**”) entered into the supplemental agreement of the cooperative development agreement (the “**Cooperative Development Agreement**”) which were entered into among (i) Guangzhou Yinong, (ii) Shaanxi International Trust Co., Ltd. (陝西省國際信託股份有限公司), (iii) Guangzhou Jinke Real Estate Development Co., Ltd.* (廣州金科房地產開發有限公司) (“**Guangzhou Jinke**”), (iv) Guangzhou Xinze Jiyong Real Estate Development Co., Ltd.* (廣州鑫澤集永房地產開發有限公司), (v) Guangzhou Jingyu Real Estate Development Co., Ltd.* (廣州景譽房地產開發有限公司) and (vi) Chongqing Jinke Real Estate Development Co., Ltd.* (重慶金科房地產開發有限公司) dated 28 October 2020 with Shaanxi International Trust Co., Ltd. (陝西省國際信託股份有限公司), pursuant to which the Company shall be jointly and severally responsible for compensating the shortfall for the payment of the equity purchase price and other payable obligations of Guangzhou Yinong under the Cooperative Development Agreement.

Guangzhou Jinke is a connected person of the Company at the subsidiary level by virtue of being a substantial shareholder of Guangzhou Xinze Jiyong Real Estate Development Co., Ltd.* (廣州鑫澤集永房地產開發有限公司), and Chongqing Jinke Real Estate Development Co., Ltd.* (重慶金科房地產開發有限公司) is also a connected person of the Company at the subsidiary level by virtue of being the holding company of Guangzhou Jinke.

For details of the relevant transaction, please refer to the Company's announcement dated 27 January 2021.

Save as disclosed above, during the year ended 31 December 2021, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

Related Party Transactions

Details of the related party transactions undertaken in the usual course of business are set out in note 35 to the consolidated financial statements of the Group in this annual report. None of the related party transactions constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

Directors' and Controlling Shareholders' Interests in Transaction, Arrangement or Contract

Other than those transactions disclosed in note 35 to the consolidated financial statements of the Group in this annual report and in paragraphs headed "Directors' Interests in Competing Business" and "Continuing Connected Transactions" in this section, no Director or an entity connected with a Director, or Controlling Shareholder of the Company has any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent companies were a party subsisted at the end of the year or at any time during the year ended 31 December 2021.

Principal Risks and Uncertainties

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

- (i) the Group's business is subject to the outbreak and spreading of Coronavirus Disease 2019 ("**COVID-19**") pandemic particularly in Guangdong, Hainan, Jiangsu, Yunnan and Hunan provinces;
- (ii) the Group's business is subject to extensive governmental regulation and is sensitive to property purchase restriction policy (if any) and other policy changes particularly in Guangdong, Hainan, Jiangsu, Yunnan and Hunan provinces;
- (iii) the Group's business and prospects depend heavily on the economic conditions in the PRC and the performance of the PRC property markets, particularly in Guangdong, Hainan, Jiangsu, Yunnan and Hunan provinces;
- (iv) the Group may not be able to acquire land in desirable locations that are suitable for the Group's development at commercially acceptable prices or at all;
- (v) the Group may be subject to fines or sanctions by the PRC government if the Group fails to pay land grant premium or fails to develop properties according to the terms of the land grant contracts;
- (vi) the Group's cash inflow from and results of operation may vary significantly from period to period and such fluctuations may make it difficult to predict the Group's future performance and price of the Shares; and
- (vii) the Group may not be able to obtain sufficient funding for the Group's land acquisitions and future property developments whether through bank loans or other arrangements on commercially reasonable terms, or at all.

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations which have a significant impact to the Group. As at the date of this annual report, except as disclosed in this annual report and the Prospectus, the Group complied with, in all material respects, all the relevant and applicable PRC laws and regulations governing the business of property development and management and the Group has obtained all licenses, permits and certificates for the purpose of operating its business.

As at the date of this annual report, the Company's associates were not involved in and the Board is not aware of any non-compliance incidents that might materially adversely affect the value of the Company's interest in them.

Share Option Scheme

The Company approved and adopted the Share Option Scheme on 13 November 2019.

Details of the Share Option Scheme

(a) Purpose

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of the Group and to promote the success of the business of the Group.

(b) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five 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, provided always that for the purpose of calculating the subscription price, where the Company has been listed on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fall within the period before listing.

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven 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 for the grant of an option is HK\$1.00.

Share Option Scheme (continued)

Details of the Share Option Scheme (continued)

(e) Maximum number of Shares

- (i) Subject to sub-paragraph (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that the Company may grant options in respect of up to 160,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 160,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (ii) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.
- (iii) The Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the Listing Rules.
- (iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded.

Share Option Scheme (continued)

Details of the Share Option Scheme (continued)

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such 1% limit must be separately approved by the Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. In such event, the Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted to such grantee must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Grant of options to a Director, chief executive or substantial Shareholder, or any of their respective associates

- (i) Notwithstanding the aforesaid, any grant of an option to a Director, chief executive or substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the option).
- (ii) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (a) representing in aggregate over 0.1% of the Shares in issue; and
 - (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of the Company, with voting to be taken by way of poll. The Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. The grantee, his associates and all core connected persons of the Company must abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by the Shareholders in the aforesaid manner.

Share Option Scheme (continued)

Details of the Share Option Scheme (continued)

(h) Restrictions on the times of grant of options

- (i) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of the Company until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (b) the deadline for the Company to publish an announcement of the results for any year, half-year or quarterly under the Listing Rules, or other interim period (whether or not required under the Listing Rules);
- and ending on the date of the results announcement.
- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of the Company are published and:
- (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

(j) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

Share Option Scheme (continued)

Details of the Share Option Scheme (continued)

(k) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of the Company as the holder thereof.

(l) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of the Group at the date of grant and he subsequently ceases to be an employee of the Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with the Group.

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of the Group at the date of grant and he subsequently ceases to be an employee of the Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (n) above, the option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day with the Company or the relevant member of the Group whether salary is paid in lieu of notice or not).

Share Option Scheme (continued)

Details of the Share Option Scheme (continued)

(p) Effects of alterations to share capital

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which any member of the Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to the Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee the same proportion of the issued share capital of the Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) Rights on winding-up

In the event a notice is given by the Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.

Share Option Scheme (continued)

Details of the Share Option Scheme (continued)

(s) Rights on compromise or arrangement

In the event of a compromise or arrangement between the Company and the Shareholders or the creditors of the Company being proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies pursuant to the Companies Act, the Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representative(s)) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement ("**Suspension Date**"), by giving notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees (or, as the case may be, their legal personal representative(s)) to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees (or, as the case may be, their legal personal representative(s)) to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of the Company or any of its officers.

(t) Lapse of options

An option shall lapse automatically on the earliest of:

- (i) the expiry of the period referred to in paragraph (i) above;
- (ii) the date on which the Board exercises the Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (o), (q), (r) or (s) above;
- (iv) the date of the commencement of the winding-up of the Company;

Share Option Scheme (continued)

Details of the Share Option Scheme (continued)

(t) Lapse of options (continued)

- (v) the occurrence of any serious misconduct, act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (vi) where the grantee is only a substantial shareholder of any member of the Group, the date on which the grantee ceases to be a substantial shareholder of such member of the Group; or
- (vii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

(u) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancellation.

(v) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(w) Alteration to the Share Option Scheme

- (i) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (ii) Any alternation to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the Listing Rules and the notes thereto and the supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Share Option Scheme (continued)

Details of the Share Option Scheme (continued)

(x) Termination to the Share Option Scheme

The Company by resolution in general meeting or by resolution of the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

Detail of the Share Option Granted

No option was granted or agreed to be granted under the Share Option Scheme during the year ended 31 December 2021.

Arrangements to Purchase Shares or Debentures

During the year ended 31 December 2021, there were no any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Its Associated Corporations

As at 31 December 2021, the interest and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be and were recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Its Associated Corporations (continued)

Long position in the ordinary Shares of the Company

Name of Director	Nature of interest	Number of ordinary shares held or interest in the Company	Approximate percentage of issued share capital of the Company
Mr. CHAN Sze Ming Michael	Founder of a discretionary trust ⁽¹⁾	1,200,000,000	72.9%

Notes:

- (1) These Shares are held by Sze Ming Limited. The entire issued capital of Sze Ming Limited is held by IQ EQ (BVI) Limited as trustee of Chan S. M. Michael Family Trust, a discretionary trust with Mr. CHAN Sze Ming Michael as settlor and protector and established in accordance with the laws of the BVI. There are certain discretionary beneficiaries including Mr. CHAN Sze Ming Michael, his parents, his siblings and his descendants. Mr. CHAN Sze Ming Michael is taken to be interested in these Shares held by Sze Ming Limited pursuant to the SFO.
- (2) The calculation is based on the total number of issued ordinary shares of 1,646,173,000 Shares as at 31 December 2021.

Interest in Associated Corporation(s)

Name of Director	Nature of interest	Name of associated corporation	Approximate percentage of shareholding
Mr. LIU Huaxi	Beneficial interest	Zhongshan Jingyue	2.5% ⁽¹⁾

Note:

- (1) Mr. LIU Huaxi holds 50% interest in Zhongshan Yuelai, Zhongshan Yuelai which in turn owns 5% interest in Zhongshan Jingyue, the Company's joint venture.

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

Directors' and Chief Executive's Rights to Acquire Shares or Debentures

Other than the Share Option Scheme, at no time during the year ended 31 December 2021 and up to the date of this annual report was the Company or any of its subsidiaries, holding companies, or any of the subsidiary undertakings (within the meaning of the Companies (Directors' Report) Regulation) of such holding companies a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save as disclosed in this annual report, none of the Directors and chief executive of the Company (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Substantial Shareholders' and Other Persons' Interest and Short Position in the Shares and Underlying Shares

Save as disclosed below, so far as known to the Directors and chief executive of the Company, as at 31 December 2021, the following persons or corporations (other than the Directors and chief executive of the Company) who had interest and/or short positions in the shares or underlying shares of the Company which would be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity/Nature of interest	Number of ordinary shares held or interest in the Company	Approximate percentage of issued share capital of the Company
Mr. CHAN Sze Ming Michael	Founder of a discretionary trust ⁽²⁾	1,200,000,000	72.9%
IQ EQ (BVI) Limited	Trustee of a discretionary trust ⁽²⁾	1,200,000,000	72.9%
Sze Ming Limited	Beneficial owner ⁽²⁾	1,200,000,000	72.9%
Ms. SHUM Wing Yin	Interest of spouse ⁽³⁾	1,200,000,000	72.9%

Notes:

- (1) All interests stated are long positions.
- (2) These Shares are held by Sze Ming Limited. The entire issued capital of Sze Ming Limited is held by IQ EQ (BVI) Limited as trustee of Chan S. M. Michael Family Trust, a discretionary trust with Mr. CHAN Sze Ming Michael as settlor and protector and established in accordance with the laws of the BVI. There are certain discretionary beneficiaries including Mr. CHAN Sze Ming Michael, his parents, his siblings and his descendants. Mr. CHAN Sze Ming Michael is taken to be interested in these Shares held by Sze Ming Limited pursuant to the SFO.
- (3) Ms. SHUM Wing Yin is the spouse of Mr. CHAN Sze Ming Michael, and is deemed to be interested in the Shares which are interested by Mr. CHAN Sze Ming Michael under the SFO.
- (4) The calculation is based on the total number of issued ordinary Shares of 1,646,173,000 shares as at 31 December 2021.

Equity-Linked Agreements

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2021 or subsisted as at 31 December 2021.

Tax Relief

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

Management Contracts

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

Purchase, Sale or Redemption of the Company's Listed Securities

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

Retirement Benefits Schemes

Details of the retirement benefits schemes participated by the Group are set out in note 10 to the consolidated financial statements.

Directors and Senior Management

Particulars of the Directors and senior management of the Company are set out on pages 51 to 55 of this annual report.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" in this annual report.

Audit Committee

The Audit Committee consists of three members, namely Mr. WU William Wai Leung, Mr. MA Ching Nam and Mr. LEONG Chong, each of whom is an independent non-executive Director. The chairman of the Audit Committee is Mr. WU William Wai Leung who possesses appropriate accounting and related financial management expertise. The Audit Committee has considered and reviewed the Group's audited annual results for the year ended 31 December 2021, the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting with the management. The Audit Committee considers that the audited annual financial results for the year ended 31 December 2021 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made. The Audit Committee has, in conjunction with the external auditor of the Company, PricewaterhouseCoopers, reviewed the consolidated financial statements for the year ended 31 December 2021, including the accounting policies of the Group.

Employees and Remuneration Policies

As at 31 December 2021, the Group had a total of 983 employees (2020: 1,033 employees). For the year ended 31 December 2021, the Group has recognised staff costs of RMB166.0 million (2020: RMB158.3 million). The Group has provided employees with salaries and benefits that, in its opinion, were competitive with market standards and regularly reviewed the remuneration policies based on employees' contributions and industry standards. The Company maintains a share option scheme for the purpose of providing incentives and rewards to the participants for their contribution to the Group. The Group has also contributed to medical insurance, pension insurance, maternity insurance, unemployment insurance, work-related injury insurance and housing provident funds for our employees and paid relevant insurance premiums. In addition, the Group is committed to cultivating all-level skilled employees. The Group has provided training programs based on the positions and expertise of our employees to enhance their understanding and apprehension of the property industry and related fields. Besides internal training, the Group has also engaged external experts to provide training courses for its employees from time to time. Details of the Share Option Scheme are set out in the section headed "Directors' Report – Share Option Scheme". The Group regularly reviews and determines the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

Under the applicable PRC laws and regulations, the Group is subject to social insurance contribution plans.

Basis for Determining Emoluments to Directors

Apart from taking into account the advice from the Remuneration Committee and the market levels, the Company also considers the competency, contributions and the responsibilities towards the Company in determining the level of remuneration for each Director. Appropriate benefit schemes are in place for the Directors.

Indemnity and Insurance Provisions

The Articles provide that the Directors, managing directors, alternate Directors, auditors, secretary and other officers for the time being of the Company and the trustees for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts. The Company has arranged appropriate directors and officers liability insurance in respect of legal action against Directors.

Significant Event After the Reporting Period

Issuance of US\$152,100,000 7.5% senior notes due 2023

On 27 January 2022, the Company issued senior notes with nominal interest rate 7.5% due 26 January 2023 in an aggregate principal amount of US\$152,100,000 (the "**New Senior Notes**"). The issue of the New Senior Notes comprised of the exchange offer of the existing 2021 Notes amounting to US\$149,600,000 and completion of concurrent new money issuance amounting to US\$2,500,000. The New Senior Notes were listed on the Stock Exchange on 28 January 2022.

Except the above, no significant events affecting the Group had occurred during the period from 31 December 2021 to the date of this annual report.

Public Float

Rule 8.08 of the Listing Rules requires there to be an open market in the securities for which listing is sought and a sufficient public float of an issuer's listed securities to be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public. Based on the information that is publicly available to the Company and to the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules.

Auditor

The consolidated financial statements for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers who shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of the auditor will be proposed at the Annual General Meeting.

Distributable Reserves

As at 31 December 2021, the reserves of the Company available for distribution to the Shareholders amounted to approximately RMB1,858.2 million.

Environmental Policies

The Group is committed to implementing policies in environmental protection in order to conserve natural resources. The Group strives to minimise the Group's environmental impact through reducing electricity and water consumption and encouraging recycling of office supplies and other materials. The Group is also committed to ensuring that the Group is in strict compliance with the applicable environmental laws and regulations of the relevant jurisdictions.

As at 31 December 2021, the Group did not encounter any material issues in passing inspections conducted by the relevant environmental protection authorities upon completion of the properties. During the year ended 31 December 2021 and up to the date of this annual report, no material fines or penalties were imposed on the Group for non-compliance of PRC environmental laws and regulations. As at the date of this annual report, the Group had obtained all required approvals in relation to the environmental impact reports, where applicable, for the projects of the Group under development.

Health and Safety

The Group is committed to the health and safety of our employees and provides a safe and effective working environment. The Group pledges full compliance with all occupational health and safety legislation. The Group values the health and well-being of the employees.

During the year ended 31 December 2021 and up to the date of this annual report, the Group did not encounter any material safety accident, there were no material claims for personal or property damages and no material compensation was paid to employees in respect of claims for personal or property damages related to safety accident.

Social Responsibility

The Group has entered into employment contracts with its employees in accordance with the applicable PRC and Hong Kong laws and regulations.

The Group maintains social welfare insurance for its full-time employees in the PRC and Hong Kong, including pension insurance, medical insurance, personal injury insurance, unemployment insurance and maternity insurance, in accordance with the relevant PRC and Hong Kong laws and regulations.

Development and Training

The Group is committed to the professional and personal development and growth of employees and considers development and training as a continual process. The Group offers and encourages employees at all levels to participate in various internal and external courses in order to promote the advancement of their job-related skills. The Group's employees are provided with fair opportunities for adequate learning, training and promotions.

Relationship with Customers and Suppliers

The Group maintains a solid and steady relationship with its customers and provides products which satisfy their needs and requirements. The Group enhances the relationship by continuous interaction with customers to gain insights on market demand and consumer needs so that the Group could respond proactively. The Group also maintains a close relationship with its suppliers. This leads to a high degree of cooperative development and enables the Group to deliver the high-quality solutions as required and expected by the Group's customers.

Professional Tax Advice Recommended

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercised of any rights in relation to the Shares they are advised to consult an expert.

On behalf of the Board

JY Grandmark Holdings Limited

CHAN Sze Ming Michael

Chairman

Guangzhou, the PRC, 21 April 2022

Corporate Governance Report

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Group as it believes that an effective corporate governance framework is fundamental to promoting and safeguarding interests of shareholders and other stakeholders and enhancing shareholder value.

Accordingly, the Company has adopted the CG Code as its own code on corporate governance. It also adopts sound corporate governance principles that emphasize a quality Board, effective risk management and internal control, stringent compliance practices and transparency and accountability to all stakeholders.

In the Directors' opinion, the Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 December 2021.⁽¹⁾

⁽¹⁾ A new CG Code came into effect on 1 January 2022 and the requirements under the new CG Code apply to corporate governance reports for financial year commencing on or after 1 January 2022. As this corporate governance report is for the year ended 31 December 2021, the CG Code described herein is the CG Code in effect during the year ended 31 December 2021.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the Model Code during the year ended 31 December 2021.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's employees was noted by the Company during the year ended 31 December 2021.

The Board

Responsibilities of the Board

The Board is responsible for, and has general powers under the Articles for, the leadership and oversight of the Company's management and performance and the formulation and review of the Group's overall policies and strategies.

The Board is also responsible for performing corporate governance duties, including the (i) development and review of the Company's policies and practices on corporate governance; and (ii) review of the Company's compliance with Appendix 14 to the Listing Rules and disclosures in the corporate governance report. All major decisions, including but not limited to those decisions affecting the financial results, operations and Shareholders of the Company, such as financial statements, business acquisitions, major transactions and dividend policies, are made by the Board as a whole. Each Director is aware of his or her fiduciary duties and duties and responsibilities as a director under the Listing Rules, the CG Code and applicable laws and regulations, and has acted objectively for the benefit and best interest of the Company and its Shareholders.

Decisions of the Board are communicated to the senior management through executive Directors. The day-to-day management, administration and operation of the Group are delegated to the executive Directors and a senior management team. The senior management team is also responsible for the supervision and execution of the Group's business plans. The Board reviews periodically the performance of the senior management team.

Certain functions and responsibilities are delegated to committees established by the Board. For details, please refer to the paragraphs headed "Audit Committee", "Remuneration Committee" and "Nomination Committee" below.

The Board (continued)

Composition of the Board

As at the date of this annual report, the Board comprises five executive Directors and three independent non-executive Directors whose names are listed below. Each member of the Board brings a wide spectrum of valuable experience, knowledge and expertise to the Board for its efficient and effective functioning.

