CHINA PROPERTIES GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1838)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021

The board of directors (the "Directors" or the "Board") of China Properties Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2021 together with comparative figures for the corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2021

	NOTES	**2021** *RMB'000*	2020 *RMB'000*
Revenue	*4*	**181,053**	403,997
Cost of sales		**(140,250)**	(717,674)
Gross profit/(loss)		**40,803**	(313,677)
Other income, gains and losses, net	*4*	**266**	(641,775)
Loss on disposal of property, plant and equipment, investment properties and properties under development for sale		**(18,815,971)**	—
Net exchange gain		**58,824**	116,610
Selling expenses		**(3,671)**	(3,210)
Administrative expenses		**(135,723)**	(128,204)
Provision for settlement fee and other relevant cost	*8*	**(411,403)**	(695,626)
Finance costs	*6*	**(710,305)**	(393,187)
Loss from operation before changes in fair value of investment properties		**(19,977,180)**	(2,059,069)
Changes in fair value of investment properties		**(1,182,350)**	(17,065,536)
Loss before tax		**(21,159,530)**	(19,124,605)
Income tax credit	*7*	**3,492,072**	4,648,339
Loss and total comprehensive income for the year attributable to the owners of the Company	*8*	**(17,667,458)**	(14,476,266)
Loss per share — Basic and diluted *(RMB)*	*10*	**(9.77)**	(8.00)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
Non-current Assets			
Property, plant and equipment		**294,345**	539,677
Investment properties		**13,819,100**	36,764,976
		14,113,445	37,304,653
Current Assets			
Properties under development for sale		**4,664,017**	5,419,849
Properties held for sale		**364,763**	485,040
Other receivables, deposits and prepayments	*11*	**157,030**	152,373
Pledged/restricted bank deposits		**24,750**	25,119
Bank balances and cash		**4,257**	2,521
		5,214,817	6,084,902
Current Liabilities			
Contract liabilities	*12*	**300,942**	381,820
Construction costs accruals		**194,278**	222,578
Other payables and accruals		**1,444,585**	1,488,783
Amount due to a shareholder		**4,190,663**	4,152,073
Lease liabilities		**2,604**	2,795
Tax payables		**205,546**	205,907
Borrowings		**4,120,751**	5,843,406
15.0% fixed-rate senior notes		**1,599,716**	1,518,440
		12,059,085	13,815,802
Net Current Liabilities		**(6,844,268)**	(7,730,900)
Total Assets Less Current Liabilities		**7,269,177**	29,573,753

	2021	2020
	RMB'000	*RMB'000*
Non-current Liabilities		
Lease liabilities	**1,550**	4,282
Deferred tax liabilities	**2,144,771**	6,779,157
	2,146,321	6,783,439
Net Assets	**5,122,856**	22,790,314
Capital and Reserves		
Share capital	**170,073**	170,073
Share premium and reserves	**4,952,783**	22,620,241
Total Equity	**5,122,856**	22,790,314

NOTES:

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Hillwealth Holdings Limited ("Hillwealth"), a limited company incorporated in the British Virgin Islands. Its ultimate controlling shareholder is Mr. Wong Sai Chung ("Mr. Wong"), who is also the Managing Director of the Company. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is 14th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.

The Company acts as an investment holding company. The subsidiaries of the Company are principally engaged in property development and property investment in the People's Republic of China (the "PRC").

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of RMB17,667,458,000 for the year ended December 31, 2021. As of December 31, 2021, the Group has net current liabilities of RMB6,844,268,000 including construction costs accruals of RMB194,278,000, other payables and accruals of RMB1,444,585,000, amount due to shareholder of RMB4,190,663,000, borrowings of RMB4,120,751,000 and 15.0% fixed-rate senior notes (the "15% US$ Senior Notes") of RMB1,599,716,000 are repayable on demand or due to be repaid within one year from the end of the reporting period.

In addition, the borrowings and 15% US$ Senior Notes referred to above with the total principal and interest amounting to RMB4,120,751,000 and US$251,184,000 (equivalent to RMB1,599,716,000), respectively, were overdue pursuant to the borrowing agreements and in default, and have not been settled up to the date of the approval of these consolidated financial statements while its cash and cash equivalents amounted to RMB4,257,000. Some of these lenders have taken legal action to demand repayment of these borrowings and some of these lenders have exercised their right to sell the pledged assets. The Group also had commitments for future construction contracted but not provided for in the consolidated financial statements of approximately RMB1,524,778,000. In addition, a winding-up petition was filed to the court by one of the lenders, 中建投信託股份有限公司 (the "JIC Trust"), against the Company on February 28, 2022.