Executive Directors

	Date of appointment
Mr. CHAN Sze Ming Michael (<i>Chairman</i>)	2 November 2018
Mr. LIU Huaxi (<i>Vice-Chairman</i>)	24 May 2019
Ms. ZHENG Catherine Wei Hong (<i>President</i>)	2 November 2018
Mr. WU Xinping	2 November 2018
Mr. XUE Shuangyou	2 November 2018 (Resigned on 30 July 2021)
Ms. WEI Miaochang	24 May 2019

Independent non-executive Directors

Mr. MA Ching Nam	13 November 2019
Mr. LEONG Chong	13 November 2019
Mr. WU William Wai Leung	13 November 2019

Save as disclosed in this annual report, there is no financial, business, family or other relevant relationship between the Directors.

During the year ended 31 December 2021, the Company has complied with the requirements of the Listing Rules to have at least three independent non-executive Directors representing at least one-third of the Board with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

Having considered the factors for assessing the independence of independent non-executive Directors under Rule 3.13 of the Listing Rules and the written annual confirmations from each independent non-executive Director, the Board considers all of its independent non-executive Directors to be independent.

The list of Directors (by category) is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules. A list of the Directors identifying their roles and functions is also available on the Company's website at www.jygrandmark.com and on the website of the Stock Exchange at www.hkexnews.hk.

Terms of appointment of Directors

Executive Directors

Each of the executive Directors has entered into a service contract of an initial term commencing from the Listing Date until and including the date of the third annual general meeting (or if such meeting is adjourned, the adjourned meeting). The appointment may be terminated by not less than three months' notice in writing served by either the relevant Director or the Company.

Independent non-executive Directors

Each of the independent non-executive Directors was appointed by the Company for an initial fixed term of three years commencing from the Listing Date. The appointment may be terminated by not less than three months' notice in writing served by either the relevant Director or the Company.

The Board (continued)

Nomination, appointment, re-election and removal procedures

The procedures and process of appointment, re-election and removal of Directors are set out in the Company's Articles. Every Director is subject to the provisions of retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his or her appointment and be subject to re-election at such meeting.

The Nomination Committee has been established on 13 November 2019 to review the structure, size and composition of the Board at least annually to ensure that the Board has a balance of expertise, skill and experience appropriate to meet the requirements of the Company. The director nomination policy is that this committee will identify individuals who are qualified or suitable for directorship, assess their qualifications, skill, prior experience, character and other relevant aspects including but not limited to their independence in the case of an independent non-executive Director candidate, and make recommendations to the Board on the appointment or re-appointment of Directors or the filling of casual vacancies on the Board or any other proposed changes to the Board to complement the Company's corporate strategies. Please refer to the paragraph headed "Nomination Committee" below for more details on the Nomination Committee.

Board practices and conduct of meetings

Directors are given the opportunity to include matters in the agenda for Board meetings with notices of regular Board meetings given or to be given at least 14 days in advance. Notices and agenda of the Board meetings are prepared by the company secretary of the Company as delegated by the chairman. Directors are provided with adequate and timely information to allow them to fulfill their duties properly. They are allowed to seek independent professional advice in appropriate circumstances at the Company's expenses.

Directors are encouraged to make a full and active contribution to the Board's affairs and to voice out their views and concerns. Directors are supplied with sufficient information and given sufficient time for discussion to ensure that Board decisions fairly reflect Board consensus.

A Director who to his or her knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his or her interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he or she knows his or her interest then exists, or in any other case, at the first meeting of the Board after he or she knows that he or she is or has become so interested. Subject to the Articles, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposals in which he or she or any of his or her close associates is materially interested.

Minutes of Board meetings and meetings of Board committees containing sufficient details of the matters considered and decisions reached, including any concerns raised or dissenting views express, are sent to each Director for their review, comment and records within a reasonable time after each meeting. The final version of such minutes is kept by the company secretary of the Company and is open for inspection by Directors upon reasonable notice.

The Board (continued)

Board and Board Committee Meetings

The Board meets at least four times each year or more as required. Directors may participate in meetings either in person or through electronic means of communication. The schedule of regular meetings for the following year will be presented to all Directors in the last Board meeting such that they can arrange for the meetings. All Directors are given not less than fourteen days' notice for regular Board meetings. For other Board and Board committee meetings, reasonable notice will be given.

The company secretary assists the chairman in preparing the agenda of regular Board meetings and circulates the draft Board meeting agenda to all Directors for their perusal and comment. Directors are invited to include any matters in the agenda which they think appropriate. The Board meeting agenda will be issued by the company secretary after incorporating all the comments of Directors (if any). Relevant meeting materials are provided to the Directors at least three days before the meetings to ensure that they are given sufficient review time and are adequately prepared for the meetings.

Each Director shall have access to the senior management including the company secretary, and they may also seek independent professional advice at the expense of the Company. Any matter involving interest of substantial Shareholder(s) or Director(s) shall be subject to the consideration and approval by the Board at a physical Board meeting, or to be implemented and dealt with by the designated Board committee. Directors who have interest may attend the meeting, but shall not be counted towards quorum and shall abstain from voting on the relevant matter. All Directors may require the company secretary to provide advice and services on relevant aspects, including the follow-up of, or the provision of support to, any matters, ensuring that the Board procedures and all applicable rules and regulations are observed.

The management will submit relevant reports to the Directors for review as part of meeting materials for every regular Board meeting. After the briefing given to the Directors, the management will answer any enquiry made by the Directors. The Board may make informed assessment on the financial and other information submitted to them for their approval. Sufficient time will be allowed for the Directors to discuss.

The meeting minutes of the Board and its committees are drafted and kept by the company secretary. All meeting minutes will set out in detail the matters discussed and considered at the meetings, including, among others, any queries made or views expressed by the Directors. The company secretary will distribute the draft meeting minutes to all Directors for their comment and final version of the meeting minutes to all Directors for their record within reasonable time after the meetings is held.

The Board (continued)

Board and Board Committee Meetings (continued)

During the year, the Board held a total of four meetings. Each Director's attendance record for the Board meetings, Board committee meetings and general meetings is set out as follows:

	Number of attendance/meeting(s) held in 2021				
	Board Meeting(s)	Audit Committee Meeting(s)	Nomination Committee Meeting(s)	Remuneration Committee Meeting(s)	Annual General Meeting
Mr. CHAN Sze Ming Michael (<i>Chairman</i>)	4/4	–	–	–	1/1
Mr. LIU Huaxi (<i>Vice-Chairman</i>)	4/4	–	1/1	1/1	1/1
Ms. ZHENG Catherine Wei Hong (<i>President</i>)	4/4	–	–	–	1/1
Mr. WU Xiping	4/4	–	–	–	1/1
Mr. XUE Shuangyou (Resigned on 30 July 2021)	2/2	–	–	–	1/1
Ms. WEI Miaochang	4/4	–	–	–	1/1
Mr. MA Ching Nam	4/4	2/2	1/1	1/1	1/1
Mr. LEONG Chong	4/4	2/2	1/1	1/1	1/1
Mr. WU William Wai Leung	4/4	2/2	1/1	1/1	1/1

All the executive Directors and independent non-executive Directors have allocated reasonable amount of time to follow and deal with various affairs of the Company during the year. All Directors will make their best efforts to attend any meetings of the Board and its committees. They will also allocate reasonable time in reviewing materials as well as other documents provided by the Company from time to time. The chairman met once with the independent non-executive Directors without the executive Directors present.

Chairman and President

Mr. CHAN Sze Ming Michael serves as the chairman of the Board. He is responsible for the overall strategic planning and business direction of the Group. With the support of the executive Directors and the company secretary, the chairman approves the agenda for, and chairs, Board meetings to ensure that all key and appropriate issues are discussed in a timely manner, including any matters proposed by other Directors. He is responsible for the effective functioning of the Board, including but not limited to taking steps to ensure that all Directors are properly briefed on issues arising at Board meetings, providing all Directors with adequate information which is accurate, clear, complete and reliable in a timely manner, communicating Shareholders' views to the Board as a whole and promoting a culture of openness and constructive debate during Board meetings.

Ms. ZHENG Catherine Wei Hong serves as the president of the Company. She is responsible for the execution of the strategic planning and general management of the Group.

Board Committees

Audit Committee

The Audit Committee was established on 13 November 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the applicable CG Code. The primary duties of the Audit Committee include (but without limitation): (i) be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor; (ii) monitor the integrity of the Company's financial statements, annual reports, accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them; (iii) oversight of the Company's financial reporting system, risk management and internal control systems; and (iv) develop and review the Company's policies and practices on corporate governance and make recommendations to the Board. The written terms of reference of the Audit Committee has been made available on the Company's website at www.jygrandmark.com and on the website of the Stock Exchange at www.hkexnews.hk. For the year ended 31 December 2021, the Audit Committee consists of three independent non-executive Directors, namely, Mr. WU William Wai Leung (chairman of the Audit Committee who possesses the appropriate professional qualification or accounting or related financial management expertise), Mr. MA Ching Nam and Mr. LEONG Chong.

During the financial year, two Audit Committee meetings were held and the executive directors, the management and the independent auditor also attended to provide necessary information. The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group, and reviewed risk management internal controls, internal audit and financial reporting matters including review of the audited annual financial statements of the Group for the year ended 31 December 2020, and the unaudited interim financial statements of the Group for the six months ended 30 June 2021.

Remuneration Committee

The Remuneration Committee was established on 13 November 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the applicable CG Code. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Board regarding our policy and structure for the remuneration of all of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management; and (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. The written terms of reference of the Remuneration Committee has been made available on the Company's website at www.jygrandmark.com and on the website of the Stock Exchange at www.hkexnews.hk. For the year ended 31 December 2021, the Remuneration Committee consists of one executive Director, namely Mr. LIU Huaxi, and three independent non-executive Directors, namely Mr. LEONG Chong (chairman of the Remuneration Committee), Mr. MA Ching Nam and Mr. WU William Wai Leung.

During the financial year, one Remuneration Committee meeting was held and the remuneration packages of the Directors and senior management were reviewed and considered.

Board Committees (continued)

Nomination Committee

The Nomination Committee was established on 13 November 2019 with written terms of reference in compliance with the applicable CG Code. The primary duties of the Nomination Committee include (but without limitation): (i) propose a set of personal attributes to the Board; (ii) propose a set of procedures for processing nominations of candidates for the Board's approval; and (iii) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and recommend any proposed changes to the Board to complement the Company's corporate strategy. The written terms of reference of the Nomination Committee has been made available on the Company's website at www.jygrandmark.com and on the website of the Stock Exchange at www.hkexnews.hk. For the year ended 31 December 2021, the Nomination Committee consists of one executive Director, namely Mr. LIU Huaxi and three independent non-executive Directors, namely Mr. MA Ching Nam (chairman of the Nomination Committee), Mr. LEONG Chong and Mr. WU William Wai Leung.

During the financial year, one Nomination Committee meeting was held. The Nomination Committee reviewed the structure, size and diversity of the Board, considered the independence of independent non-executive directors and recommended the re-appointment of retiring directors which were approved by the Shareholders at the annual general meeting.

Board Diversity

The Company adopted a board diversity policy which sets out the objective and approach on the diversity of the Board on 13 November 2019 has been made available on the Company's website at www.jygrandmark.com. The Company recognises the importance of having a diverse Board in enhancing the Board effectiveness and corporate governance, and considers that Board diversity, including gender diversity, is a vital asset to the business. A diverse Board will include and make good use of differences in the skills, industry knowledge and professional experience, cultural and education background and other qualities of directors of the Company and does not discriminate on the ground of race, age or gender. Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Directors have a balanced mix of knowledge and skills, including overall management and strategic development, project investment and financial management. They obtained degrees in various majors including business administration, economic management, construction engineering and computer science. The Board currently consists of two female Directors and five male Directors. It has three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of the Board. Furthermore, the Directors are of a wide range of age, ranging from 33 years old to 69 years old. Taking into account the Company's existing business model and specific needs as well as the different background of the Directors, the composition of the Board satisfies the board diversity policy. The total gender diversity of the workforce of the Group is balanced.

The Nomination Committee is responsible for ensuring the diversity of the Board members. It will review the board diversity policy from time to time to ensure its continued effectiveness and the Company will disclose in its corporate governance report about the implementation of the board diversity policy on an annual basis.

Remuneration of Senior Management

The remuneration payable to the senior management of the Company (who are not the Directors) is shown in the following table by bands:

	2021
Nil to RMB1,000,000	2
RMB1,000,001 to RMB1,500,000	1
RMB1,500,001 to RMB2,000,000	1
RMB2,000,001 to RMB2,500,000	0
	4

Directors' Remuneration Policies

Details of the Directors' remuneration policies are set out in the section headed "Directors' Report – Employees and Remuneration Policies" and "Directors' Report – Basis for Determining Emoluments to Directors".

Directors' Responsibilities for Financial Reporting

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

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

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

Accountability and Audit

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements of the Group for the year ended 31 December 2021 which give a true and fair view of the state of affairs of the Company and of the results and cash flow for the relevant period. The Directors consider that the consolidated financial statements of the Group for the year ended 31 December 2021 have been prepared in conformity with all applicable accounting standards and requirements and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and the management. The statements of the auditor of the Company about their reporting responsibility on the consolidated financial statements of the Group is set out in the section headed “Independent Auditor’s Report” in this annual report.

Material Uncertainties – Going Concern

For the year ended 31 December 2021, the Group recorded a net cash outflow from operation of RMB1,718 million. As at 31 December 2021, the Group had total bank and other borrowings of RMB4,496 million, of which RMB2,239 million were current bank and other borrowings repayable within 12 months, while the Group’s cash and cash equivalents amounted to RMB1,030 million.

The Group did not fulfill one of the financial covenants as required by the agreement of a syndicated loan (the “**Syndicated Loan**”) amounting to RMB523 million as at 31 December 2021, which constituted an event of default and resulted in the Syndicated Loan becoming immediately repayable if requested by the lenders. Consequently, the non-current portion of the Syndicated Loan amounting to RMB354 million with the original contractual repayment dates beyond 31 December 2022 was reclassified and presented as current liabilities.

The business of the Group is subject to extensive governmental regulations and macro-economic control measures of the real estate sector implemented by the PRC government from time to time, and some of these policies and measures may have unfavourable impact to the working capital available to the Group.

All of the above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern. In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Details of the plans and measures taken by the Group to mitigate the liquidity pressure and to improve its financial position are set out in Note 2.1 to the consolidated financial statements in this annual report.

The Directors have reviewed the Group’s cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2021. In the opinion of the Directors, in light of the above and taking into account the anticipated cash flows to be generated from the Group’s operations as well as the above plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2021. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cashflows through the measures as detailed in Note 2.1 to the consolidated financial statements in this annual report.

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

Information Disclosure

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

External Auditor and Auditor Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out under the section headed "Independent Auditor's Report" in this annual report.

The external auditor of the Company will be invited to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor's independence.

For the year ended 31 December 2021, the amount of fees charged by the Company's external auditor, PricewaterhouseCoopers, in respect of their annual audit services and non-audit services related to issuance of senior notes amounted to approximately RMB3.7 million and RMB0.8 million, respectively.

The Company Secretary

The company secretary of the Company plays a role in supporting the Board by ensuring good information flow within the Board and also that Board policy and procedures are followed. The company secretary of the Company is responsible for advising the Board through the chairman and/or the president on corporate governance matters and should also facilitate induction and professional development of Directors. Specific enquiry has been made to the company secretary of the Company, Ms. WAI Ching Sum, and she has confirmed that she has complied with the relevant qualifications, experience and training requirements under the Listing Rules.

Directors' and Officers' Liability Insurance

The Company has arranged directors' and officers' liability insurance for its Directors and senior management. The insurance covered the corresponding costs, charges, expenses and liabilities for any legal action against them arising out of the Group's operation.

Directors' Training

According to the CG Code, Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All the Directors are also encouraged to attend relevant training courses at the Company's expenses.

Each of the Directors, namely Mr. CHAN Sze Ming Michael, Mr. LIU Huaxi, Ms. ZHENG Catherine Wei Hong, Mr. WU Xinping, Ms. WEI Miaochang, Mr. MA Ching Nam, Mr. LEONG Chong and Mr. WU William Wai Leung, have attended trainings conducted by Lu, Lai & Li Solicitors & Notaries and PricewaterhouseCoopers on 9 December 2021 on (i) directors' duties of companies listed on the Main Board of the Stock Exchange, and (ii) updates on environmental, social and governance reporting and corporate governance code pursuant to the Listing Rules, respectively. The Company Secretary maintains proper records of training attended by the Directors.

Dividend Policy

The Company has adopted a dividend policy, pursuant to which, subject to the Companies Act and other applicable laws and regulations, the Company targets to distribute to the Shareholders no less than 30% of the Company's distributable profits for any particular financial year. The declaration of dividends is subject to the discretion of the Board and, where required, the approval of the Shareholders. The Directors may recommend a payment of dividends in the future after taking into account the Group's operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to the Company's constitutional documents and the Companies Act, including, where required, the approval of the Shareholders. Any future declarations of dividends may or may not reflect the Company's historical declarations of dividends and will be at the absolute discretion of the Directors.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in the Group's operations.

Investor Communications

The Company has adopted a shareholders communication policy in relation to communicating with the Shareholders and potential investors and providing regular communications to the Shareholders with effect from the Listing Date. It is available on the Company's website at www.jygrandmark.com.

The Company considers timely communication to Shareholders and/or investors and transparent reporting as key components of good corporate governance. The Company aims at maintaining frequent and timely communication with its Shareholders and/or investors through a variety of communication channels, including but not limited to general meetings, annual and interim reports and official announcements. General meetings provide a platform for Shareholders to exchange views with the Board and the Directors are available to answer questions at the Company's annual general meetings. Shareholders will be sent a copy of the annual and interim reports or be notified of the release of such reports. Annual and interim reports are accessible on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.jygrandmark.com, where general information on the Group's business and activities is available for public access. Official announcements will be released from time to time in accordance with the Listing Rules to update our Shareholders and/or investors with the latest developments of the Group. Shareholders and investors may address enquires directly to the Company's principal place of business in Hong Kong as provided in the section headed "Corporate Information" in this annual report, or to the Company secretary of the Company by email at ir@jygrandmark.com.hk.

Shareholders' Rights

(a) Convening Extraordinary General Meeting and Putting Forward Proposals at General Meetings

There are no provisions under the Articles or the Companies Act regarding procedures for shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in the Written Requisition.

Voting of general meetings of the Company is conducted by way of poll in accordance with the Listing Rules. The poll results will be published on both the website of the Stock Exchange and the Company. Pursuant to Article 58 of the Company's existing Articles, one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings may deposit a written requisition (the "**Written Requisition**") 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 the Written Requisition. Such meeting shall be held with two months after the deposit of the Written Requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(b) Putting Forward Enquiries to the Board

Shareholders and investors are also welcome to submit any enquiries to the Board and suggestions or proposals at general meetings directly to the Company's principal place of business in Hong Kong as provided in the section headed "Corporate Information" in this annual report, or to the company secretary of the Company by email at ir@jygrandmark.com.hk.

The Board also encourages Shareholders to attend general meetings to make enquiries with the Board directly.

Constitutional Documents

During the year ended 31 December 2021, there has not been any change in the Memorandum.

During the year ended 31 December 2021, the Company has amended the articles of association. The proposed amendments to the articles of association have been approved by the Shareholders in the AGM held on 27 May 2021. Details of the amendments are set out in the circular dated 15 April 2021 to the Shareholders. An up to date version of the Memorandum and Articles are available on the Company's website at www.jygrandmark.com and on the website of the Stock Exchange at www.hkexnews.hk.

Risk Management and Internal Control

The Board is responsible for the risk management and internal control system and has the responsibility to review the effectiveness of the system. The Group's risk management and internal control system includes a clear organisational structure, defined lines of responsibility and segregation. The Board is responsible for assessing and determining the nature and extent of the risks that the Group is willing to take in achieving the strategic objectives, also monitors the establishment and maintenances of appropriate and effective risk management and internal control system. The management is responsible for designing and maintaining an effective risk management and internal control system as well as providing confirmations to the Board on the effectiveness of the system. Such risk management and internal control system is designed to manage rather than eliminate the risk of failure in achieving business objectives, and it can only provide reasonable but not absolute assurance that there will be no material misstatements or losses.

Risk Management

1. Establishment of a risk management system and structure:

The Group established the risk management system structure at the group level to determine the risk management procedures and facilitate the enhancement of internal risk management culture. During the year, the Company continued to improve the risk management system structure to guide the group risk assessment work and ongoing risk monitoring activities through the following measures based on the work accomplished in previous years:

- ✓ **Determine and reaffirm the risk management organisational structure:** The Group has regulated a risk management organisational structure and divided the risk management responsibilities, setting out clear responsibilities of the management and respective department on risk management and the risk information reporting line and frequency. The major features of the risk management organisational structure include clear segregation of responsibilities and specific communication mechanism. The following table illustrates the roles of respective party in the risk management organisational structure:

Role	Major Responsibility
The Board (the highest decision-making party of the risk management structure)	<ul style="list-style-type: none">■ Evaluate and determine the nature and acceptable extent of risks to ensure that the strategic objectives can be achieved■ Ensure the establishment and maintenance of the effective risk management and internal control system■ Supervise the management in the designing, implementing and monitoring of the risk management and internal control system

Risk Management and Internal Control (continued)

Risk Management (continued)

1. Establishment of a risk management system and structure: (continued)

✓ Determine and reaffirm the risk management organisational structure: (continued)

Role	Major Responsibility
The Audit Committee (the highest decision-making party of the risk management structure)	<ul style="list-style-type: none"> ■ Consider and formulate the risk management framework; identify, analyse, evaluate and determine the risks faced by the Group; systematically organise, mitigate and monitor risks to identify and handle the risks faced by the Group, including but not limited to strategic, financial, operational, legal and regulatory risks ■ Review and assess the effectiveness of the Group's risk management framework (including the risk management plan, risk management system and the internal audit function in relation to risk management) ■ Constantly monitor the scope of risk management system and the other providers of assurance ■ Monitor the frequency of the occurrence of material control default or discovery of material control weakness, and the extent to which they have resulted in unforeseen and emergent outcomes or contingencies that have had, may have or may in the future have, a material impact on the Company's financial performance or condition ■ Report any significant risk management issues to the Board and suggest solutions
Senior Management (the risk management work leading team)	<ul style="list-style-type: none"> ■ Review policies and mechanism related to risk management of the Group on a regular basis ■ Supervise the implementation of risk management within the Group, review the evaluation report on risk management work and risk management assessment report regularly ■ Provide risk management advice for significant decision and review targeted measures proposed by the execution party of the risk management structure ■ Responsible for reporting and disclosing significant risk information to the Audit Committee

Risk Management and Internal Control (continued)

Risk Management (continued)

1. Establishment of a risk management system and structure: (continued)

✓ Determine and reaffirm the risk management organisational structure: (continued)

Role	Major Responsibility
Company Secretarial Department	<ul style="list-style-type: none"> ■ Concurrently follow the disposal of significant risk emergencies, prepare a conclusion report and report to the Audit Committee ■ Deal with other affairs associated with risk management as authorized by the Board or the Audit Committee
Internal Audit Department	<ul style="list-style-type: none"> ■ Coordinate the commencement of risk identification and assessment work ■ Act as the risk management supervisory body, responsible for overseeing risk management works performed by the Group and the branches in different cities ■ Organize the preparation of regular risk assessment reports and present summary reports to the risk management work leading team ■ Organize and coordinate risk management trainings and guidance
The Group's headquarters/ Management of respective departments and the branches in different cities (the execution party of the risk management structure)	<ul style="list-style-type: none"> ■ Update the risk exposure list of operations on a regular basis, and conduct relevant works such as risk identification and evaluation ■ Formulate and implement risk response plan for operations ■ Monitor and control various risk exposures in operations, and report risk information to the risk management coordinator and the risk management work leading team in a timely manner

Risk Management and Internal Control (continued)

Risk Management (continued)

1. Establishment of a risk management system and structure: (continued)

- ✓ **Update the risk assessment criteria:** Based on changes in the internal and external environment during the year, the Group has updated the risk assessment criteria applicable to the Company according to the nature, business characteristics and strategic objectives of the Group and respective business segments and the risk appetite of the management. The risks that are most likely to affect the achievement of the objectives have been assessed using commonly recognised assessment methods and assessment criteria. Risks assessed during the year include, but are not limited to, strategic, operational, market, legal, financial, and environmental, social and governance-related risks.

- ✓ **Determine and regulate the workflow for risk management work:** The Group has established the risk management procedures (please refer to Figure 1: Risk Management Procedures), with major steps including identification, assessment, investigation and response, supervision and improvement, so as to systematically manage, mitigate and control risk exposures. By mainly considering the operating goals of the Group and different business segments, the Group identifies risk factors affecting the achievement of such operating goals and evaluates possibilities and potential impacts of each specific risk, adopts specific measures in response to risk exposures identified, and constantly supervises and evaluates changes in risk exposure and adjusts the response measures in a timely manner.



Figure 1: Risk Management Procedures

- ✓ **Determine the frequency of risk management review:** The frequency of evaluation and report on risk management of the Group is determined (at least once every year). The aforesaid key elements standardised the format and frequency of reporting through the Risk Management Manual of JY Grandmark Holdings Limited.

Risk Management and Internal Control (continued)

Risk Management (continued)

2. Risk evaluation conducted by the Group in 2021

During the year under review, the Group's management continued to deepen its risk management efforts and updated the risk assessment criteria and risk database for the year based on the development strategy of "advance steadily" and taking into consideration the external market environment, changes in the internal business environment, business development and risk appetite of the Company, with a going concern on risks might be brought to the Group by macro-control measures of the industry and financial policies such as the "three red lines". During the year, the management also adopted a systematic approach to evaluate the nature and extent of other significant risks faced by the Group, as well as updated the assessment and conducted an analysis on the existing control over the top ten risks for 2021. The management has also identified the department that is responsible for addressing the risks, measures to be adopted and the solution for improvement, and has reported the assessment result and implementation of control measures to the Audit Committee. The Audit Committee reviewed and assessed the changes in the nature and extent of significant risks on behalf of the Board, and completed the review of the risk management system and considered the risk management system effective and sufficient.

Internal Audit

JY Grandmark has independent audit functions in place with unrestricted access to corporate information, directors and employees, and report directly to the Audit Committee of the Group on a regular basis. For the year ended 31 December 2021, the internal audit functions have formulated an audit plan that focuses on areas with higher risks. The management has formulated remedial plans for loopholes and inadequacies identified during the internal audit, and the internal audit functions have made regular follow-ups to ensure timely implementation of the remedial measures. The internal audit functions have reported and updated the reviewed results to the Audit Committee.

Anti-corruption Mechanism

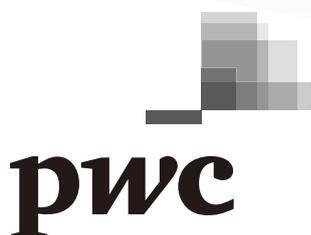
JY Grandmark has formulated and implemented the "Anti-corruption System of JY Grandmark", which clarifies, inter alia, the standards for identifying anti-corruption violations, penalties for anti-corruption violations, procedures of anti-corruption supervision and administration, management and control over high risk areas of anti-corruption, and incentive measures for anti-corruption work. Anti-corruption whistleblower channels have been released to facilitate employees and other stakeholders (such as customers or suppliers) to raise their concerns with the Audit Committee on an anonymous basis about any possible improprieties related to the Company. Meanwhile, the Group continued to promote the culture of integrity through carrying out publicity and trainings on integrity.

Summary of the Review and Effectiveness on Risk Management and Internal Control Systems

During the year under review, the Board conducted a comprehensive review over the effectiveness of the risk management and internal control system of the Group through the Audit Committee. The scope of the review covered the Group and the major business segments, primarily focusing on review of controls over all major aspects, including financial control, operating control and compliance control. Accordingly, the Board is of the view that the Group has complied with the provisions on risk management and internal control as stipulated in the CG Code and considers the risk management and internal control system effective and adequate.

The Audit Committee has reviewed the resources, staff qualifications and experience of the Group as required for accounting, financial reporting and internal audit functions as well as its staff training programs and budget and confirmed the adequacy of the same.

Independent Auditor's Report



To the Shareholders of JY Grandmark Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of JY Grandmark Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 102 to 209, comprise:

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

Our opinion

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

Basis for Opinion

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

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

Independence

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 to the consolidated financial statements, which states that the Group recorded a net cash outflow from operation of RMB1,718 million for the year ended 31 December 2021. At the same date, the Group had total bank and other borrowings of RMB4,496 million, of which RMB2,239 million were current bank and other borrowings repayable within 12 months, while the Group's cash and cash equivalents amounted to RMB1,030 million. These conditions, along with other events and conditions that set out in Note 2.1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matter identified in our audit is summarised as follows:

- Assessment of net realisable value ("NRV") of properties under development ("PUD") and completed properties held for sale ("PHS")

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment of NRV of PUD and PHS</p> <p>Refer to notes 4(a), 21 and 22 to the consolidated financial statements.</p> <p>PUD and PHS amounted to RMB7,494,460,000 and RMB1,505,612,000 respectively as at 31 December 2021, which in aggregate accounted for approximately 65% of the Group's total assets. PUD and PHS are stated at the lower of cost and NRV. NRV is determined by referencing to the estimated selling price based on prevailing market conditions less estimated costs to completion of PUD and variable selling expenses.</p> <p>No NRV provision was made for PUD and PHS based on management's assessment as at 31 December 2021. We focused on NRV assessment because PUD and PHS are major assets of the Group and the determination of NRV involved significant estimates on the selling prices, variable selling expenses and estimated costs to completion of PUD.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <p>(i) We obtained an understanding of management's internal control and assessment process of the NRV of PUD and PHS, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity of assessment and subjectivity of significant assumptions and data used.</p> <p>(ii) We evaluated and tested management's key internal control over the Group's process in determining the selling prices, variable selling expenses and costs to completion of PUD;</p> <p>(iii) We understood, evaluated and tested the internal controls over the assessment of NRV of PUD and PHS assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors.</p>

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	<p>(iv) We selected, on a sample basis, PUD and PHS projects and challenged management's estimates when determining the NRV of PUD and PHS by:</p> <ul style="list-style-type: none"> • Comparing the estimated selling price to the most recent selling price for the PUD and PHS or the prevailing market price of similar type of properties in similar locations; • Comparing the ratio of estimated variable selling expenses to the selling price with the Group's historical ratio to assess whether the estimated variable selling expenses were within a reasonable range; • Assessing the Group's estimates of the anticipated costs to completion for PUD by reconciling the actual costs incurred to approved budgets. We compared the major cost compositions contained in these budgets with the actual cost compositions of similar type of properties in similar locations. <p>We found that management's estimates used in the assessment of NRV of PUD and PHS are properly supported by available evidences.</p>

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of 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 Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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.

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

From the matters communicated with those charged with governance, 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 Yeung Chor Ho.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 21 April 2022

Consolidated Statement of Financial Position

(All amounts in RMB Yuan thousands unless otherwise stated)

	Notes	As at 31 December	
		2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	288,664	301,807
Right-of-use assets	18	248,953	258,196
Investment properties	19	280,044	289,252
Intangible assets	20	3,232	2,443
Other receivables and prepayments	23	11,634	13,805
Deferred income tax assets	15	176,033	100,234
Investments accounted for using the equity method	16	140,394	108,743
		1,148,954	1,074,480
Current assets			
Inventories		1,656	1,510
Contract costs	5	39,885	18,746
Properties under development	21	7,494,460	3,714,538
Completed properties held for sale	22	1,505,612	1,680,252
Trade and other receivables and prepayments	23	1,229,044	1,831,304
Prepaid taxes	24	136,467	81,040
Restricted cash	25	1,269,375	323,779
Cash and cash equivalents	26	1,030,394	2,037,665
Amounts due from related parties	35	70,527	123,123
		12,777,420	9,811,957
Total assets		13,926,374	10,886,437

Consolidated Statement of Financial Position (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

	Notes	As at 31 December	
		2021 RMB'000	2020 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	14,746	14,746
Other reserves	28	1,687,351	1,836,263
Retained earnings	28	1,407,730	1,184,234
		3,109,827	3,035,243
Non-controlling interests	36	1,669,012	1,417,808
Total equity		4,778,839	4,453,051
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	15	198,269	124,769
Bank and other borrowings	29	2,256,776	1,568,978
Lease liabilities	34	60,203	63,608
		2,515,248	1,757,355
Current liabilities			
Bank and other borrowings	29	2,238,921	1,542,827
Trade and other payables	30	3,957,452	2,779,260
Lease liabilities	34	5,551	5,122
Current income tax liabilities		430,363	348,822
		6,632,287	4,676,031
Total liabilities		9,147,535	6,433,386
Total equity and liabilities		13,926,374	10,886,437

The notes on pages 107 to 209 form an integral part of these consolidated financial statements.

The financial statements on pages 102 to 209 were approved by the Board of Directors on 21 April 2022 and were signed on its behalf.

CHAN Sze Ming Michael
Director

LIU Huaxi
Director

Consolidated Statement of Comprehensive Income

(All amounts in RMB Yuan thousands unless otherwise stated)

	Notes	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Revenue	5	2,043,126	2,347,064
Cost of sales	6	(1,459,901)	(1,434,328)
Gross profit		583,225	912,736
Selling and marketing expenses	6	(153,328)	(124,629)
Administrative expenses	6	(138,088)	(140,958)
Net impairment losses on financial assets	3.1.2	(5,837)	(873)
Other income	7	21,567	15,826
Other expenses	8	(1,223)	(4,105)
Other gains – net	9	33,430	86,721
Operating profit		339,746	744,718
Finance costs	11	(18,071)	(34,492)
Finance income	11	18,430	21,213
Finance income/(costs) – net	11	359	(13,279)
Share of profit of investments accounted for using the equity method	16	23,634	53,071
Profit before income tax		363,739	784,510
Income tax expense	12	(164,916)	(306,113)
Profit for the year		198,823	478,397
Profit attributable to:			
Owners of the Company		216,446	485,203
Non-controlling interests		(17,623)	(6,806)
		198,823	478,397
Other comprehensive income for the year			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		28,681	40,644
Other comprehensive income for the year, net of tax		28,681	40,644
Total comprehensive income for the year		227,504	519,041
Total comprehensive income attributable to:			
Owners of the Company		245,127	525,847
Non-controlling interests		(17,623)	(6,806)
		227,504	519,041
Earnings per share (expressed in RMB per share)			
– Basic and diluted earnings per share	13	0.13	0.29

The notes on pages 107 to 209 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(All amounts in RMB Yuan thousands unless otherwise stated)

	Attributable to owners of the Company				Non-controlling Interests RMB'000	Total RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
Balance at 1 January 2020	14,746	1,765,202	939,006	2,718,954	100,455	2,819,409
Comprehensive income						
– Profit/(loss) for the year	–	–	485,203	485,203	(6,806)	478,397
– Other comprehensive income	–	40,644	–	40,644	–	40,644
Total comprehensive income/(loss)	–	40,644	485,203	525,847	(6,806)	519,041
Transactions with owners in their capacity as owners:						
Transfer to statutory reserves	–	30,417	(30,417)	–	–	–
Dividends paid	–	–	(209,558)	(209,558)	–	(209,558)
Disposal of a subsidiary	–	–	–	–	(133)	(133)
Capital injections from non-controlling interests	–	–	–	–	1,324,292	1,324,292
Total transactions with owners	–	30,417	(239,975)	(209,558)	1,324,159	1,114,601
Balance at 31 December 2020	14,746	1,836,263	1,184,234	3,035,243	1,417,808	4,453,051
Balance at 1 January 2021	14,746	1,836,263	1,184,234	3,035,243	1,417,808	4,453,051
Comprehensive income						
– Profit/(loss) for the year	–	–	216,446	216,446	(17,623)	198,823
– Other comprehensive income	–	28,681	–	28,681	–	28,681
Total comprehensive income/(loss)	–	28,681	216,446	245,127	(17,623)	227,504
Transactions with owners in their capacity as owners:						
Transfer to statutory reserves	–	23,722	(23,722)	–	–	–
Transfer to retained earnings	–	(30,772)	30,772	–	–	–
Dividends paid	–	(170,543)	–	(170,543)	(107,692)	(278,235)
Change from a joint venture to a subsidiary (Note 37)	–	–	–	–	239,819	239,819
Capital injections from non-controlling interests	–	–	–	–	137,700	137,700
Changes in ownership interests in subsidiaries without change of control	–	–	–	–	(1,000)	(1,000)
Total transactions with owners	–	(177,593)	7,050	(170,543)	268,827	98,284
Balance at 31 December 2021	14,746	1,687,351	1,407,730	3,109,827	1,669,012	4,778,839

The notes on pages 107 to 209 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(All amounts in RMB Yuan thousands unless otherwise stated)

	Notes	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash used in operations	31(a)	(1,387,466)	(1,166,389)
Income tax paid		(66,621)	(153,401)
Interest paid		(263,742)	(251,425)
Net cash used in operating activities		(1,717,829)	(1,571,215)
Cash flows from investing activities			
Cash acquired from change of a joint venture to a subsidiary	37	17,447	–
Payments for acquisition of subsidiaries, net of cash acquired		(11,800)	(5,814)
Net cash outflow from disposal of subsidiaries, net of cash disposed of		–	(17,328)
Purchase of property, plant and equipment and intangible assets		(7,448)	(9,958)
Proceeds from disposal of property, plant and equipment and intangible assets	31(b)	69	304
Investment in a joint venture		–	(27,000)
Investments in associates		(55,346)	–
Dividends received from an associate		30,000	–
Cash advanced to related parties		(17,243)	(111,337)
Interest received on financial assets at fair value through profit or loss		2,531	3,844
Interest received		18,430	21,213
Net cash used in investing activities		(23,360)	(146,076)
Cash flows from financing activities			
Proceeds from borrowings	31(c)	1,286,048	3,586,104
Repayments of borrowings	31(c)	(771,586)	(2,953,776)
Advances from non-controlling interests and their related parties		260,438	360,452
Capital injection from non-controlling interests		137,700	1,324,292
Payment for acquisition of equity interests of non-controlling interest		(12,721)	–
Payments for listing related expenses		–	(2,891)
Decrease in restricted cash for securing bank borrowings		127,276	733,282
Lease payments	31(c)	(3,355)	(5,522)
Dividends paid to non-controlling interests		(107,692)	–
Dividends paid to the Company's shareholders		(170,543)	(209,558)
Net cash generated from financing activities		745,565	2,832,383
Net (decrease)/increase in cash and cash equivalents			
Exchange losses on cash and cash equivalents		(11,647)	(34,360)
Cash and cash equivalents at beginning of year		2,037,665	956,933
Cash and cash equivalents at end of year	26	1,030,394	2,037,665

The notes on pages 107 to 209 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(All amounts in RMB Yuan thousands unless otherwise stated)

1 General information

The Company was incorporated in the Cayman Islands on 2 November 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket square, Hutchins Drive, PO Box 2618, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the “**Group**”) are principally engaged in property development, property management, hotel operations and commercial property investment in the People's Republic of China (the “**PRC**”).

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 5 December 2019.

These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Since January 2020, the epidemic of Coronavirus Disease 2019 (the “**COVID-19**”) has spread across China and other countries. COVID-19 may affect the financial performance and position of the industry of real estate including the construction and delivery of properties, rental income, revenue from hotel operations and so on. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. The Directors consider the epidemic would not have a significant impact on the Group's operating results in 2021. The Group will closely monitor the development of the COVID-19 and continue to evaluate its impact on the financial position and operating results of the Group.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 (“**HKCO**”).

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Going concern basis

For the year ended 31 December 2021, the Group recorded a net cash outflow from operation of RMB1,718 million. As at 31 December 2021, the Group had total bank and other borrowings of RMB4,496 million, of which RMB2,239 million were current bank and other borrowings repayable within 12 months, while the Group's cash and cash equivalents amounted to RMB1,030 million.