The above conditions indicate the existence of a material uncertainty, which may cast significant doubt over the Group's ability to continue as a going concern. Nevertheless, the consolidated financial statements have been prepared on the going concern basis because the directors of the Company are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from the date of approval of these financial statements, after taking into consideration of the following:

1) the Company has been actively negotiating with several financial institutions to obtain new borrowings of RMB3,500,000,000 (the "First Refinancing") to fully settle amounts due (including accrued interest and penalties) to (a) 平安大華匯通財富管理有限公司 and its fellow subsidiaries ("PinganDahua Group"), where PinganDahua Group has assigned all its rights thereunder to 西藏瓴達信投資管理有限公司 (Tibet Lingdaxin Investment Management Co., Ltd.*); and (b) JIC Trust, further details of which are set out in the section headed "CONTINGENT LIABILITIES". If the First Refinancing is successful, certain pledged properties located in Shanghai and Chongqing currently pledged as security to these lenders are expected to be released. The carrying value of these properties at 31 December 2021 is approximately RMB7,195,082,000. It is the Group's intention to seek additional borrowings of approximately RMB4,240,000,000 (the "Second Refinancing") from other financial institutions using certain properties in Shanghai and Chongqing as collateral (including but not limited to the aforementioned pledged properties). The directors believe the Second Refinancing should be sufficient to settle all amounts due (including accrued interest and penalties) under the 15% US$ Senior Notes (further details of which are set out in the section headed "IMPORTANT EVENTS AFFECTING THE GROUP THAT HAVE OCCURRED SINCE THE END OF THE FINANCIAL YEAR"), the entrusted loan granted by 陸家嘴國際信託有限公司 (further details of which are set out in the section headed "CONTINGENT LIABILITIES") and other loans and/or borrowings of the Group, and any remaining balance will be used to finance the Group's general working capital.

2) Shanghai Jingan-Concord Real Estate Co., Ltd. ("Shanghai Jingan") has filed applications to The Supreme People's Court of the People's Republic of China (最高人民法院) (the "PRC Supreme Court") for a review (the "Review") of the application of law and factual errors in the rulings in the judicial process of execution of auctioning (the "Auctions") of (i) a land parcel with total site area of 19,800 square meters located in the southern portion of Shanghai Concord City Phase II ("Lot #4 Land"); (ii) a land parcel with a total site area of 7,838 square meters located in the northern portion of Shanghai Concord City Phase II ("Lot #3 Land"); (iii) a land parcel with a total site area of 11,208 square meters located in the northern portion of Shanghai Concord City Phase II ("Lot #5 Land"); and (iv) a property owned by Shanghai Jingan located at West Nanjing Road, Jing'an District, Shanghai, the People's Republic of China with gross floor area of 7,340 square meters (the "Huashan Building"). The PRC Supreme Court has conducted the filing and examination for the Review. If the PRC Supreme Court rules in favour of Shanghai Jingan, the PRC Supreme Court may rectify the Auctions or order that Shanghai Jingan be compensated, which will impact on the outstanding debts of Shanghai Jingan, which in turn, may affect the grounds for the winding-up petition filed by JIC Trust against the Company in Hong Kong (the "Petition");

3) the Company has been convincing other creditors not to exercise their rights to demand for immediate repayment of borrowings and 15% US$ Senior Notes;

4) a confirmation from a shareholder, Mr. Wong, that he would not demand repayment of the amount due to him of RMB4,190,663,000 until the Group has excess cash to repay; and

5) the Group will be able to derive proceeds from the sales of properties held for sale and pre-sale of properties under development of sale of certain projects in Shanghai and Chongqing during the Group's ordinary and usual course of business.

The directors of the Company are of the opinion that, taking into account the above plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next twelve months from the date of approval of these financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements of the Group for the year ended December 31, 2021 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Group will be able to implement the aforementioned plans and measures, Whether the Group will be able to continue as a going concern will depend upon the successful outcome of the Group's plans and measures to mitigate its liquidity pressure and to generate adequate financing and operating cash flows as set out above, including:

(1) (i) the successful negotiation of the First Refinancing to fully settle amounts due (including accrued interest and penalties) to (a) PinganDahua Group where PinganDahua Group has assigned all its rights thereunder to 西藏瓴達信投資管理有限公司 (Tibet Lingdaxin Investment Management Co., Ltd.*); and (b) JIC Trust; and (ii) the successful negotiation and obtainment of further borrowings of the Second Refinancing from other financial institutions using certain properties in Shanghai and Chongqing as collateral (including but not limited to properties which are currently used as collaterals and are expected to be released upon obtaining the First Refinancing) to fully settle amounts due (including accrued interest and penalties) under the 15% US$ Senior Notes, the entrusted loan granted by 陸家嘴國際信託有限公司 and other loans and/or borrowings of the Group, and any remaining balance will be used to finance the Group's general working capital;

(2) the successful dismissal of the Petition;

(3) successfully convinced the other creditors not to exercise their rights to demand for immediate repayment of borrowings and the 15% US$ Senior Notes; and

(4) derivation of proceeds from the sales of properties held for sale and pre-sale of properties under development of sale of certain projects in Shanghai and Chongqing during the Group's ordinary and usual course of business.

Should the use of the going concern basis in preparation of the consolidated financial statements be considered to be inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities. The effect of these adjustments have not been reflected in the consolidated financial statements.

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

Adoption of revised HKFRSs — effective January 1, 2021

The Group has applied the following revised HKFRSs and amendments issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021

None of these revised HKFRSs and amendments in the current year has material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in this consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

4. REVENUE AND OTHER INCOME, GAINS AND LOSSES, NET

	2021	2020
	RMB'000	*RMB'000*
Revenue		
Sales of properties	**168,176**	392,146
Property rental income	**2,359**	3,201
Property management income	**10,518**	8,650
	181,053	403,997
Other income, gains and losses, net		
Loss on disposal of investment properties and properties under development for sale	**—**	(643,182)
Interest on bank deposits	**7**	45
Gain from disposal of property, plant and equipment	**—**	815
Others	**259**	547
	266	(641,775)
Total revenue and other income, gains and losses, net	**181,319**	(237,778)

5. SEGMENT INFORMATION

The Company's Chief Executive Officer is the chief operating decision maker ("CODM"). The Group is principally operating in two operating locations and engaged in three principal business activities. Information reported to the CODM for the purposes of resource allocation and assessment of segment performance focuses on the operating locations of each principal business activity. The principal locations are Shanghai and Chongqing in the PRC. The Group's operating segments under HKFRS 8 are therefore as follows:

Property development (developing and selling of properties)	— Shanghai — Chongqing
Property investment (leasing of investment properties)	— Shanghai — Chongqing

Others

No operating segments identified by CODM have been aggregated in arriving at the reportable segments of the Group.

Information regarding the above segments is presented below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended December 31, 2021

	Property development		**Property investment**			
	Shanghai	**Chongqing**	**Shanghai**	**Chongqing**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Revenue						
External revenue	**76,564**	**91,612**	**644**	**1,715**	**10,518**	**181,053**
Segment profit/(loss)	**(890,278)**	**27,676**	**(18,433,535)**	**(661,492)**	**111**	**(19,957,518)**
Other income, gains and losses, net						**266**
Net exchange gain						**58,824**
Finance cost						**(710,305)**
Unallocated items						**(550,797)**
Loss before tax						**(21,159,530)**

For the year ended December 31, 2020

	Property development		Property investment			
	Shanghai	Chongqing	Shanghai	Chongqing	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue						
External revenue	118,658	273,488	660	2,541	8,650	403,997
Segment profit/(loss)	54,573	(734,494)	(14,578,023)	(2,760,848)	(3,603)	(18,022,395)
Other income, gains and losses, net						1,407
Net exchange gain						116,610
Finance cost						(393,187)
Unallocated items						(827,040)
Loss before tax						(19,124,605)

Segment result represents the profit earned by/(loss incurred from) each segment including the changes in fair value of investment properties and loss on disposal of property, plant and equipment, investment properties and properties under development for sale, without allocation of other income, gains and losses, finance costs, net exchange loss, selling expenses and administrative expenses including directors' emoluments. This is the measure reported to the Company's CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment which is also the information presented to the Company's CODM:

	2021	2020
	RMB'000	*RMB'000*
Segment assets:		
Property development		
— Shanghai	**373,301**	1,284,071
— Chongqing	**4,655,479**	4,620,818
Property investment		
— Shanghai	**5,607,503**	27,909,509
— Chongqing	**8,211,597**	8,855,467
Others	**295,992**	538,440
Segment total	**19,143,872**	43,208,305
Unallocated assets	**184,390**	181,250
Consolidated assets	**19,328,262**	43,389,555
Segment liabilities:		
Property development		
— Shanghai	**391,275**	464,772
— Chongqing	**2,941,204**	3,791,007
Property investment		
— Shanghai	**836,677**	1,076,319
— Chongqing	**1,950,679**	2,510,389
Others	**156,252**	180,677
Segment total	**6,276,087**	8,023,164
Unallocated liabilities	**7,929,319**	12,576,077
Consolidated liabilities	**14,205,406**	20,599,241

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reporting segments other than certain property, plant and equipment, other receivables, deposits and prepayments, pledged/restricted bank deposits, and bank balances and cash, which are commonly used among segments or used for corporate operation.