The Group did not fulfill one of the financial covenants as required by the agreement of a syndicated loan (the "**Syndicated Loan**") amounting to RMB523 million as at 31 December 2021, which constituted an event of default and resulted in the Syndicated Loan becoming immediately repayable if requested by the lenders. Consequently, the non-current portion of the Syndicated Loan amounting to RMB354 million with the original contractual repayment dates beyond 31 December 2022 was reclassified and presented as current liabilities.

The business of the Group is subject to extensive governmental regulations and macro-economic control measures of the real estate sector implemented by the PRC government from time to time, and some of these policies and measures may have unfavourable impact to the working capital available to the Group.

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

In view of such circumstances, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The following plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position:

- (i) Subsequent to 31 December 2021, the Group successfully obtained written waiver from the lenders of the Syndicated Loan to waive the requirement from compliance with the relevant financial covenant for the year ended 31 December 2021 and for the 12 months ending 30 June 2022. The Group will continue to monitor its compliance with the covenant requirements before the expiry, which is 29 December 2023, of the Syndicated Loan. Should the Group be unable to comply with any covenant requirements, the management of the Company will discuss and negotiate with the respective lenders and will seek to obtain a waiver of compliance with the covenant requirements from the lenders or to revise the terms and covenant requirements, if needed;
- (ii) In January 2022, the Group successfully exchanged its senior notes with an aggregate principal amount of US\$152 million (equivalent to RMB970 million) due on 7 February 2022 with a newly issued senior notes of the same amount due on 26 January 2023 (the "**New Senior Notes**"). The Group will closely monitor its liquidity position to satisfy the repayment of the New Senior Notes by the due date and will also negotiate with the lenders to seek their agreement for further extended maturity, if needed;

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Going concern basis (continued)

- (iii) The Group had unutilised uncommitted project loan facilities and general facilities of RMB783 million as at 31 December 2021 and will also work with the banks to extend such facilities and to secure new facilities to provide sufficient funding for the Group's project related payments or other operating expenditures. The Directors are of the opinion that such banking facilities will be successfully renewed when they expire;
- (iv) The Group will continue to implement plans and measures to accelerate the pre-sales and sales of its properties under development and completed properties held for sale, and to speed up the collection of outstanding sales proceeds;
- (v) As at 31 December 2021, the Group's restricted cash amounted to RMB1,269 million, which mainly represented the restricted pre-sale proceeds in designated bank accounts and can be used to settle certain construction payables or project loans subject to the approval of the local State-Owned Land and Resource Bureau. The Group will closely monitor the process of construction of its property development projects to ensure that construction and related payments are fulfilled, the relevant properties sold under pre-sale arrangement are completed and delivered to the customers on schedule as planned, such that the Group is able to release restricted cash to meet its other financial obligations; and
- (vi) The Group will also continue to seek for other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating expenditure.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2021. In the opinion of the Directors, in light of the above and taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2021. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cashflows through:

- (i) Continuous compliance by the Group of the terms and conditions of the Syndicated Loan and other borrowings and, where applicable, successful negotiation with the lenders to obtain waiver or to revise the terms and conditions of the borrowings for the continuous compliance thereof as and when needed;

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Going concern basis (continued)

- (ii) Successful and timely extension and renewal of its banking facilities and its bank and other borrowings, including project loans, upon maturity as well as obtaining new financing from financial institutions; in particular the successful negotiation with the lenders to secure their agreement to exchange the Group's New Senior Notes maturing in January 2023 with new senior notes with further extended maturity. The Group's ability to obtain these financing depends on (1) current and ongoing regulatory environments and how the relevant policies and measures might affect the Group and/or the relevant financial institutions; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions for such extension or renewal; and (3) the Group's ability to continuously comply with the relevant terms and conditions of its bank and other borrowings including the senior notes;
- (iii) Successful implementation of the plans and measures to accelerate the pre-sales and sales of properties under developments and completed properties held for sale, and timely collection of the relevant sales proceeds;
- (iv) Successful completion and delivery of properties to the customers on schedule such that restricted pre-sale proceeds in the designated bank accounts will be released to meet its other financial obligations as planned; and
- (v) Successful in obtaining other additional sources of financing other than those mentioned above as and when needed.

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

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) New standards, amended standards and interpretation adopted by the Group

Amendments to HKFRS 16	COVID-19-related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform Phase 2

The adoption of new and amended standards and interpretation did not have any material impact on the consolidated financial statements of the Group.

(e) New standards and amendments not yet adopted

The following new standards and amendments have been published that are not mandatory for the year ended 31 December 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	Originally 1 January 2021, but extended to 1 January 2023 by the HKICPA
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	Originally 1 January 2022, but extended to 1 January 2023 by the HKICPA
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
Accounting Guideline 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(e) New standards and amendments not yet adopted (continued)

		Effective for accounting periods beginning on or after
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies “Classification of Liabilities as Current or Non-current – Amendments to HKAS 1”
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
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group’s assessment of these new standards and amendments did not identify a significant impact on the Group’s financial performance and position.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

Business combinations not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Business combination (continued)*

Business combinations not under common control (continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS. Acquisition-related costs are expensed as incurred.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

The consolidated financial statements incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Business combination (continued)*

Business combinations not under common control (continued)

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control consolidation.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or business are eliminated on consolidation.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category if equity as specified/permitted by applicable HKFRSs.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

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

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

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

The Group's share of post-acquisition profit or loss is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of an associate' in the statement of comprehensive income.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.3 Associates (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Gains or losses on dilution of equity interest in associates are recognised in profit or loss.

2.4 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depend on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in joint ventures, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in joint ventures equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognise the amount adjacent to 'share of results of joint ventures' in profit or loss.

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

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“**the CODM**”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within ‘finance income – net’. All other foreign exchange gains and losses are presented in profit or loss on a net basis within ‘Other gains – net’.

Changes in the fair value of debt securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(c) Group companies

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

- assets and liabilities for statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

Buildings	20-70 years
Vehicles and machinery	3-5 years
Others	3-10 years

Buildings mainly comprise office buildings and hotel buildings.

Furniture, fittings and equipment include assets received in the form of free store fit outs are recognised at their fair value. These assets and other leasehold improvements are depreciated over the shorter of their useful life or the lease term, unless the entity expects to use the assets beyond the lease term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains – net' in profit or loss.

Assets under construction are stated at historical cost less any impairment loss. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of lands during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

2.8 Intangible assets

Intangible assets mainly comprised of computer software, which are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 5 years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

2.9 Investment properties

Investment properties are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under leases are accounted for as investment properties when the rest of the definition of an investment property is met. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, representing open market value determined at each statement of financial position date by external valuer. Property that is being constructed or developed for future use as investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.9 Investment properties (continued)

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

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

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values of investment property are recognised as 'Other gains – net' in the consolidated statement of comprehensive income.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.9 Investment properties (continued)

Completed properties held for sale are transferred to investment properties when it is evidenced by a change in use. Any difference between the fair value of the property at the date of transfer and its previous carrying amount shall be recognised in profit or loss.

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

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and charged directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

2.11 Inventories

Inventories mainly comprise of hotel goods, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average costs method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.12 Properties under development and completed properties held for sale

2.12.1 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

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

If a property under development becomes owner-occupied, it is reclassified as property, plant and equipment. A property under development for future use as investment property is classified as investment property under construction when there is evidence of commencement of an operating lease to another party.

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

2.12.2 Completed properties held for sale

Completed properties remaining unsold at reporting period end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.13 Investments and other financial assets

2.13.1 Classification

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

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

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

2.13.2 Recognition and derecognition

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

2.13.3 Measurement

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

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.13 Investments and other financial assets (continued)

2.13.3 Measurement (continued)

Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost is measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within 'other gains – net' in the period in which it arises.

Equity instruments

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

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'other gains – net' in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.14 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables from third parties and related parties are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.15 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

2.16 Offsetting financial instruments

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

2.17 Land use rights under properties under development and completed properties held for sale

Land use rights acquired and held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are included in properties under development or completed properties held for sale.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.18 Trade and other receivables

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

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 23 for further information about the Group's accounting for trade and other receivables and Note 3.1 for a description of the Group's impairment policies.

2.19 Contract assets and liabilities and costs for obtaining contracts

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer within contract costs if the Group expects to recover these costs.

2.20 Cash and cash equivalents, restricted cash

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

Bank deposits which are restricted to use are included in 'Restricted cash'. Restricted cash is excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.21 Share capital

Ordinary shares are classified as equity.

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

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.22 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payable are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

2.24 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.24 Borrowing costs (continued)

Other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2.25 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.25 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred income tax liability in relation to taxable temporary differences arising from the joint venture's or associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.26 Employee benefits

(a) Pension obligations

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.26 Employee benefits (continued)

(b) Housing funds, medical insurances and other social insurances

PRC employees of the Group are entitled to participate in various government supervised housing funds, medical insurance and other social insurance plan. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Mandatory Provident Fund Scheme

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by independent trustee. Under the MPF Scheme, the group companies in Hong Kong (the employer) and its employee make monthly contributions to the scheme at certain percentage of the employee's earnings as defined under the Mandatory Provident Fund Legislation.

2.27 Provisions and contingent liabilities

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties in the PRC and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when specific criteria have been met for each of the Group's activities, as described below.

(a) Sales of properties

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

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

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

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

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

In determine the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant. For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised and subsequently amortised when the related revenue is recognised.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.28 Revenue recognition (continued)

(b) Hotel operations

Revenue from hotel operations is recognised in the accounting period in which the services are rendered.

(c) Rental income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

(d) Property management

Revenue from rendering of property management services are recognised in the accounting period in which the related services are rendered.

(e) Construction services

For construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(f) Financial components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.29 Dividend income

Dividends are recognised as other income when the right to receive payment is established.

2.30 Leases

The Group leases various lands, buildings and equipment. Leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.30 Leases (continued)

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

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

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees; and
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

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

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.30 Leases (continued)

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

Right-of-use assets are measured at cost comprising the following:

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

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

(a) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfilment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

2.31 Dividend distribution

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

2.32 Financial guarantee contracts

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

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

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.32 Financial guarantee contracts (continued)

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.33 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(b) Diluted earnings per share

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

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

2.34 Government grants

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

2.35 Interest income

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

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risks), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factors

3.1.1 Market risk

(a) Foreign exchange risk

The Group's businesses are principally conducted in RMB. The monetary assets and liabilities of the Group's subsidiaries in the PRC are mainly denominated in RMB and the foreign exchange risk is immaterial. The non-PRC subsidiaries' functional currency is HK Dollar ("HK\$"). As at 31 December 2021 and 2020, major non-HK\$ assets and liabilities of the non-PRC subsidiaries are cash and cash equivalents, restricted cash and bank and other borrowings, which are denominated in RMB or US\$. Fluctuation of the exchange rate of HK\$ against RMB or US\$ could affect the Group's results of operations.

The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk. However, management of the Group monitors foreign exchange risk exposure and will consider hedging significant foreign exchange risk exposure should the need arise.

The carrying amount of non-PRC subsidiaries' foreign currency denominated monetary assets and liabilities at the respective dates of consolidated statements of financial position are as follows:

Financial assets	As at 31 December	
	2021 RMB'000	2020 RMB'000
RMB	260,645	182,836
US\$	12,693	471,834
	273,338	654,670

Financial liabilities	As at 31 December	
	2021 RMB'000	2020 RMB'000
US\$	1,012,507	974,143
	1,012,507	974,143

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.1 Market risk (continued)

(a) Foreign exchange risk (continued)

The following table shows the sensitivity analysis of a 5% change in HK\$ against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% strengthened/weakened in HK\$ against the relevant currencies, the effects of post tax profit for the year are as follows:

	Increase/(decrease) in post-tax profit for the year	
	2021 RMB'000	2020 RMB'000
HK\$ against RMB:		
Strengthened by 5%	(10,882)	(7,633)
Weakened by 5%	10,882	7,633

	Increase/(decrease) in post-tax profit for the year	
	2021 RMB'000	2020 RMB'000
HK\$ against US\$:		
Strengthened by 5%	41,742	20,971
Weakened by 5%	(41,742)	(20,971)

The aggregate net foreign exchange gains recognised in profit or loss were RMB57,000 (2020: RMB17,413,000).

(b) Cash flow and fair value interest rate risks

The Group's main interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at floating rates expose the Group to cash flow interest rate risk which is partially offset by cash held at floating rates. During 2021 and 2020, the Group's borrowings at variable rate were mainly denominated in RMB and HK\$.

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arises.

As at 31 December 2021, bank and other borrowings of the Group bearing floating interest rates amounted to approximately RMB3,003,563,000 (2020: RMB1,631,401,000).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.1 Market risk (continued)

(b) *Cash flow and fair value interest rate risks (continued)*

The table below summarises the impact of changes in interest rate as at 31 December 2021 with all other variables held at constant on the Group's post-tax profit for the year.

	Increase/(Decrease) in post-tax profit for the year ended 31 December	
	2021 RMB'000	2020 RMB'000
Interest rate of bank and other borrowings at variable rates – increase 0.5% (2020: 0.5%)	(11,263)	(6,118)
Interest rate of bank and other borrowings at variable rates – decrease 0.5% (2020: 0.5%)	11,263	6,118

3.1.2 Credit risk

The Group has no concentrations on credit risk. The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents (excluding cash on hand), restricted cash, trade and other receivables and amounts due from related parties shown in the consolidated balance sheets.

Cash transactions are limited to high credit quality institutions. Deposits are only placed with reputable banks.

For the trade receivables arising from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Detailed disclosure of these guarantees is made in Note 32. The Group managed the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loans financing procedures before delivery of properties unless strong credit records of the customers could be established. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

For the trade receivables arising from customers for properties sold or services performed in the ordinary course of business, due to the aging of receivables is mainly within one year, the Group regularly reviews the recoverable amount of each individual trade receivable to ensure the adequate impairment losses are made for irrecoverable amounts.

For other receivables, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

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

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(a) Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties and related parties.

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the days of initial recognition.

Trade receivables with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators of insolvencies include, amongst others, the failure of a debtor engage in a repayment plan with the Group, and a failure to make contractual payments. Trade receivables without known insolvencies are assessed on a collective basis based on shared credit risk characteristics.

The cost and loss allowance provision for trade receivables are categorised as follows for assessment purpose:

Individual: Trade receivables with known insolvencies

Collective: Other trade receivables

	2021		2020	
	Cost RMB'000	Loss allowance RMB'000	Cost RMB'000	Loss allowance RMB'000
Individual:				
– Trade receivables with known insolvencies	1,449	1,174	–	–
Collective:				
– Other trade receivables	71,116	550	11,985	–
	72,565	1,724	11,985	–

	Trade receivables	
	2021 RMB'000	2020 RMB'000
Opening loss allowance as at 1 January	–	–
Increase in loss allowance recognised in profit or loss during the year	1,724	–
Closing loss allowance as at 31 December	1,724	–

For the year ended 31 December 2021, the average expected loss rate on the gross carrying amount of trade receivables was 3% (2020: nil).

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(b) Other receivables

Other financial assets at amortised cost include other receivables from third parties and related parties.

For other receivables, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. The other receivables are mainly due from minority interests, deposits for acquisition of the land use rights and property development projects and others. Management considered these receivables to be low credit risk as they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Besides, management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

The Group uses three categories for other receivables which reflect their risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

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

Category	Group definition of category	Basis for recognition of expected credit loss provision	Expected credit loss rate
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime	0.1%-5%
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected credit losses	5%-23%
Stage three	Receivables for which there is credit loss since initial recognition	Lifetime expected credit losses	N/A

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(b) Other receivables (continued)

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

	Other receivables from non- controlling interests RMB'000	Other receivables from related parties RMB'000	Other receivables from third parties RMB'000	Total RMB'000
As at 31 December 2021				
Carry amount of other receivables	450,247	68,207	166,407	684,861
Expected credit loss rate	0.78%	1.65%	0.73%	0.86%
Loss allowance	(3,520)	(1,128)	(1,221)	(5,869)
Other receivables – net	446,727	67,079	165,186	678,992

	Other receivables from related parties RMB'000	Other receivables from third parties RMB'000	Total RMB'000
As at 31 December 2020			
Carry amount of other receivables	117,362	165,728	283,090
Expected credit loss rate	–	1.06%	0.62%
Loss allowance	–	(1,756)	(1,756)
Other receivables – net	117,362	163,972	281,334

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(b) *Other receivables (continued)*

The loss allowance provision for other receivables as at 31 December 2021 reconcile to the opening loss allowance for that provision as follows:

	Other receivables	
	2021 RMB'000	2020 RMB'000
Opening loss allowance as at 1 January	1,756	883
Increase in loss allowance recognised in profit or loss during the year	4,113	873
Closing loss allowance as at 31 December	5,869	1,756

For the year ended 31 December 2021, the average expected loss rate on the gross carrying amount of other receivables was 0.86% (2020: 0.62%).

As at 31 December 2021 and 2020, the maximum exposure to loss of trade and other receivables were the carrying amounts.

3.1.3 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through contract liabilities and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders and related parties. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include reducing land acquisition, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing and seeking joint venture partners to develop projects. The Group will pursue such options basing on its assessment of relevant future costs and benefits. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.3 Liquidity risk (continued)

The table below sets out the Group's financial liabilities by relevant maturity grouping at each statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2021					
Bank and other borrowings	2,488,728	880,119	1,184,551	505,448	5,058,846
Trade and other payables, excluding salaries payable, other taxes payable and contract liabilities	2,242,677	–	–	–	2,242,677
Lease liabilities	8,589	5,020	12,141	130,755	156,505
Guarantee in respect of mortgage facilities for certain purchasers	1,636,560	–	–	–	1,636,560
	6,376,554	885,139	1,196,692	636,203	9,094,588

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2020					
Bank and other borrowings	1,681,808	703,556	720,651	423,203	3,529,218
Trade and other payables, excluding salaries payable, other taxes payable and contract liabilities	1,570,701	–	–	–	1,570,701
Lease liabilities	8,315	6,520	13,240	134,586	162,661
Guarantee in respect of mortgage facilities for certain purchasers	1,341,643	–	–	–	1,341,643
	4,602,467	710,076	733,891	557,789	6,604,223

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner or sell assets to reduce debt.

The Group monitors capital on the basis of the net gearing ratio. Net gearing ratio represents the ratio of net debts (total borrowings net of cash and cash equivalents and restricted cash) divided by total equity as of the end of the respective year.

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Total borrowings	4,495,697	3,111,805
Less: Cash and cash equivalents	(1,030,394)	(2,037,665)
Restricted cash	(1,269,375)	(323,779)
Net debts	2,195,928	750,361
Total equity	4,778,839	4,453,051
Net gearing ratio	46.0%	16.9%

3.3 Financial instruments by category

	At 31 December 2021 Assets at amortised cost RMB'000
Assets as per consolidated statement of financial position	
Trade and other receivables (excluding prepayments)	679,307
Amounts due from related parties	70,527
Restricted cash	1,269,375
Cash and cash equivalents	1,030,394
Total	3,049,603

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.3 Financial instruments by category (continued)

	At 31 December 2020
	Assets at amortised cost RMB'000
Assets as per consolidated statement of financial position	
Trade and other receivables (excluding prepayments)	170,196
Amounts due from related parties	123,123
Restricted cash	323,779
Cash and cash equivalents	2,037,665
Total	2,654,763

	At 31 December 2021
	Liabilities at amortised cost RMB'000
Liabilities as per consolidated statement of financial position	
Bank and other borrowings	4,495,697
Lease liabilities	65,754
Trade and other payables (excluding salaries payable, other taxes payable and contract liabilities)	2,242,677
Total	6,804,128

	At 31 December 2020
	Liabilities at amortised cost RMB'000
Liabilities as per consolidated statement of financial position	
Bank and other borrowings	3,111,805
Lease liabilities	68,730
Trade and other payables (excluding salaries payable, other taxes payable and contract liabilities)	1,570,701
Total	4,751,236

(All amounts in RMB Yuan thousands unless otherwise stated)

4 Critical accounting estimates and judgements

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

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

(a) Estimates for net realisable value of properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties held for sale is determined by reference, to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there was no material impairment for properties under development and completed properties held for sale as at 31 December 2021 and 2020.

(b) Fair value of investment properties

The Group assesses the fair value of its investment properties based on assessments determined by an independent and professional qualified valuer.

The best evidence of fair value of investment properties is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flows projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The fair value gains from investment properties are disclosed in Note 19.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

4 Critical accounting estimates and judgements (continued)

(c) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax expenses or other comprehensive income in the periods in which such estimate is changed.

(d) PRC land appreciation tax (“LAT”)

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to LAT in the PRC. However, the implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with local tax authorities in the PRC for most of its properties projects. Accordingly, judgement is required in determining the amount of the land appreciation taxes. The Group recognised LAT based on management’s best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

(e) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.

5 Revenue and segment information

(a) Description of segments and principal activities

The executive directors, as the CODM of the Group, review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group is organised into four business segments: property development and sales, commercial property investment, hotel operations and property management.

As the CODM considers most of the Group’s consolidated revenue and results are attributable to the market in the PRC, and the Group’s consolidated non-current assets are substantially located in the PRC, no geographical information is presented.

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(b) Segment performance

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2021 is as follows:

	Property development and sales RMB'000	Commercial property investment RMB'000	Hotel operations RMB'000	Property management RMB'000	Total RMB'000
Segment revenue	1,932,452	–	79,156	36,300	2,047,908
Recognised at a point in time	1,932,452	–	–	–	1,932,452
Recognised over time	–	–	79,156	36,300	115,456
Revenue from other sources: rental income	–	29,959	–	–	29,959
Inter-segment revenue	–	(20,212)	(385)	(14,144)	(34,741)
Revenue from external customers	1,932,452	9,747	78,771	22,156	2,043,126
Gross profit	579,355	9,285	7,208	(12,623)	583,225
Selling and marketing expenses					(153,328)
Administrative expenses					(138,088)
Net impairment losses on financial assets					(5,837)
Other income					21,567
Other expenses					(1,223)
Other gains – net					33,430
Finance income – net					359
Share of profit of investments accounted for using the equity method (Note 16)	23,634	–	–	–	23,634
Profit before income tax					363,739
Income tax expense					(164,916)
Profit for the year					198,823
Depreciation and amortisation	14,818	–	14,065	193	29,076
Fair value losses on investment properties – net (Note 19)	–	(9,208)	–	–	(9,208)
Segment assets	13,180,743	280,044	279,917	9,637	13,750,341
Segment assets include: Investments accounted for using the equity method (Note 16)	140,394	–	–	–	140,394
Addition to non-current assets (other than financial instruments and deferred income tax assets)	5,459	–	1,745	741	7,945
Segment liabilities	3,967,252	7,142	22,615	26,197	4,023,206

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(b) Segment performance (continued)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2020 is as follows:

	Property development and sales RMB'000	Commercial property investment RMB'000	Hotel operations RMB'000	Property management RMB'000	Total RMB'000
Segment revenue	2,248,822	–	61,929	32,856	2,343,607
Recognised at a point in time	2,248,822	–	–	–	2,248,822
Recognised over time	–	–	61,929	32,856	94,785
Revenue from other sources: rental income	–	30,126	–	–	30,126
Inter-segment revenue	–	(11,565)	(539)	(14,565)	(26,669)
Revenue from external customers	2,248,822	18,561	61,390	18,291	2,347,064
Gross profit	899,085	16,339	(802)	(1,886)	912,736
Selling and marketing expenses					(124,629)
Administrative expenses					(140,958)
Net impairment losses on financial assets					(873)
Other income					15,826
Other expenses					(4,105)
Other gains – net					86,721
Finance costs – net					(13,279)
Share of profit of investments accounted for using the equity method (<i>Note 16</i>)	53,071	–	–	–	53,071
Profit before income tax					784,510
Income tax expense					(306,113)
Profit for the year					478,397
Depreciation and amortisation	12,825	–	14,808	133	27,766
Fair value gains on investment properties – net (<i>Note 19</i>)	–	68,042	–	–	68,042
Segment assets	10,126,260	289,252	363,964	6,727	10,786,203
Segment assets include:					
Investments accounted for using the equity method (<i>Note 16</i>)	108,743	–	–	–	108,743
Addition to non-current assets (other than financial instruments and deferred income tax assets)	14,560	–	2,799	246	17,605
Segment liabilities	2,811,114	6,912	20,124	9,840	2,847,990

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

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(b) Segment performance (continued)

(i) Segment assets

The amounts provided to the executive directors with respect to segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The Group's deferred income tax assets are not considered to be segment assets but rather are managed on a central basis.

Segment assets are reconciled to total assets as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Segment assets	13,750,341	10,786,203
Unallocated:		
– Deferred income tax assets	176,033	100,234
Total assets	13,926,374	10,886,437

(ii) Segment liabilities

The amounts provided to the executive directors with respect to segment liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's current and deferred income tax liabilities and borrowings are not considered to be segment liabilities but rather are managed on a central basis.

Segment liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Segment liabilities	4,023,206	2,847,990
Unallocated:		
– Current income tax liabilities	430,363	348,822
– Deferred income tax liabilities	198,269	124,769
– Short-term borrowings and current portion of long-term borrowings	2,238,921	1,542,827
– Long-term borrowings	2,256,776	1,568,978
Total liabilities	9,147,535	6,433,386

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(c) Assets and liabilities related to contracts with customers

- (i) The Group has recognised the following assets related to contracts with customers:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Sale commissions	39,885	18,746

Management expects the incremental costs, only including sale commissions, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. For the year ended 31 December 2021, the amount of amortisation was RMB79,198,000 (2020: RMB64,155,000). There was no impairment loss in relation to the costs capitalised.

- (ii) The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Contract liabilities related to sales of properties	1,557,643	1,029,559
Contract liabilities related to others	7,560	6,442
	1,565,203	1,036,001

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

The following table shows how much of the revenue recognised for the year ended 31 December 2021 related to carried-forward contract liabilities:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sales of properties	926,687	926,909
Others	6,442	6,080
	933,129	932,989

- (iii) The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities, which are expected to be recognised in 1 to 3 years as at 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

6 Expenses by nature

Expenses by nature included in cost of sales, selling and marketing expenses and administrative expenses are analysed as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Cost of properties sold – including construction cost, land cost and interest cost	1,317,929	1,318,390
Employee benefit expenses (including directors' emoluments) (Note 10)	148,822	140,251
Employee benefit expenditure – including directors' emoluments	166,028	158,331
Less: capitalised in properties under development	(17,206)	(18,080)
Commission fees	79,198	64,155
Hotel operations expenses	36,276	33,088
Business taxes and other levies	17,803	20,157
Advertising costs	51,069	40,447
Entertainment expenses	17,443	17,746
Depreciation and amortisation of intangible assets and right-of-use assets	29,076	27,766
Office and travelling expenses	10,420	10,938
Auditor's remuneration	4,450	4,500
– Audit services	3,700	3,700
– Non-audit services	750	800
Property management fees	7,580	5,509
Others	31,251	16,968
Total	1,751,317	1,699,915

7 Other income

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Government grants	17,541	8,425
Forfeited customer deposits	1,105	1,127
Others	2,921	6,274
	21,567	15,826

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

8 Other expenses

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Donations	492	3,784
Others	731	321
	1,223	4,105

9 Other gains – net

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Interest on financial assets at fair value through profit or loss	2,531	3,844
(Losses)/gains on disposals of property, plant and equipment	(78)	157
Fair value (losses)/gains on investment properties (Note 19)	(9,208)	68,042
Fair value gain on the remeasurement of investment in a joint venture (Note 37)	34,121	–
Gains on disposal of subsidiaries	–	151
Net foreign exchange gains	6,064	14,527
	33,430	86,721

10 Employee benefit expenses

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Wages, salaries and bonuses and other benefits	157,288	154,958
Pension costs – statutory pension	8,740	3,373
	166,028	158,331
Less: capitalised in properties under development	(17,206)	(18,080)
	148,822	140,251

(All amounts in RMB Yuan thousands unless otherwise stated)

10 Employee benefit expenses (continued)**(a) Pensions scheme – defined contribution plans**

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary to the scheme to fund the retirement benefits of the employees.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "**MPF Scheme**"), a defined contribution scheme managed by independent trustee. Under the MPF Scheme, the group companies in Hong Kong (the employer) and its employees make monthly contributions to the scheme at certain percentage of the employee's earnings as defined under the Mandatory Provident Fund Legislation.

(b) Five highest paid individuals

Four individuals whose emoluments were the highest in the Group were directors (2020: five), whose emoluments are reflected in the analysis in Note 39. The emoluments payable to the remaining individuals during the years 2021 and 2020 are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Wages, salaries and bonuses and other benefits	1,617	–
Pension costs – statutory pension	15	–
	1,632	–

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2021	2020
Nil – HK\$1,000,000	–	–
HK\$1,000,001 – HK\$1,500,000	–	–
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,000,001 – HK\$2,500,000	–	–
	1	–

During the years ended 31 December 2021 and 2020, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

11 Finance (income)/costs – net

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Finance costs		
– Interest expense on bank and other borrowings	242,526	269,124
– Interest expense on leases	3,208	3,261
– Net exchange losses/(gains) on foreign currency borrowings	6,007	(2,886)
Less:		
– Interest capitalised	(233,670)	(235,007)
	18,071	34,492
Finance income		
– Interest income from bank deposits	(18,430)	(21,213)
Finance (income)/costs – net	(359)	13,279

(All amounts in RMB Yuan thousands unless otherwise stated)

12 Income tax expense

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Current income tax:		
– Corporate income tax	95,274	103,269
– Land appreciation tax	58,667	129,032
	153,941	232,301
Deferred income tax		
– Corporate income tax	10,975	75,701
– Land appreciation tax	–	(1,889)
	10,975	73,812
	164,916	306,113

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the group entities as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit before income tax	363,739	784,510
Calculated at tax rate of 25%	90,935	196,128
Effects of:		
– Different tax rates available to different subsidiaries of the Group	12,676	8,176
– Land appreciation tax deductible for PRC corporate income tax purposes	(14,667)	(31,786)
– Expenses and development costs not deductible for tax purposes	31,744	19,716
– Income not subject to tax	(14,439)	(13,264)
– Land appreciation tax	58,667	127,143
Income tax expense	164,916	306,113

(a) PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group entities located in Mainland China is 25%.

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate can be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for the undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings out of the Mainland China in the foreseeable future.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

12 Income tax expense (continued)

(b) PRC land appreciation tax

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

(c) Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the BVI Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

(d) Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the group companies did not have assessable profit in Hong Kong for the year ended 31 December 2021 (2020: nil).

13 Earnings per share

In determining the weighted average number of ordinary shares in issue during the years ended 31 December 2021 and 2020, the ordinary shares issued upon the incorporation of the Company, the ordinary shares issued to capitalisation of loan due to ultimate controlling shareholder on 12 November 2019 and the capitalisation issue on 13 November 2019, were deemed to be issued on 1 January 2018 as if the Company has been incorporated by then.

	Year ended 31 December	
	2021	2020
Profit attribute to owners of the Company (RMB'000)	216,446	485,203
Weighted average number of ordinary shares in issue (in thousand)	1,646,173	1,646,173
Earnings per share – basic (RMB per share)	0.13	0.29
Earnings per share – diluted (RMB per share)	0.13	0.29

The Company had no dilutive potential shares in issue, thus the diluted earnings per share equals the basic earnings per share.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

14 Dividend

Dividends paid in 2021 consist of (i) the payment of the 2020 final cash dividend of RMB6.73 cents per ordinary share totalling RMB110,787,000 (equivalent to HK\$134,328,000), and (ii) 2021 interim cash dividend of RMB3.63 cents per ordinary share totalling RMB59,756,000 (equivalent to HK\$71,773,000).

A final dividend in respect of the year ended 31 December 2021 of RMB0.97 cent per ordinary share, amounting to a total dividend of RMB15,968,000, is to be proposed at the annual general meeting on 23 June 2022. These financial statements do not reflect this dividend payable.

15 Deferred income tax

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Deferred income tax assets		
– to be realised within 12 months	147,103	81,137
– to be realised after more than 12 months	28,930	19,097
	176,033	100,234
Deferred income tax liabilities		
– to be realised within 12 months	–	–
– to be realised after more than 12 months	198,269	124,769
	(22,236)	(24,535)

(a) Deferred income tax assets

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Beginning of the year	104,026	130,187
Recognised in profit or loss	31,736	(6,462)
Change from a joint venture to a subsidiary	22,518	–
Others	18,713	–
Disposal of subsidiaries	–	(19,699)
End of year	176,993	104,026
Offsetting with deferred income tax liabilities	(960)	(3,792)
Net deferred income tax assets	176,033	100,234

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

15 Deferred income tax (continued)

(a) Deferred income tax assets (continued)

Movement of deferred income tax assets without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Tax losses	Deductible temporary differences of expenses and cost of sales	Temporary difference in sales recognition and related cost of sales	Elimination of unrealised profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	59,122	13,693	32,812	24,560	130,187
Recognised in profit or loss	(14,113)	8,296	(18,793)	18,148	(6,462)
Disposal of a subsidiary	(19,699)	–	–	–	(19,699)
At 31 December 2020	25,310	21,989	14,019	42,708	104,026
Recognised in profit or loss	11,317	10,148	21,985	(11,714)	31,736
Change from a joint venture to a subsidiary	14	–	22,504	–	22,518
Others	–	18,713	–	–	18,713
At 31 December 2021	36,641	50,850	58,508	30,994	176,993

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable.

(b) Deferred income tax liabilities

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Beginning of the year	128,561	190,198
Change from a joint venture to a subsidiary	27,957	–
Disposal of subsidiaries	–	(128,987)
Recognised in profit or loss	42,711	67,350
End of the the year	199,229	128,561
Offsetting with deferred income tax assets	(960)	(3,792)
Net deferred income tax liabilities	198,269	124,769

(All amounts in RMB Yuan thousands unless otherwise stated)

15 Deferred income tax (continued)**(b) Deferred income tax liabilities (continued)**

Movement of deferred income tax liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Fair value gains on investment properties	Excess of carrying amounts of completed properties held for sale over the tax bases	Interest capitalisation	Revaluation surplus arising from property development	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	26,658	8,714	35,612	119,214	190,198
Disposal of a subsidiary	–	(11,661)	–	(117,326)	(128,987)
Recognised in profit or loss	17,009	2,947	49,282	(1,888)	67,350
At 31 December 2020	43,667	–	84,894	–	128,561
Change from a joint venture to a subsidiary	–	–	5,656	22,301	27,957
Recognised in profit or loss	(2,302)	–	45,013	–	42,711
At 31 December 2021	41,365	–	135,563	22,301	199,229

As at 31 December 2021, deferred income tax liabilities of RMB168,738,000 (2020: RMB143,507,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries incorporated in the PRC. Unremitted earnings totalled RMB1,687,380,000 as at 31 December 2021 (2020: RMB1,435,074,000), as the Group does not have a plan to distribute these earnings out of the PRC in the foreseeable future.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Investments accounted for using the equity method

The amounts recognised in the balance sheet are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Investments in a joint venture	–	24,543
Investments in associates	140,394	84,200
	140,394	108,743

The amounts recognised in the statement of comprehensive income are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
A joint venture (Note (a))	(5,404)	(2,457)
Associates (Note (b))	29,038	55,528
	23,634	53,071

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Investments accounted for using the equity method (continued)**(a) A joint venture**

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Opening balances	24,543	–
Additions	196,348	27,000
Share of results	(5,404)	(2,457)
Transfer to a subsidiary (Note 37)	(215,487)	–
Ending balances	–	24,543

- (i) The Group's interest in a joint venture is accounted using equity method. The aggregate amount of the Group's share of loss from the joint venture for the year ended 31 December 2021 was RMB5,404,000 (2020: RMB2,457,000). As at 31 December 2021, the Group's share of loss of a joint venture exceeds its interest in the underlying entity, and the unrecognised share of loss of the joint venture amounted to RMB18,909,000 (31 December 2020: RMB1,715,000).
- (ii) Nature of investment in a joint venture as at 31 December 2021:

Name of entity	Place of business/ country of incorporation	Principal activities	% of ownership interest		Measurement method
			As at 31 December		
			2021	2020	
Zhongshan Jingyue Investment Co., Ltd. ("Zhongshan Jingyue") 中山市景悦投資有限公司	PRC	Property development	50%	50%	Equity
Guangzhou Xinze Jiyong Real Estate Development Co., Ltd ("Guangzhou Xinze") 廣州鑫澤集永房地產開發有限公司	PRC	Property development	N/A	51%	Equity

- (iii) As at 31 December 2021 and 2020, there were no significant contingencies relating to the Group's interest in the joint venture.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Investments accounted for using the equity method (continued)

(a) A joint venture (continued)

(iv) Summarised financial information for a joint venture

Set out below is the summarised financial information for Zhongshan Jingyue:

Summarised balance sheets

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Non-current assets	20,048	20,131
Current assets		
Cash and cash equivalents	3,125	27,234
Trade and other receivables	127,815	76,570
Completed properties held for sale	776,784	803,970
Total assets	927,772	927,905
Non-current liabilities (<i>Note (v)</i>)	738,757	875,154
Current liabilities (<i>Note (v)</i>)	226,833	56,181
Total liabilities	965,590	931,335
Net assets	(37,818)	(3,430)
The Group's share in %	50%	50%
Carrying amount	(18,909)	(1,715)

- (v) Current and non-current secured bank borrowings included in current and non-current liabilities totalling amounted to RMB751,850,000 (2020: RMB815,776,000).