- all liabilities are allocated to operating and reporting segments other than certain other payables and accruals, amount due to a shareholder, lease liabilities, tax payables and deferred tax liabilities, which are corporate liabilities that are not allocated to any segment. Borrowings and fixed-rate senior notes are allocated to segment on a consistent basis with certain finance costs capitalised.

Other segment information

For the year ended December 31, 2021

	Property development Shanghai RMB'000	Property development Chongqing RMB'000	Property investment Shanghai RMB'000	Property investment Chongqing RMB'000	Others RMB'000	Segment total RMB'000	Adjustments RMB'000 (Note (a))	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:								
Changes in fair value of investment properties	—	—	519,143	663,207	—	1,182,350	—	1,182,350
Additions to non-current assets *(Note (b))*	—	—	19,693	22,927	2	42,622	—	42,622
Depreciation of property, plant and equipment	—	—	—	—	2,939	2,939	3,997	6,936
Loss on disposal of property, plant and equipment, investment properties and properties under development for sale	900,935	—	17,915,036	—	—	18,815,971	—	18,815,971

For the year ended December 31, 2020

	Property development Shanghai RMB'000	Property development Chongqing RMB'000	Property investment Shanghai RMB'000	Property investment Chongqing RMB'000	Others RMB'000	Segment total RMB'000	Adjustments RMB'000 (Note (a))	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:								
Changes in fair value of investment properties	—	—	14,578,683	2,486,853	—	17,065,536	—	17,065,536
Additions to non-current assets *(Note (b))*	—	—	137,729	34,830	—	172,559	7,973	180,532
Depreciation of property, plant and equipment	—	—	—	—	3,129	3,129	6,112	9,241
Loss on disposal of investment properties and properties under development for sale	—	366,646	—	276,536	—	643,182	—	643,182

Notes:

(a) All amounts included in the measure of segment profit or loss or segment assets are allocated to operating segments other than certain additions to non-current assets, depreciation of property, plant and equipment which are related to unallocated assets commonly used between segments or used for corporate operation.

(b) Non-current assets include investment properties and property, plant and equipment.

Geographical information

All revenue of the Group are derived from operations in the PRC.

Non-current assets of the Group are mainly located in the PRC (group entities' country of domicile).

Information about major customer

For the years ended December 31, 2021 and 2020, no revenue from a customer of the corresponding year contributed over 10% of the total revenue of the Group.

In the following table, revenue under HKFRS 15 is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

Disaggregation of revenue

For the year ended December 31

	Sales of properties				Property management income		Total	
	Shanghai		Chongqing					
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Timing of revenue recognition								
At a point in time	**76,564**	118,658	**91,612**	273,488	**—**	—	**168,176**	392,146
Transferred over time	**—**	—	**—**	—	**10,518**	8,650	**10,518**	8,650
	76,564	118,658	**91,612**	273,488	**10,518**	8,650	**178,694**	400,796

6. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest on other borrowings	**468,126**	500,033
Effective interest expense on 15.0% fixed-rate senior notes	**241,370**	248,978
Interest on lease liabilities	**809**	1,372
Total finance costs	**710,305**	750,383
Less: Amount capitalised in construction in progress included in property, plant and equipment, investment properties under construction and properties under development for sale	**—**	(357,196)
	710,305	393,187

Borrowing costs capitalised during the year 2020 arising on specific borrowings amounted to approximately RMB33,660,000. Borrowing costs capitalised during the year 2020 arising on the general borrowing pool amounted to approximately RMB323,536,000 and was calculated by applying a capitalisation rate of 10.01% per annum to expenditure on qualifying assets.