Summarised statements of comprehensive income

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue	49,107	9,878
Cost of sales	(32,948)	(5,182)
Administrative expenses	(1,281)	(319)
Interest expense	(50,074)	(10,810)
Other income	808	4
Loss for the year	(34,388)	(6,429)
Total comprehensive loss for the year	(34,388)	(6,429)

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Investments accounted for using the equity method (continued)**(b) Associates**

The movement of investment in associates is as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Opening balances	84,200	29,653
Additions	55,346	–
Dividends received	(30,000)	–
Share of results	29,038	55,528
Realisation/(elimination) of unrealised profits	1,810	(981)
Ending balances	140,394	84,200

(i) Nature of investment in associates as at 31 December 2021:

Name of entity	Place of business/ country of incorporation	Principal activities	% of ownership interest		Measurement method
			As at 31 December		
			2021	2020	
Guangzhou Nansha Donghuzhou Real Estate Development Co., Ltd. ("Donghuzhou") 廣州市南沙東湖洲房地產有限公司	PRC	Property development	30%	30%	Equity
Guangzhou Jingke Property Service Co., Ltd. 廣州景科物業服務有限公司	PRC	Property management	49%	N/A	Equity
Nanjing Longguang Jingye Property Service Co., Ltd. 南京龍光景業物業服務有限公司	PRC	Property management	49%	N/A	Equity
Guangzhou Zhujing Real Estate Development Co., Ltd. ("Guangzhou Zhujing") 廣州珠景房地產開發有限公司	PRC	Property development	55%	N/A	Equity

(ii) As at 31 December 2021 and 2020, there were no significant contingencies relating to the Group's interests in the associates.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Investments accounted for using the equity method (continued)

(b) Associates (continued)

(iii) Summarised financial information for associates

Set out below is the summarised financial information for Donghuzhou:

Summarised balance sheets

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Non-current assets	–	–
Completed properties held for sale	310,563	363,487
Cash and cash equivalents	111,522	180,418
Trade and other receivables and prepayments	117,206	30,101
Current assets	539,291	574,006
Total assets	539,291	574,006
Current liabilities	245,482	293,341
Total liabilities	245,482	293,341
Net assets	293,809	280,665
The Group's share in %	30%	30%
Carrying amount	88,143	84,200

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Investments accounted for using the equity method (continued)**(b) Associates (continued)****(iii) Summarised financial information for associates (continued)****Summarised statement of comprehensive income**

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue	373,698	713,672
Cost of sales	(148,592)	(304,951)
Gross profit	225,106	408,721
Administrative expenses	(488)	(304)
Selling expenses	(19,593)	(16,126)
Finance income/(costs)	1,022	(4,723)
Other income	495	107
Other expenses	(129)	(565)
Profit before income tax	206,413	387,110
Income tax expense	(99,301)	(202,017)
Total comprehensive income for the year	107,112	185,093
Dividends received from an associate	30,000	–

In addition to the interests in associates disclosed above, the Group also has interests in a number of individuals immaterial associates that are accounted for using the equity method.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Aggregate carrying amount of individually immaterial associates	52,251	–
Aggregate amounts of the Group's share of:		
Loss from continuing operations	(3,096)	–
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive loss	(3,096)	–

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

17 Property, plant and equipment

	Buildings	Vehicles and machinery	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 2020				
Cost	347,662	16,419	12,036	376,117
Accumulated depreciation	(42,091)	(5,545)	(8,217)	(55,853)
Net book amount	305,571	10,874	3,819	320,264
Year ended 31 December 2020				
Opening net book amount	305,571	10,874	3,819	320,264
Additions	492	4,389	4,395	9,276
Disposals	–	(117)	(30)	(147)
Transfer to investment properties	(10,077)	–	–	(10,077)
Depreciation	(13,197)	(2,723)	(1,304)	(17,224)
Exchange difference	–	(274)	(11)	(285)
Closing net book amount	282,789	12,149	6,869	301,807
At 31 December 2020				
Cost	330,863	19,867	16,145	366,875
Accumulated depreciation	(48,074)	(7,718)	(9,276)	(65,068)
Net book amount	282,789	12,149	6,869	301,807
Year ended 31 December 2021				
Opening net book amount	282,789	12,149	6,869	301,807
Additions	–	2,013	3,610	5,623
Disposals	–	(89)	(58)	(147)
Depreciation	(12,497)	(4,031)	(2,065)	(18,593)
Exchange difference	–	(26)	–	(26)
Closing net book amount	270,292	10,016	8,356	288,664
At 31 December 2021				
Cost	330,863	21,242	18,699	370,804
Accumulated depreciation	(60,571)	(11,226)	(10,343)	(82,140)
Net book amount	270,292	10,016	8,356	288,664

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

17 Property, plant and equipment (continued)

Depreciation of the property, plant and equipment has been charged to profit or loss or capitalised in properties under development as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Selling and marketing expenses	343	309
Administrative expenses	4,828	3,339
Cost of sales	13,219	13,417
	18,390	17,065
Properties under development	203	159
	18,593	17,224

As at 31 December 2021, the following net book amount of buildings were pledged as collateral for the Group's bank and other borrowings:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Buildings	248,843	260,917

As at 31 December 2021, buildings mainly comprised of hotels of RMB248,843,000 (2020: RMB260,917,000) which are located in the PRC.

18 Right-of-use assets

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Lands (Note (a))	240,102	245,876
Buildings	8,851	12,320
	248,953	258,196

(a) The amounts mainly comprise the prepaid leases of land contracting fee on agricultural land and forest land, which are amortised under the contracting terms.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

18 Right-of-use assets (continued)

- (b) The movement of right-of-use assets is shown in the table below for the years ended 31 December 2021 and 2020:

	Lands RMB'000	Buildings RMB'000	Total RMB'000
At 1 January 2020			
Cost	265,532	25,060	290,592
Accumulated amortisation	(16,264)	(13,951)	(30,215)
Net book amount	249,268	11,109	260,377
Year ended 31 December 2020			
Opening net book amount	249,268	11,109	260,377
Additions	2,640	5,007	7,647
Amortisation	(6,032)	(3,848)	(9,880)
Exchange difference	–	52	52
Closing net book amount	245,876	12,320	258,196
At 31 December 2020			
Cost	268,172	30,119	298,291
Accumulated amortisation	(22,296)	(17,799)	(40,095)
Net book amount	245,876	12,320	258,196
Year ended 31 December 2021			
Opening net book amount	245,876	12,320	258,196
Additions	–	497	497
Amortisation	(5,774)	(3,876)	(9,650)
Exchange difference	–	(90)	(90)
Closing net book amount	240,102	8,851	248,953
At 31 December 2021			
Cost	268,172	30,526	298,698
Accumulated amortisation	(28,070)	(21,675)	(49,745)
Net book amount	240,102	8,851	248,953

- (c) As at 31 December 2021, lands with net book value of RMB12,720,000 (2020: RMB13,263,000), were pledged as collateral for the Group's bank and other borrowings (Note 29).
- (d) Amortisation of the right-of-use assets has been charged to profit or loss or capitalised in assets under construction as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Administrative expenses	8,800	9,030
Cost of sales	850	850
	9,650	9,880

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

19 Investment properties

	As at 31 December 2021		
	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Opening net book value	235,062	54,190	289,252
Fair value losses – net	(9,078)	(130)	(9,208)
Closing net book value	225,984	54,060	280,044

	As at 31 December 2020		
	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Opening net book value	187,703	–	187,703
Transfer from properties under development	–	15,489	15,489
Transfer from properties held for sale	7,941	–	7,941
Transfer from property, plant and equipment	–	10,077	10,077
Fair value gains – net	39,418	28,624	68,042
Closing net book value	235,062	54,190	289,252

As at 31 December 2021, investment properties of RMB179,484,000 (2020: RMB197,902,000) were pledged as collateral for the Group's bank and other borrowings (Note 29).

Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Rental income	8,533	7,432
Direct operating expenses from investment properties that generate rental income	(1,034)	(1,078)
Fair value (losses)/gains	(9,208)	68,042
	(1,709)	74,396

The investment properties are located in the PRC and are held on leases of between 40 to 50 years.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

19 Investment properties (continued)

(a) Fair value hierarchy

An independent valuation of the Group's completed investment properties and investment properties under construction were performed by the independent and professionally qualified valuer to determine the fair value of the investment properties as at 31 December 2021 and 2020. The revaluation gains or losses are included in 'Other gains – net' in the consolidated statements of comprehensive income.

As at 31 December 2021 and 2020, as certain of significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy (Note 2.9). The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers in or out of fair value hierarchy levels for the year ended 31 December 2021 and 2020.

(b) Valuation processes of the Group

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

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months for the years ended 31 December 2021 and 2020.

At each financial year end, the financial department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

(c) Valuation techniques

Fair value of completed investment properties of retail properties and investment properties under construction of buildings are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Fair values of lands are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

19 Investment properties (continued)

(c) Valuation techniques (continued)

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

There were no changes to the valuation techniques for the year ended 31 December 2021.

	Property category	Fair value at 31 December 2020	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Retail properties	176,712,000	Term and reversionary method	Market rents (RMB/square metre)	115-229	The higher the market price, the higher the fair value
				Term and reversionary yields	4.00%-4.50%	The higher the term yields, the lower the fair value
	Retail properties	58,350,000	Term and reversionary method	Market rents (RMB/square metre)	117-124	The higher the market price, the higher the fair value
				Term and reversionary yields	3.50%-4.00%	The higher the term yields, the lower the fair value
Investment properties under construction	Land	33,000,000	Direct comparison	Market price (RMB/square metre)	1,960	The higher the market price, the higher the fair value
				Term and reversionary yields	5.13%	The higher the term yields, the lower the fair value
	Land	6,000,000	Direct comparison	Market price (RMB/square metre)	2,593	The higher the market price, the higher the fair value
				Term and reversionary yields	5.13%	The higher the term yields, the lower the fair value
	Buildings	15,190,000	Term and reversionary method	Market rents (RMB/square metre)	27	The higher the market price, the higher the fair value
				Term and reversionary yields	5.00%	The higher the term yields, the lower the fair value

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

19 Investment properties (continued)

(c) Valuation techniques (continued)

	Property category	Fair value at 31 December 2021	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Retail properties	179,484,000	Term and reversionary method	Market rents (RMB/square metre)	104-232	The higher the market price, the higher the fair value
				Term and reversionary yields	4.00%-4.50%	The higher the term yields, the lower the fair value
Investment properties under construction	Retail properties	46,500,000	Term and reversionary method	Market rents (RMB/square metre)	116-122	The higher the market price, the higher the fair value
				Term and reversionary yields	3.50%-4.25%	The higher the term yields, the lower the fair value
	Land	33,000,000	Direct comparison	Market price (RMB/square metre)	1,971	The higher the market price, the higher the fair value
				Term and reversionary yields	5.13%	The higher the term yields, the lower the fair value
	Land	6,000,000	Direct comparison	Market price (RMB/square metre)	2,596	The higher the market price, the higher the fair value
				Term and reversionary yields	5.13%	The higher the term yields, the lower the fair value
Buildings	15,060,000	Term and reversionary method	Market rents (RMB/square metre)	27	The higher the market price, the higher the fair value	
			Term and reversionary yields	5.00%	The higher the term yields, the lower the fair value	

As at 31 December 2021 and 2020, the period of leases whereby the Group leases out its investment properties held in the PRC were between 1 to 8 years.

(All amounts in RMB Yuan thousands unless otherwise stated)

20 Intangible assets

	Computer software RMB'000
Year ended 31 December 2020	
Opening net book amount	2,582
Additions	682
Disposal	–
Amortisation	(821)
Closing net book amount	2,443
At 31 December 2020	
Cost	5,370
Accumulated amortisation	(2,927)
Net book amount	2,443
Year ended 31 December 2021	
Opening net book amount	2,443
Additions	1,825
Disposal	–
Amortisation	(1,036)
Closing net book amount	3,232
At 31 December 2021	
Cost	7,195
Accumulated amortisation	(3,963)
Net book amount	3,232

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

21 Properties under development

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Properties under development expected to be completed:		
– Land use rights	5,295,245	2,494,833
– Contractual rights of land (Note (a))	417,941	345,086
– Construction costs	1,301,660	656,496
– Interests capitalised	479,614	218,123
	7,494,460	3,714,538

- (a) Contractual rights of land mainly represents the construction land acquired from the collective economic organisations in 2017, which will be transferred to land use rights in near future.
- (b) Properties under development are located in the PRC and expected to be completed, and available for sale within normal operating cycle.
- (c) The capitalisation rates of borrowings is 6.41% (2020: 5.95%) for the year ended 31 December 2021.
- (d) As at 31 December 2021, properties under development with net book value of RMB2,328,613,000 (2020: RMB965,675,000), were pledged as collateral for the Group's bank and other borrowings (Note 29).

22 Completed properties held for sale

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Completed properties held for sale developed by the Group:		
Land use rights	367,688	342,825
Construction costs	1,060,120	1,273,617
Interest capitalised	77,804	63,810
	1,505,612	1,680,252

The completed properties held for sale are all located in the PRC.

As at 31 December 2021, completed properties held for sale with net book value of RMB623,748,000 (2020: RMB927,913,000), were pledged as collateral for the Group's bank and other borrowings (Note 29).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

23 Trade and other receivables and prepayments

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Included in current assets:		
Trade receivables – third parties (<i>Note (a)</i>)	69,060	6,224
Other receivables – third parties (<i>Note (b)</i>)	166,407	165,728
Other receivables – non-controlling interests (<i>Note (b)</i>)	450,247	–
Prepayments for acquisition of land use rights (<i>Note (c)</i>)	500,101	1,625,200
Other prepayments (<i>Note (d)</i>)	61,270	49,713
	1,247,085	1,846,865
Less: non-current portion	(11,634)	(13,805)
Less: impairment	(6,407)	(1,756)
	1,229,044	1,831,304

As at 31 December 2021 and 2020, the fair value of trade and other receivables approximated their carrying amounts.

As at 31 December 2021, trade receivables with net book value of RMB2,154,000 (2020: RMB1,206,000) were pledged as collateral for the Group's bank and other borrowings (*Note 29*).

(a) Details of trade receivables are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade receivables – third parties	69,060	6,224
Less: allowance for impairment	(1,666)	–
Trade receivables – net	67,394	6,224

Aging analysis of trade receivables based on invoice date is as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within 1 year	68,173	6,224
Over 1 year	887	–
	69,060	6,224

Trade receivables mainly arise from rental income, provision of construction services, sales of properties and hotel operations. Proceeds from sale of properties are generally received in accordance with the terms stipulated in the sale and purchase agreements.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2021, a provision of RMB1,666,000 was made against the gross amounts of trade receivables (31 December 2020: nil) (*Note 3.1.2(a)*).

The Group's trade receivables are denominated in RMB (2020: same).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

23 Trade and other receivables and prepayments (continued)

(b) Details of other receivables are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Deposits for acquisition of land use rights	91,258	95,305
Other receivables due from non-controlling interests (<i>Note (i)</i>)	450,247	–
Other receivables due from third parties	75,149	70,423
	616,654	165,728
Less: allowance for impairment	(4,741)	(1,756)
Other receivables – net	611,913	163,972

(i) Other receivables represent cash advances amounted to approximately RMB262,199,000 made to non-controlling interests, which are unsecured, interest free and repayable on demand, and the remaining amount mainly represent consideration due from a non-controlling shareholder of a subsidiary.

(c) Amounts represent up-front payments for acquiring land use rights for property development. The amounts will be transferred to properties under development in the balance sheet when the Group obtains contractual usage rights of the relevant lands.

(d) Details of other prepayments are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Prepayments for property development projects	23,985	20,392
Prepaid business taxes and other taxes	6,862	3,130
Others	30,423	26,191
Other prepayments	61,270	49,713

24 Prepaid taxes

Details of prepaid taxes are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Corporate income taxes	18,488	53,188
Land appreciation taxes	45,005	14,865
Value added taxes	72,974	12,987
	136,467	81,040

(All amounts in RMB Yuan thousands unless otherwise stated)

25 Restricted cash

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Guarantee deposits for construction of pre-sold properties (<i>Note (a)</i>)	842,837	115,699
Guarantee deposits for borrowings (<i>Note (b)</i>)	70,000	197,276
Guarantee deposits for urban development project	310,000	–
Others	46,538	10,804
	1,269,375	323,779
Denominated in:		
– RMB	1,263,730	120,839
– US\$	192	196,726
– HK\$	5,453	6,214
	1,269,375	323,779

The directors of the Group are of the view that the restricted cash listed above will be released within the normal operating cycle.

- (a) In accordance with relevant documents, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for the constructions of related properties. The deposits can be used for payments of construction costs of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related properties.
- (b) Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings. Such guarantee deposits will only be released after full repayment of relevant borrowings.

As at 31 December 2021, the Group has placed cash deposits of approximately RMB70,000,000 (2020: RMB197,276,000) with designated banks as security for bank borrowings (Note 29).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

26 Cash and cash equivalents

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Cash at bank and in hand	2,299,769	2,361,444
Less: restricted cash	(1,269,375)	(323,779)
Cash and cash equivalents	1,030,394	2,037,665

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Denominated in RMB	687,462	1,515,595
Denominated in HK\$	330,431	246,962
Denominated in US\$	12,501	275,108
	1,030,394	2,037,665

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

27 Share capital

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Total
Authorised				
As at 31 December 2021 and 2020	2,500,000,000			
Issued and fully paid				
As at 31 December 2021 and 2020	1,646,173,000	HK\$16,462,000	RMB14,746,000	RMB14,746,000

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

28 Other reserves and retained earnings

	Combined reserves (Note (a)) RMB'000	Statutory reserve (Note (b)) RMB'000	Exchange difference RMB'000	Total reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2020	1,726,596	100,189	(61,583)	1,765,202	939,006	2,704,208
Profit for the year	-	-	-	-	485,203	485,203
Transfer to statutory reserves	-	30,417	-	30,417	(30,417)	-
Other comprehensive income	-	-	40,644	40,644	-	40,644
Dividends paid	-	-	-	-	(209,558)	(209,558)
Balance at 31 December 2020	1,726,596	130,606	(20,939)	1,836,263	1,184,234	3,020,497
Balance at 1 January 2021	1,726,596	130,606	(20,939)	1,836,263	1,184,234	3,020,497
Profit for the year	-	-	-	-	216,446	216,446
Transfer to statutory reserves	-	23,722	-	23,722	(23,722)	-
Transfer to retained earnings	(30,772)	-	-	(30,772)	30,772	-
Other comprehensive income	-	-	28,681	28,681	-	28,681
Dividends paid	(170,543)	-	-	(170,543)	-	(170,543)
Balance at 31 December 2021	1,525,281	154,328	7,742	1,687,351	1,407,730	3,095,081

- (a) Combined reserves of the Group represents the difference between the share capital of subsidiaries acquired over the nominal value of the shares of the Company issued in exchange pursuant to the Group reorganisation undertaken for listing of Company on Hong Kong Stock Exchange.
- (b) Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in form of bonus issue.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

29 Bank and other borrowings

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Bank borrowings	3,484,088	2,138,581
Senior notes (Note (a))	1,011,609	973,224
	4,495,697	3,111,805
Included in non-current bank borrowings:		
– Secured (Notes (c) & (d))	2,881,725	1,547,514
– Unsecured (Note (d))	602,363	590,567
Less: current portion of non-current bank borrowings	(1,227,312)	(569,103)
	2,256,776	1,568,978
Included in current bank borrowings:		
– Secured (Notes (c) & (d))	–	500
– Unsecured (Note (d))	1,011,609	973,224
Add: current portion of non-current bank borrowings	1,227,312	569,103
	2,238,921	1,542,827
Total borrowings	4,495,697	3,111,805

- (a) On 8 February 2021, the Company issued senior notes with nominal interest rate 7.5% in an aggregate principal amount of US\$155,000,000 in Hong Kong (the “**2021 Notes**”). The issue of the 2021 Notes comprised of the exchange offer of the existing senior notes due 9 March 2021 amounting to US\$137,500,000 and completion of concurrent new money issuance amounting to US\$17,500,000. The 2021 Notes have matured on 7 February 2022. The 2021 Notes were listed on the Stock Exchange on 9 February 2021.

The above senior notes are guaranteed by certain subsidiaries of the Group.

- (b) As at 31 December 2021, the Group’s borrowings are denominated in following currencies:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
RMB	2,960,725	1,550,014
HK\$	523,363	588,567
US\$	1,011,609	973,224
	4,495,697	3,111,805

(All amounts in RMB Yuan thousands unless otherwise stated)

29 Bank and other borrowings (continued)

- (c) As at 31 December 2021, bank and other borrowings totalling RMB2,881,725,000 (2020: RMB1,548,014,000) of the Group were secured by the following assets together with the Group's shares of certain subsidiaries:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Lands	12,720	13,263
Property, plant and equipment	248,843	260,917
Investment properties	179,484	197,902
Properties under development	2,328,613	965,675
Completed properties held for sale	623,748	927,913
Trade receivables	2,154	1,206
Restricted cash	70,000	197,276
	3,465,562	2,564,152

- (d) The Group's unsecured borrowings of RMB1,613,972,000 (2020: RMB1,563,791,000) as at 31 December 2021 were guaranteed by certain subsidiaries or the ultimate controlling shareholder.

The Group's secured borrowings of RMB2,881,725,000 (2020: RMB1,548,014,000) as at 31 December 2021 were guaranteed by the Company, certain subsidiaries or the ultimate controlling shareholder.

- (e) The exposure of borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Less than 1 year	4,180,497	2,855,805
1-5 years	315,200	256,000
	4,495,697	3,111,805

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

29 Bank and other borrowings (continued)

(f) The repayment terms of the borrowings were as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within 1 year	2,238,921	1,542,827
1 to 2 years	773,874	627,049
2 to 5 years	1,085,782	615,264
Over 5 years	397,120	326,665
	4,495,697	3,111,805

(g) The annual weighted average effective interest rates were as follows:

	As at 31 December	
	2021	2020
Bank and other borrowings	6.40%	6.20%
Senior notes	8.63%	8.48%

(h) The carrying amounts of the borrowings approximate their fair values as at 31 December 2021 and 2020 as the impact of discounting of borrowing with fixed interest rate is not significant or the borrowings carry floating interest rate.

30 Trade and other payables

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade payables (Note (a))	902,718	810,620
Notes payable	184,247	105,171
Amounts due to non-controlling interests and their related parties (Note (b))	945,212	422,575
Outstanding consideration payables for acquisitions	35,195	46,995
Contract liabilities (Note 5)	1,565,203	1,036,001
Deposits payable (Note (c))	39,041	43,928
Accrued expenses	53,539	40,223
Salaries payable	16,115	43,467
Other taxes payable	133,457	129,091
Interest payable	9,234	27,242
Other payables (Note (d))	73,491	73,947
	3,957,452	2,779,260

(All amounts in RMB Yuan thousands unless otherwise stated)

30 Trade and other payables (continued)

(a) Aging analysis of the trade payables based on invoice dates is as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within 90 days	460,983	438,381
Over 90 days and within 365 days	332,455	208,556
Over 365 days	109,280	163,683
	902,718	810,620

The Group's trade payables as at 31 December 2021 is denominated in RMB, US\$ and HK\$.

	As at 31 December	
	2021 RMB'000	2020 RMB'000
RMB	901,680	809,557
US\$	898	919
HK\$	140	144
	902,718	810,620

- (b) Amounts included certain cash advances from non-controlling interest and their related parties of approximately RMB116,456,000 which bears interest rate at 4.75% and is repayable according to respective arrangements, and the remaining amounts due to non-controlling interest and their related parties are interest free and repayable on demand.
- (c) The deposits payables mainly include: (i) the deposits from property purchasers of the Group; and (ii) quality guarantee and bidding deposit from constructors. The deposits are unsecured, interest free and repayable according to terms and conditions mutually agreed with the counter parties.
- (d) Other payables mainly represent payables to third parties and maintenance funds, which are unsecured, interest free and repayable on demand.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

31 Cash flow information

(a) Cash used in operations:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit for the year	198,823	478,397
Adjustments for:		
Income tax expense	164,916	306,113
Finance income	(18,430)	(21,213)
Finance costs	12,064	37,378
Depreciation and amortisation of intangible assets and right-of-use assets (Note 6)	29,076	27,766
Share of results of associates	(29,038)	(55,528)
Share of results of a joint venture	5,404	2,457
Fair value gain on the remeasurement of investment in a joint venture (Note 9)	(34,121)	–
Fair value losses/(gains) on investment properties (Note 9)	9,208	(68,042)
Interest of financial assets at fair value through profit or loss (Note 9)	(2,531)	(3,844)
Gains on disposal of subsidiaries (Note 9)	–	(151)
Provision for impairment of account receivables and other receivables	5,837	873
Losses/(gains) on disposals of property, plant and equipment (Note 9)	78	(157)
Net exchange differences	(57)	(17,413)
(Realisation)/elimination of unrealised profits	(1,810)	981
	339,419	687,617
Changes in working capital:		
Properties under development and completed properties held for sale and inventories	(2,039,597)	(262,614)
Restricted cash	(735,748)	(58,578)
Trade and other receivables and prepayments	1,140,203	(1,455,356)
Amount due from related parties – trade balance	2,256	(4,027)
Prepaid taxes (excluding prepaid income taxes)	(63,719)	19,159
Contract costs	(10,524)	4,402
Trade and other payables	(19,756)	(46,992)
Amount due to related parties – trade balance	–	(50,000)
	(1,726,885)	(1,854,006)
Cash used in operations	(1,387,466)	(1,166,389)

(All amounts in RMB Yuan thousands unless otherwise stated)

31 Cash flow information (continued)

- (b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Net book amount (<i>Note 17</i>)	147	147
(Losses)/gains on disposals (<i>Note 9</i>)	(78)	157
Proceeds	69	304

- (c) Reconciliation of liabilities arising from financing activities:

	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Amounts due to related parties RMB'000	Lease liabilities RMB'000	Amounts due to non- controlling interests and their related parties RMB'000	Total RMB'000
Balance as at 1 January 2020	1,923,102	1,379,922	50,000	66,664	62,123	3,481,811
Cash flows-operating activities	-	-	-	(3,261)	-	(3,261)
Cash flows-financing activities	(949,378)	1,581,706	-	(5,522)	360,452	987,258
Reclassification	569,103	(569,103)	-	-	-	-
Currency translation differences	-	-	-	(59)	-	(59)
Disposal of subsidiaries	-	(823,547)	-	-	-	(823,547)
Other non-cash movements (<i>Note (i)</i>)	-	-	(50,000)	10,908	-	(39,092)
Balance as at 31 December 2020	1,542,827	1,568,978	-	68,730	422,575	3,603,110
Balance as at 1 January 2021	1,542,827	1,568,978	-	68,730	422,575	3,603,110
Cash flows-operating activities	-	-	-	(3,208)	-	(3,208)
Cash flows-financing activities	(531,218)	1,045,680	-	(3,355)	522,637	1,033,744
Reclassification	1,227,312	(1,227,312)	-	-	-	-
Currency translation differences	-	-	-	(118)	-	(118)
Change from a joint venture to a subsidiary (<i>Note 37</i>)	-	869,430	-	-	-	869,430
Other non-cash movements (<i>Note (i)</i>)	-	-	-	3,705	-	3,705
Balance as at 31 December 2021	2,238,921	2,256,776	-	65,754	945,212	5,506,663

- (i) Other non-cash movements mainly comprise: (i) accrued interest expense on lease liabilities, (ii) the amounts due to an associate were settled with revenue recognition arising from rendering of decoration services.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

32 Guarantee

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (<i>Note (a)</i>)	1,636,560	1,341,643
Guarantees for borrowings of a joint venture (<i>Note (b)</i>)	387,500	422,500

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate, which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

- (b) As at 31 December 2021, the Group had provided guarantees for borrowings of the Group's joint venture amounting to RMB387,500,000 (31 December 2020: RMB422,500,000).

33 Commitments

Commitments for property development expenditure:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Contracted but not provided for:		
Acquisition of land use rights	459,000	703,770
Property development activities	1,525,173	1,671,392
	1,984,173	2,375,162

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

34 Lease liabilities

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to lease liabilities:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Right-of-use assets	248,953	258,196

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Lease liabilities		
Current	5,551	5,122
Non-current	60,203	63,608
	65,754	68,730

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to lease:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Amortisation charge of right-of-use assets	9,650	9,880
Interest expense (included in finance costs)	3,208	3,261

The total cash outflow for leases for the year ended 31 December 2021 was RMB6,563,000 (2020: RMB8,783,000).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

34 Lease liabilities (continued)

- (c) Commitments and present value of lease liabilities are shown in the table below for the year ended 31 December 2021:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Commitments in relation to lease liabilities are payable as follows:		
Within 1 year	8,589	8,315
1 to 2 years	5,020	6,520
2 to 5 years	12,141	13,240
Over 5 years	130,755	134,586
Minimum lease payments	156,505	162,661
Future finance charges	(90,751)	(93,931)
Total lease liabilities	65,754	68,730

	As at 31 December	
	2021 RMB'000	2020 RMB'000
The present value of lease liabilities is as follows:		
Within 1 year	5,551	5,122
1 to 2 years	2,131	3,489
2 to 5 years	3,908	4,805
Over 5 years	54,164	55,314
	65,754	68,730

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

34 Lease liabilities (continued)

(d) Movements of lease liabilities is shown in the table below for the year ended 31 December 2020:

	Lease liabilities – current RMB'000	Lease liabilities – non-current RMB'000
At 1 January 2020	3,743	62,921
Lease payment	(8,783)	–
Accrued interest	3,261	–
Increase in right-of-use assets	3,617	4,030
Exchange difference	(59)	–
Reclassification between current and non-current	3,343	(3,343)
As at 31 December 2020	5,122	63,608

(e) Movements of lease liabilities is shown in the table below for the year ended 31 December 2021:

	Lease liabilities – current RMB'000	Lease liabilities – non-current RMB'000
At 1 January 2021	5,122	63,608
Lease payment	(6,563)	–
Accrued interest	3,208	–
Increase in right-of-use assets	179	318
Exchange difference	(52)	(66)
Reclassification between current and non-current	3,657	(3,657)
As at 31 December 2021	5,551	60,203

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(All amounts in RMB Yuan thousands unless otherwise stated)

35 Related party transactions

The ultimate holding company of the Company is Sze Ming Limited, and the ultimate controlling shareholder of the Company is CHAN Sze Ming Michael.

(a) Name and relationship with related parties

Name	Relationship
CHAN Sze Ming Michael	Ultimate controlling shareholder
Donghuzhou	Associate of the Group
Guangzhou Zhujing	Associate of the Group
Zhongshan Jingyue	Joint venture of the Group

(b) Transactions with related parties

The ultimate controlling shareholder of the Company is CHAN Sze Ming Michael, who own 72.9% of the Company's shares.

The Group had the following transactions with related parties for the year ended 31 December 2021:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
(i) Rendering of property management services		
– Donghuzhou	1,580	1,694
– Guangzhou Zhujing	379	–
Total	1,959	1,694
(ii) Rendering of management consultancy services		
– Guangzhou Jingyu Real Estate Development Co., Ltd. (“Guangzhou Jingyu”)	–	726
– Donghuzhou	8,392	4,750
Total	8,392	5,476
(iii) Rendering of decoration services		
– Donghuzhou	12,435	45,872
Total	12,435	45,872
(iv) Providing guarantees for borrowings		
– Zhongshan Jingyue	387,500	422,500
Total	387,500	422,500
(v) Provision of guarantee in respect of borrowings outstanding		
– ultimate controlling shareholder	1,278,553	1,255,106
	1,278,553	1,255,106

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

(All amounts in RMB Yuan thousands unless otherwise stated)

35 Related party transactions (continued)**(c) Balances with related parties**

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Amounts due from associates and joint ventures		
Trade balances		
– Donghuzhou	3,052	5,761
– Guangzhou Zhujing	395	–
	3,447	5,761
Non-trade balances		
– Guangzhou Jingyu	–	109,360
– Guangzhou Xinze	–	1,964
– Donghuzhou	5,957	6,038
– Guangzhou Zhujing	61,123	–
	67,080	117,362
Total amounts due from related parties	70,527	123,123

Amounts due to/from related parties mainly represent the cash advances which are unsecured, interest-free and repayable on demand.

(d) Key management compensation

Key management compensation for the years ended 31 December 2021 and 2020 are set out below:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Key management compensation		
– Salaries and other employee benefits	13,469	31,410
– Pension costs	101	53
– Fees	1,131	–
	14,701	31,463

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36 Particulars of subsidiaries

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out as below:

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
景業控股有限公司 Jingye Holdings Limited	13/12/2013	Limited liability company	BVI	Investment holding	US\$101	US\$200	100%	-	-
廣州意濃實業有限公司 Guangzhou Yinong Enterprise Co., Ltd. ("Guangzhou Yinong") [®]	01/07/2002	Limited liability company	Mainland China	Property development	RMB 500,000,000	RMB 500,000,000	-	100%	-
廣州市景業房地產開發有限公司 Guangzhou Jingye Real Estate Development Co., Ltd. [®]	18/06/2008	Limited liability company	Mainland China	Property development	RMB 301,000,000	RMB 301,000,000	-	100%	-
海南景業房地產開發有限公司 Hainan Jingye Real Estate Development Co., Ltd.	25/12/2013	Limited liability company	Mainland China	Property development	RMB 100,000,000	RMB 100,000,000	-	100%	-
廣州卓都物業管理有限公司 Guangzhou Zhuodu Property Management Co., Ltd. ("Guangzhou Zhuodu")	30/07/2014	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB 1,000,000	-	100%	-
海南卓都物業服務有限公司 Hainan Zhuodu Property Services Co., Ltd.	31/10/2014	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB 1,000,000	-	100%	-
中山市景雅裝飾工程有限公司 Zhongshan Jingya Decoration Engineering Co., Ltd.	25/03/2005	Limited liability company	Mainland China	Building decoration	RMB 500,000	RMB 500,000	-	100%	-
廣州廣澤房地產開發有限公司 Guangzhou Guangze Real Estate Development Co., Ltd. ("Guangzhou Guangze")	05/11/2010	Limited liability company	Mainland China	Property development	RMB 10,000,000	RMB 10,000,000	-	100%	-
廣州市江河水泥製品有限公司 Guangzhou Jianghe Cement Products Co., Ltd.	14/03/2001	Limited liability company	Mainland China	Property development	RMB 10,500,000	RMB 10,500,000	-	100%	-

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(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
景業控股(香港)有限公司 Jingye Holdings (HK) Limited ("Jingye Holdings (HK)")	02/01/2014	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	100%	-
景業健康產業控股有限公司 Jingye Health Industry Holdings Limited	19/11/2015	Limited liability company	BVI	Health management	US\$1	US\$1	-	100%	-
景業健康產業有限公司 Jingye Health Industry Limited	30/11/2015	Limited liability company	Hong Kong	Health management	HK\$1	HK\$1	-	100%	-
廣州卓思道酒店管理有限公司 Guangzhou Zhuosidao Hotel Management Co., Ltd.*	22/07/2015	Limited liability company	Mainland China	Hotel management	RMB 50,000,000	RMB 50,000,000	-	100%	-
廣州市舜邦投資管理有限公司 Guangzhou Shunbang Investment Management Co., Ltd.	21/08/2015	Limited liability company	Mainland China	Property investment	RMB 50,000,000	RMB 50,000,000	-	100%	-
廣東景業健康產業發展有限公司 Guangdong Jingye Health Industry Development Co., Ltd.*	05/12/2016	Limited liability company	Mainland China	Business management	RMB 10,000,000	RMB 1,016,000	-	100%	-
廣州市舜安健康產業管理有限公司 Guangdong Shun'an Health Industry Management Co., Ltd.	05/01/2016	Limited liability company	Mainland China	Health management	RMB 1,000,000	RMB 1,000,000	-	100%	-
廣州景譽健康管理發展有限公司 Guangzhou Jingyu Health Industry Development Co., Ltd.	10/03/2016	Limited liability company	Mainland China	Health management	RMB 10,000,000	RMB 200,000	-	100%	-

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
廣州崇譽投資有限公司 Guangzhou Chongyu Investment Co., Ltd.	18/01/2017	Limited liability company	Mainland China	Business management	RMB 400,000,000	RMB 346,436,000	-	60%	40%
廣州新芳實業有限公司 Guangzhou Xinfang Enterprise Co., Ltd.	08/06/2000	Limited liability company	Mainland China	Property development	RMB 399,000,000	RMB 344,010,000	-	60%	40%
廣州顯邦投資有限公司 Guangzhou Haobang Investment Co., Ltd.	31/05/2010	Limited liability company	Mainland China	Property development	RMB 10,000,000	RMB 10,000,000	-	60%	40%
英德景業房地產有限公司 Yingde Jingye Real Estate Co., Ltd.	12/09/2017	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	-	100%	-
廣州創藝裝飾工程有限公司 Guangzhou Chuangyi Decoration Engineering Co., Ltd.	24/04/2017	Limited liability company	Mainland China	Building decoration	RMB 50,000,000	RMB 50,090,000	-	100%	-
英德桑緣農業發展有限公司 Yingde Sangyuan Agriculture Development Co., Ltd.	11/04/2014	Limited liability company	Mainland China	Property development	RMB 52,000,000	RMB 10,400,000	-	80%	20%
英德市山湖居房地產開發有限公司 Yingde Shanhuju Real Estate Development Co., Ltd.	22/07/2011	Limited liability company	Mainland China	Property development	RMB 25,000,000	RMB 25,000,000	-	100%	-
英德景創房地產開發有限公司 Yingde Jingchuang Real Estate Development Co., Ltd.	19/09/2017	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 35,000,000	-	70%	30%

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
英德金雄水泥有限公司 Yingde Jinxiong Cement Co., Ltd.	19/05/1994	Limited liability company	Mainland China	Property development	RMB 24,120,000	RMB 24,120,000	-	100%	-
廣州市番禺區德誠銅業有限公司 Guangzhou Panyu Decheng Copper Co., Ltd.	08/06/1999	Limited liability company	Mainland China	Property development	RMB 2,000,000	RMB 2,000,000	-	100%	-
舜邦投資管理(香港)有限公司 Shunbang Investment Management (HK) Limited	22/11/2017	Limited liability company	Hong Kong	Investment holding	HK\$10	HK\$10	-	100%	-
舜邦投資管理控股有限公司 Shunbang Investment Management Holdings Limited	01/11/2017	Limited liability company	BVI	Investment holding	US\$10	US\$10	-	100%	-
舜邦商務管理(廣州)有限公司 Shunbang Corporate Management (Guangzhou) Co., Ltd.#	23/04/2018	Limited liability company	Mainland China	Business management	RMB 100,000,000	RMB 50,000,000	-	100%	-
景業名邦控股(廣州)有限公司 Jingye Mingbang Holdings (Guangzhou) Co., Limited#	27/03/2018	Limited liability company	Mainland China	Business management	RMB 850,000,000	RMB 834,500,000	-	100%	-
騰衝景業房地產開發有限公司 Tengchong Jingye Real Estate Development Co., Ltd.	24/01/2018	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	-	100%	-
卓思道酒店管理控股有限公司 Zhuosidao Hotel Management Holdings Limited	27/03/2018	Limited liability company	BVI	Investment holding	US\$10	US\$10	-	100%	-
景業酒店管理(香港)有限公司 Jingye Hotel Management (HK) Limited	30/04/2018	Limited liability company	Hong Kong	Investment holding	HK\$10	HK\$10	-	100%	-

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
株洲景業房地產開發有限公司 Zhuzhou Jingye Real Estate Development Co., Ltd.	25/07/2018	Limited liability company	Mainland China	Property development	RMB 300,000,000	RMB 300,000,000	-	100%	-
廣州市景悅房地產有限公司 Guangzhou Jingyue Real Estate Co., Ltd.	20/08/2018	Limited liability company	Mainland China	Property development	RMB 10,000,000	RMB0	-	90%	10%
肇慶市景悅科技發展有限公司 Zhaoqing Jingyue Technology Development Co., Ltd.	28/08/2018	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	-	90%	10%
廣州市普盛房地產開發有限公司 Guangzhou Pusheng Real Estate Development Co., Ltd.	22/12/2015	Limited liability company	Mainland China	Property development	RMB 5,000,000	RMB 5,000,000	-	100%	-
海南恒煜房地產開發有限公司 Hainan Xuanyu Real Estate Development Co., Ltd.	16/10/2017	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	-	100%	-
雅安景業健康產業發展有限公司 Ya'an Jingye Health Industry Development Co., Ltd.	27/07/2018	Limited liability company	Mainland China	Health management	RMB 100,000,000	RMB 30,000,000	-	100%	-
英德市錦坤實業投資有限公司 Yingde Jinkun Enterprise Investment Co., Ltd.	11/09/2014	Limited liability company	Mainland China	Property development	RMB 1,000,000	RMB 1,000,000	-	100%	-
英德市卓都物業管理有限公司 Yingde Zhuodu Property Management Co., Ltd.	24/08/2018	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB0	-	100%	-
雲南卓都物業管理有限公司 Yunnan Zhuodu Property Management Co., Ltd.	20/09/2018	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB 1,000,000	-	100%	-

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
創藝控股有限公司 Chuangyi Holdings Limited	05/07/2018	Limited liability company	BVI	Investment holding	US\$10	US\$10	-	100%	-
創藝控股(香港)有限公司 Chuangyi Holdings (HK) Limited	30/08/2018	Limited liability company	Hong Kong	Investment holding	HK\$10	HK\$10	-	100%	-
泓創控股(廣州)有限公司 Hongchuang Holdings (Guangzhou) Co., Ltd.*	25/10/2018	Limited liability company	Mainland China	Investment holding	RMB 5,000,000	RMB 5,000,000	-	100%	-
廣州市泓創建設有限公司 Guangzhou Hongchuang Construction Co., Ltd.	07/11/2018	Limited liability company	Mainland China	Construction Development	RMB 50,000,000	RMB 5,000,000	-	100%	-
湖南卓都物業服務有限公司 Hunan Zhuodu Property Services Co., Ltd.	08/01/2019	Limited liability company	Mainland China	Property management	RMB 3,000,000	RMB0	-	100%	-
景業名邦投資(威海)有限公司 Jingye Mingbang Investment (Weihai) Co., Ltd.*	24/06/2019	Limited liability company	Mainland China	Investment holding	RMB 350,000,000	RMB 130,000,000	-	100%	-
威海景隆投資發展有限公司 Weihai Jinglong Investment Development Co., Ltd.	04/07/2019	Limited liability company	Mainland China	Investment holding	RMB 130,000,000	RMB 130,000,000	-	100%	-
廣州景隆投資發展有限公司 Guangzhou Jinglong Investment Development Co., Ltd.	15/07/2019	Limited liability company	Mainland China	Investment holding	RMB 130,000,000	RMB 130,000,000	-	100%	-
肇慶卓都物業管理有限公司 Zhaoqing Zhuodu Property Management Co., Ltd.	16/08/2019	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB0	-	100%	-