7. INCOME TAX CREDIT

	2021	2020
	RMB'000	*RMB'000*
Current tax:		
Enterprise Income Tax ("EIT")		
— Provision for the year	**(156)**	(1,984)
— Over-provision in prior years	**—**	33,216
	(156)	31,232
Land Appreciation Tax ("LAT")		
— Provision for the year	**(1,142,158)**	(6,730)
— Over-provision in prior years	**—**	510,983
	(1,142,158)	504,253
	(1,142,314)	535,485
Deferred tax credit:		
Current year	**4,634,386**	4,112,854
	3,492,072	4,648,339

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC group entities is 25% for both years.

Under the Provisional Regulations on Land Appreciation Tax implemented upon the issuance of the Provisional Regulations of the PRC on January 27, 1995, all gains arising from transfer of real estate property in the PRC effective from January 1, 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land costs, borrowings costs and all property development expenditures.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

8. LOSS FOR THE YEAR

	2021	2020
	RMB'000	*RMB'000*
Loss for the year has been arrived at after charging/(crediting):		
Directors' emoluments	**1,040**	1,096
Other staff costs		
— salaries and other benefits	**24,555**	33,237
— contributions to retirement benefits schemes	**4,114**	3,515
Total staff costs	**29,709**	37,848
Less: Amount capitalised in investment properties under construction and properties under development for sale	**(7,115)**	(9,209)
	22,594	28,639
Auditors' remuneration	**2,555**	2,808
Depreciation of property, plant and equipment	**6,936**	9,241
Less: Amount capitalised in properties under development for sale	**(2,915)**	(4,293)
	4,021	4,948
Cost of properties sold (included in cost of sales)	**126,405**	283,542
Gain on disposal of property, plant and equipment	**—**	(815)
Gross rental income from investment properties	**2,359**	3,201
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**(1)**	—
	2,358	3,201
Provision for settlement fee and other relevant cost incurred in respect of the litigations with certain lenders	**411,403**	695,626
Provision for impairment of properties under development for sale and properties held for sale (included in cost of sales)	**3,440**	421,879

9. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended December 31, 2021 (2020: Nil).

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to owners of the Company for the year ended December 31, 2021 amounted to RMB17,667,458,000 (2020: loss attributable to owners of the Company RMB14,476,266,000) and the weighted average number of 1,809,077,000 ordinary shares (2020: 1,809,077,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

The diluted loss per share is equal to basic loss per share as there were no dilutive potential ordinary shares in issue during both years ended December 31, 2021 and 2020.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Considerations in respect of completed properties sold are received from customers in accordance with the terms of the related sales and purchase agreements, normally within 90 days from the agreement date.

Considerations in respect of properties sold under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

	2021	2020
	RMB'000	*RMB'000*
Prepayment of business taxes and other PRC taxes	**38,412**	42,970
Other receivables	**25,788**	21,048
Deposits	**21,505**	21,287
Prepayments	**71,325**	67,068
	157,030	152,373

12. CONTRACT LIABILITIES

	2021	2020
	RMB'000	*RMB'000*
Contract liabilities		
— expected to be realised within twelve months	**300,942**	381,820

13. OTHER COMMITMENTS

	2021	2020
	RMB'000	*RMB'000*
Construction commitment contracted but not provided for	**1,524,778**	1,224,734

FINAL DIVIDEND

The directors of the Company have resolved not to propose any payment of a final dividend of the Company for the year ended December 31, 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Group Strategies

All the Group can do is to face, with its iron determination and will, all kinds of upcoming challenges and combats full of fight and joy.

Looking ahead, the Group would continue to master property development projects, both residential and commercial, with sizable and distinct quality, in prime locations in the People's Republic of China ("PRC"). Our overall objectives are to exploit business opportunities, achieve sales growth, and enhance income as planned.

Key property development projects are as follows:

- *High-end and sizable middle-class residential projects*

  There are both high-end residential and well-located projects for the growing middle-class in both Shanghai and Chongqing. Luxurious design and leading residential projects, characterised by themes and motifs, are connected with mass transit system with rapid, convenient and efficient transportation.

- *Modern and upscale theme shopping street developments*

  These are modern, well-designed architectural projects situated at prime retail areas in major cities in the PRC which combines retail, residential, entertainment, cultural and recreational users with great accessibility, a focal point with attractions for residential, investment and business operations.

BUSINESS ENVIRONMENT

Overview of the Mainland Property Market

China's GDP in 2021 was RMB114,367.0 billion, reflecting an 8.1% year-on-year ("YOY") growth.