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
騰衝景盛房地產開發有限公司 Tengchong Jingsheng Real Estate Co., Ltd.	16/03/2020	Limited liability company	Mainland China	Property management	RMB 50,000,000	RMB 50,000,000	-	100%	-
騰衝景隆置業有限公司 Tengchong Jinglong Real Estate Co., Ltd.	09/04/2020	Limited liability company	Mainland China	Property management	RMB 50,000,000	RMB0	-	100%	-
騰衝卓思道酒店有限公司 Tengchong Zhuosidao Hotel Co., Ltd.	03/03/2020	Limited liability company	Mainland China	Hotel management	RMB 3,000,000	RMB0	-	100%	-
廣東晟眾建設工程有限公司 Guangdong Shengzhong Construction Engineering Limited	09/11/2019	Limited liability company	Mainland China	Construction Development	RMB 48,000,000	RMB0	-	100%	-
景星控股(香港)有限公司 Jingxing Holdings (HK) Limited	05/02/2020	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	100%	-
幸領環球有限公司 Lucky Lead Global Limited	05/02/2020	Limited liability company	BVI	Investment holding	US\$ 310,000,000	US\$ 184,010,000	-	51%	49%
幸領環球(香港)有限公司 Lucky Lead Global (HK) Limited	20/04/2020	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	51%	49%
景萃控股(香港)有限公司 Jingcui Holdings (HK) Limited	19/10/2020	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	51%	49%
景茂控股(香港)有限公司 Jingmao Holdings (HK) Limited	19/10/2020	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	51%	49%
廣州幸領投資發展有限公司 Guangzhou Lucky Lead Investment Development Limited	20/11/2020	Limited liability company	Mainland China	Investment holding	RMB 1,000,000,000	RMB 1,000,000,000	-	51%	49%

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
幸領環球投資(南京)有限公司 Lucky Lead Global Investment (Nanjing) Limited [†]	19/11/2020	Limited liability company	Mainland China	Investment holding	RMB 1,000,000,000	RMB 1,000,000,000	-	51%	49%
南京景龍尚御實業發展有限公司 Nanjing Jinglong Shangyu Enterprise Investment Limited [†]	24/12/2020	Limited liability company	Mainland China	Property development	RMB 1,060,000,000	RMB 1,060,000,000	-	26%	74%
南京萬華通控股有限公司 Nanjing Wanhuatong Holdings Limited	19/11/2020	Limited liability company	Mainland China	Property development	RMB 1,200,000,000	RMB 1,200,000,000	-	100%	-
東莞市景隆投資發展有限公司 Dongguan Jinglong Investment Development Limited	05/01/2021	Limited liability company	Mainland China	Investment holding	RMB 50,000,000	RMB0	-	100%	-
廣州卓思道民宿管理有限公司 Guangzhou Zhuo Si Dao B&B Management Co., Ltd.	22/04/2021	Limited liability company	Mainland China	Hotel management	RMB 2,000,000	RMB0	-	100%	-
廣州卓思道公寓管理有限公司 Guangzhou Zhuo Sidao Apartment Management Co., Ltd.	27/04/2021	Limited liability company	Mainland China	Hotel management	RMB 2,000,000	RMB0	-	100%	-
湖南卓豐物業服務有限公司 Hunan Zhuofeng Property Service Co., Ltd.	17/12/2020	Limited liability company	Mainland China	Property management	RMB 10,000,000	RMB0	-	51%	49%
廣州市金頌房地產開發有限公司 Guangzhou Jinshuo Real Estate Development Co., Ltd.	19/03/2021	Limited liability company	Mainland China	Property development	RMB 275,400,000	RMB 275,400,000	-	50%	50%
廣州市金軒房地產開發有限公司 Guangzhou Jinxuan Real Estate Development Co., Ltd.	07/05/2021	Limited liability company	Mainland China	Property development	RMB 275,400,000	RMB 275,400,000	-	50%	50%

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
廣州景盛房地產發展有限公司 Guangzhou Jingsheng Real Estate Development Co., Ltd.	18/12/2020	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	-	100%	-
廣州景譽投資有限公司 Guangzhou Jingyu Investment Co., Ltd.	03/06/2021	Limited liability company	Mainland China	Health management	RMB 10,000,000	RMB0	-	70%	30%
廣州鑫澤集永房地產開發有限公司 Guangzhou Xinze Jiyong Real Estate Development Co., Ltd.	12/10/2020	Limited liability company	Mainland China	Property development	RMB 166,666,700	RMB 166,666,700	-	51%	49%
廣州卓行物業管理有限責任公司 Guangzhou Zhuoxing Property Management Co., Ltd.	05/07/2021	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB0	-	100%	-
廣州景譽房地產開發有限公司 Guangzhou Jingyu Real Estate Development Co., Ltd.	22/07/2020	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	-	51%	49%

Registered as wholly foreign owned enterprises under PRC law

® Registered as sino-foreign equity joint venture under PRC law

The English names of the companies in Mainland China referred to above in this note represent management's best efforts in translating the Chinese names of those companies, as no English names have been registered or available.

The accumulated non-controlling interests as at 31 December 2021 was RMB1,669,012,000 (2020: RMB1,417,808,000).

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)**(b) Non-controlling interests (NCI)**

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised consolidated balance sheet

	Lucky Lead Global Limited		Nanjing Jinglong Shangyu Enterprise Investment Limited		Guangzhou Jinshuo Real Estate Development Co., Ltd
	2021	2020	2021	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	4,247,504	2,934,585	2,338,761	1,441,951	515,382
Current liabilities	(1,978,282)	(1,217,280)	(848,695)	(382,267)	(241,454)
Current net assets	2,269,222	1,717,305	1,490,066	1,059,684	273,928
Non-current assets	26,240	183	25,911	79	454
Non-current liabilities	(475,000)	–	(475,000)	–	–
Non-current net assets	(448,760)	183	(449,089)	79	454
Net assets	1,820,462	1,717,488	1,040,977	1,059,763	274,382
Equity attributable to owners of the subsidiaries	1,310,383	1,198,204	530,898	540,479	137,191
Accumulated NCI	692,229	804,889	510,079	519,284	137,191

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(b) Non-controlling interests (NCI) (continued)

Summarised consolidated statement of comprehensive income

	Lucky Lead Global Limited		Nanjing Jinglong Shangyu Enterprise Investment Limited		Guangzhou Jinshuo Real Estate Development Co., Ltd
	2021	2020	2021	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	–	–	–	–	–
Selling and marketing expenses	(16,815)	–	(16,815)	–	(870)
Administrative expenses	(8,583)	–	(8,025)	–	(150)
Loss for the period	(19,344)	(460)	(18,786)	(237)	(1,020)
Total comprehensive loss	(19,344)	(460)	(18,786)	(237)	(1,020)
Total comprehensive loss attributable to owners of the subsidiaries	(10,139)	(344)	(9,581)	(121)	(510)
Loss allocated to NCI	(4,968)	(168)	(9,205)	(116)	(510)
Dividends paid to NCI	107,692	–	–	–	–

Summarised consolidated cash flows

	Lucky Lead Global Limited		Nanjing Jinglong Shangyu Enterprise Investment Limited		Guangzhou Jinshuo Real Estate Development Co., Ltd
	2021	2020	2021	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities	(638,609)	(1,667,287)	(408,877)	(1,091,900)	(501,163)
Cash flows from investing activities	(51)	–	(51)	31,951	(129)
Cash flows from financing activities	745,696	1,718,566	500,000	1,060,000	502,200
Net increase in cash and cash equivalents	107,036	51,279	91,072	51	908

37 Change from a joint venture to a subsidiary

(a) Summary of acquisition

On 9 December 2021, the controlling right of the joint venture, Guangzhou Xinze was transferred to the Group according to the Article of Association.

The investments in Guangzhou Xinze is deemed as having been disposed, and were remeasured to fair value at the date of deemed disposal and the resulting gains of RMB34,121,000 from the remeasurements are recognised in the consolidated statement of comprehensive income in accordance with HKFRS 3 – Business Combinations.

(All amounts in RMB Yuan thousands unless otherwise stated)

37 Change from a joint venture to a subsidiary (continued)**(a) Summary of acquisition (continued)**

The following table summaries the remeasurement gains on the investments in the joint venture, the fair values of identifiable assets acquired, liabilities assumed and the non-controlling interests recognised at the consolidation date.

	9 December 2021 RMB'000
Carrying amounts of the Group's investments in respective entity	215,487
Remeasurement gain resulting from a joint venture transferred to a subsidiary	34,121
Fair value of the investments in respective entity	249,608

Recognised amounts of identifiable assets acquired and liabilities assumed

Cash and cash equivalents	17,447
Restricted cash	337,123
Trade receivables, prepayments and other receivables	430,457
Prepaid taxes	29,543
Contract costs	10,615
Properties under development	1,320,238
Deferred income tax assets	22,518
Bank and other borrowings	(869,430)
Trade and other payables	(216,319)
Current income tax liabilities	(9,611)
Contract liabilities	(555,197)
Deferred income tax liabilities	(27,957)
Total identifiable net assets	489,427
Non-controlling interests	(239,819)
Identifiable net assets attributable to the Company	249,608

(b) Purchase consideration – cash inflow

	9 December 2021 RMB'000
Inflow of cash to acquire subsidiaries, net of cash acquired	17,447
Cash and cash equivalents in the subsidiaries acquired	17,447
Less: cash consideration paid	–
	17,447

The acquired business contributed revenue of RMB nil and net loss of RMB4,311,000 to the Group for the period from the acquisition date to 31 December 2021.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

38 The Company's statement of financial position and reserves movements

(a) The Company's statement of financial position is as follows:

	Notes	As at 31 December	
		2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries		1,956,820	1,951,026
Current assets			
Amounts due from subsidiaries		1,808,885	1,835,949
Restricted cash		5,454	6,215
Cash and cash equivalents		130,995	225,219
		1,945,334	2,067,383
Total assets		3,902,154	4,018,409
EQUITY			
Share capital	27	14,746	14,746
Other reserves		2,030,853	2,232,168
Accumulated losses		(18,325)	(30,772)
Total equity		2,027,274	2,216,142
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		–	526,790
Current liabilities			
Other payables		552	22,588
Amounts due to subsidiaries		339,356	217,888
Bank and other borrowings		1,534,972	1,035,001
		1,874,880	1,275,477
Total liabilities		1,874,880	1,802,267
Total equity and liabilities		3,902,154	4,018,409

(All amounts in RMB Yuan thousands unless otherwise stated)

38 The Company's statement of financial position and reserves movements (continued)

(b) Movements of the Company's other reserves are as follows:

	Other reserves RMB'000	Accumulated loss RMB'000
Balance at 1 January 2020	2,232,168	187,403
Loss for the year	–	(8,617)
Dividends paid	–	(209,558)
At 31 December 2020	2,232,168	(30,772)
Balance at 1 January 2021	2,232,168	(30,772)
Loss for the year	–	(18,325)
Transfer to retain earnings	(30,772)	30,772
Dividends paid	(170,543)	–
At 31 December 2021	2,030,853	(18,325)

39 Benefits and interests of directors

(a) Directors' emoluments

The directors' emoluments paid/payable by the companies now comprising the Group for the year ended 31 December 2021 are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Fees, salaries and other benefits	9,116	18,392
Discretionary bonuses	–	7,110
Fees	1,131	–
Pension costs	51	20
Total	10,298	25,522

(i) For the year ended 31 December 2021

Name of Directors	Contribution to retirement scheme				Total RMB'000
	Salaries RMB'000	Discretionary bonuses RMB'000	to retirement scheme RMB'000	Fees RMB'000	
<i>Executive Directors</i>					
Mr. CHAN Sze Ming Michael (Chairman)	1,697	–	15	300	2,012
Mr. LIU Huaxi	2,265	–	10	204	2,479
Ms. ZHENG Catherine Wei Hong (President)	1,706	–	10	204	1,920
Mr. XUE Shuangyou	1,063	–	6	95	1,164
Mr. WU Xinping	1,678	–	10	164	1,852
Ms. WEI Miaochang	707	–	–	164	871
	9,116	–	51	1,131	10,298

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

39 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

(ii) For the year ended 31 December 2020

Name of Directors	Salaries RMB'000	Discretionary bonuses RMB'000	Contribution to retirement scheme RMB'000	Fees RMB'000	Total RMB'000
<i>Executive Directors</i>					
Mr. CHAN Sze Ming Michael (<i>Chairman</i>)	1,632	7,110	16	–	8,758
Mr. LIU Huaxi	5,246	–	1	–	5,247
Ms. ZHENG Catherine Wei Hong (<i>President</i>)	4,552	–	1	–	4,553
Mr. XUE Shuangyou	2,851	–	1	–	2,852
Mr. WU Xinping	2,831	–	1	–	2,832
Ms. WEI Miaochang	1,280	–	–	–	1,280
	18,392	7,110	20	–	25,522

Note:

Mr. CHAN Sze Ming Michael, Ms. ZHENG, Mr. WU, and Mr. XUE were appointed as the Company's executive directors on 2 November 2018.

Mr. LIU and Ms. WEI were appointed as the Company's executive directors on 24 May 2019.

Mr. MA Ching Nam, Mr. LEONG Chong and Mr. WU William Wai Leung were appointed as the Company's independent non-executive directors on 13 November 2019.

No remunerations are paid or receivables in respect of accepting offices as director for the years ended 31 December 2021 and 2020.

No emoluments are paid or receivable in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiaries undertaking for the years ended 31 December 2021 and 2020.

No director waived or agreed to waive any emoluments for the years ended 31 December 2021 and 2020.

(b) Directors' retirement benefits

For the years ended 31 December 2021 and 2020, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries.

(c) Directors' termination benefits

For the years ended 31 December 2021 and 2020, no payments to the directors of the Company as compensation for the early termination of the appointment.

(All amounts in RMB Yuan thousands unless otherwise stated)

39 Benefits and interests of directors (continued)

(d) Consideration provided to third parties for making available directors' services

For the years ended 31 December 2021 and 2020, the Company didn't pay to any third party for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

For the years ended 31 December 2021 and 2020, there were no loans, quasi-loans or other dealings in favor of directors of the Company, controlled bodies corporate and connected entities with such directors.

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 35, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time for the years ended 31 December 2021 and 2020.

40 Events after the statement of financial position date

On 27 January 2022, the Company issued senior notes with nominal interest rate 7.5% due 26 January 2023 in an aggregate principal amount of US\$152,100,000. The issue of the New Senior Notes comprised of the exchange offer of the existing 2021 Notes amounting to US\$149,600,000 and completion of concurrent new money issuance amounting to US\$2,500,000. The New Senior Notes were listed on the Stock Exchange on 28 January 2022.

Five-Year Financial Summary

(All amounts in RMB thousands unless otherwise stated)

	Year ended 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	2,043,126	2,347,064	2,402,810	1,328,887	838,259
Cost of sales	(1,459,901)	(1,434,328)	(1,258,578)	(816,297)	(568,089)
Gross profit	583,225	912,736	1,144,232	512,590	270,170
Selling and marketing expenses	(153,328)	(124,629)	(131,046)	(74,225)	(44,499)
Administrative expenses	(138,088)	(140,958)	(162,938)	(124,598)	(66,050)
Net impairment losses on financial assets	(5,837)	(873)	(236)	(170)	(336)
Other income	21,567	15,826	3,731	1,276	721
Other expenses	(1,223)	(4,105)	(3,098)	(2,759)	(2,858)
Other gains – net	33,430	86,721	61,021	230,570	36,618
Operating profit	339,746	744,718	911,666	542,684	193,766
Finance income/(costs) – net	359	(13,279)	1,386	649	(9,566)
Share of profit of investment accounted for using the equity method	23,634	53,071	(1,545)	(4,063)	(792)
Profit before income tax	363,739	784,510	911,507	539,270	183,408
Income tax expense	(164,916)	(306,113)	(416,590)	(157,511)	(97,330)
Profit for the year	198,823	478,397	494,917	381,759	86,078
Profit attributable to:					
Owners of the Company	216,446	485,203	501,517	386,486	89,789
Non-controlling interests	(17,623)	(6,806)	(6,600)	(4,727)	(3,711)
	198,823	478,397	494,917	381,759	86,078

	As at 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Non-current assets	1,148,954	1,074,480	939,639	977,422	907,830
Current assets	12,777,420	9,811,957	8,273,450	5,636,749	3,552,038
Total assets	13,926,374	10,886,437	9,213,089	6,614,171	4,459,868
Non-current liabilities	2,515,248	1,757,355	1,628,985	413,591	775,239
Current liabilities	6,632,287	4,676,031	4,764,695	5,547,301	3,318,378
Total liabilities	9,147,535	6,433,386	6,393,680	5,960,892	4,093,617
Net assets	4,778,839	4,453,051	2,819,409	653,279	366,251
Equity attributable to owners of the Company	3,109,827	3,035,243	2,718,954	549,304	193,858
Non-controlling interests	1,669,012	1,417,808	100,455	103,975	172,393
Total equity	4,778,839	4,453,051	2,819,409	653,279	366,251

In this Annual Report, the following expressions have the following meanings unless the context requires otherwise:

“Adoption Date”	13 November 2019, the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolutions
“AGM” or “Annual General Meeting”	the annual general meeting of the Company to be held on Thursday, 23 June 2022 at 2:30 p.m. by way of electronic means only
“AGM Notice”	the notice convening the AGM set out on pages 18 to 24 of the circular of the Company dated 13 May 2022
“Articles”	the amended and restated articles of association of the Company currently in force, as amended from time to time
“ASP”	average selling price
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“BVI”	the British Virgin Islands
“CG Code”	the principles of the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“close associates”	has the meaning ascribed thereto in the Listing Rules
“Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961, as amended and revised) of the Cayman Islands
“Company” or “JY Grandmark”	JY Grandmark Holdings Limited (景業名邦集團控股有限公司), a company incorporated in the Cayman Islands and whose Shares are listed on the Main Board of the Stock Exchange
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and for the purposes of this annual report, means each of Sze Ming Limited and Mr. CHAN Sze Ming Michael
“core connected person”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

Glossary (Continued)

“Listing Date”	Thursday, 5 December 2019, on which the Shares were first listed and from which dealings in the Shares were permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum”	the amended and restated memorandum of association of the Company currently in force, as amended from time to time
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nomination Committee”	the nomination committee of the Company
“PRC” or “China”	the People’s Republic of China, which for the purposes of this annual report excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region
“Prospectus”	the prospectus of the Company dated 25 November 2019
“Remuneration Committee”	the remuneration committee of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the nominal value of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Option Scheme”	a share option scheme approved and adopted by the Company on 13 November 2019
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“U.S.” or “United States”	the United States of America, its territories and possessions, any states of the United States and the District of Columbia
“US\$” or “U.S. dollars” or “US dollars”	United States dollars, the lawful currency of the United States
“%”	per cent

* For ease of reference, the names of companies and entities established in China have been included in this annual report in English by way of translation if such Chinese entities do not have an English name as part of their legal name, and if there is any inconsistency between the Chinese names of the Chinese entities mentioned in this annual report and their English translations, the Chinese version shall prevail.



JY GRANDMARK HOLDINGS LIMITED