The residential property market in China demonstrated steady growth throughout 2021 as the investment amount of residential properties grew by 4.4% YOY, according to the National Statistics Bureau. Sales volume of residential properties reached RMB16,272.99 billion in 2021 and recorded a 5.3% YOY increase. The residential property market experienced a continuous boom in the first half of 2021. However, during the second half of the year, the market has undergone in-depth adjustments in terms of continuous tightening of the real estate credit environment and continuous increases in policy regulation. After entering the fourth quarter, the central government has released a series of signals to maintain stability and improve the credit environment.

The retail property market of China has shown a recovery trend since 2021 Q4 as the epidemic has been under effective control and the government has implemented consumption stimulus measures. Total retail sales amounted to RMB44,100.0 billion in 2021 and increased by 12.5% YOY. Despite temporary suspension of operation of some physical stores amid COVID-19 outbreak, the e-commerce market maintained a robust growing momentum. In 2021, the national online retail sales amounted to RMB13,088.4 billion, representing an increment of 14.1% YOY. The online retail sales of commodities in 2021 increased by 12.0% YOY and reached RMB10,804.2 billion.

The office property market of China experienced strong growth in 2021. The rapid recovery of the macroeconomy has created a favorable environment for business expansion. Thus, corporates have gradually released the pent-up demand after the economy stabilizes. Due to strong demand, most of the market vacancy levels have fallen. Average rent decline in various markets has narrowed, and some cities have shown signs of stabilization. Digital economy enterprises represented by Internet Technology have become the most important force leading the trend of China's office market.

Overview of the Shanghai Property Market

Shanghai's GDP in 2021 was RMB4,321.5 billion, reflecting an 8.1% YOY growth.

The residential property market in Shanghai was generally positive in 2021 as the investment amount and sales volume grew by 10.5% and 3.9% YOY respectively. Average first-hand transaction prices increased by 7.6% YOY to RMB56,600 per square meter. However, government policies remain in place to control housing prices.

Retail sales were RMB1,807.9 billion in 2021, representing a growth of 16.5% YOY. The solid performance of retail sales was a positive indicator of the retail property market. 16 new projects were launched in 2021, adding about 1.4 million square meters of new supply to the market. Vacancy rates fell by 1.7% YOY to 9.1%, and average rent of first floor retail units increased by 1.3% YOY to RMB26.5 per square meter. Leisure and entertainment, automotive, sports and outdoor retail sectors account for the largest new leasing space in 2021.

According to the Shanghai Statistics Bureau, tertiary industry contributed about 73.3% of the total GDP in 2021 and amounted to RMB3,167.6 billion. In 2021, the real estate investment amount in office sector rose by 30.0% YOY, and one office project was completed in 2020 Q4, providing 50,000 square meters of office space. Given the growing demand from foreign-funded enterprises in 2021, vacancy rates fell by 2.5% YOY and rent increased by 1.44% on a quarter-to quarter ("QOQ") basis. Financial, professional services and TMT industries are the main sources of new leasing transactions in 2021.

Overview of the Chongqing Property Market

Chongqing's GDP in 2021 was RMB2,789.4 billion, reflecting an 8.3% YOY growth.

The Chongqing government has implemented several policies to regulate the residential market and stabilise housing prices. As such, new supply of residential property dropped by 54.0% QOQ in 2021 Q4. Further, transaction prices of first-hand housing decreased by 1.5% to RMB14,651 per square meter in 2021 Q4.

Overall consumption levels in 2021 outperformed that of 2019 as retail sales increased 20.0% YOY. 12 new projects were launched in 2021, adding about 1.06 million square meter of new supply to the market. Vacancy rates slightly increased by 0.2% YOY to 13.5%, and average rent of first floor retail units fell by 0.1% YOY. Large amounts of stock coupled with new supply intensified the market competition. Therefore, the retail market may experience a period of adjustment.

According to the Chongqing Statistics Bureau, tertiary industry grew by 9.0% YOY to RMB1,478.7 billion, contributing about 53.0% of the total GDP in 2021. Vacancy rates decreased by 0.8% YOY and average rent fell by 0.3% QOQ in 2021 Q4. In 2021 Q2, Chinese authorities have introduced a set of guidelines to ease the burden of excessive homework and off-campus tutoring for students undergoing compulsory education, which led to a sharp decrease in demand from online education industry. That said, TMT, finance and professional services sectors remained the key drivers of office demand.

Outlook of the Mainland Property Market

After reiterating the importance of "Houses are built to be lived in, not for speculation" which was first raised by President Xi in 2017, the determination of suppressing the investment sentiment of housing market by the central government is anticipated to stay unchanged in 2022.

Overall regulation of the residential market is expected to remain unchanged, and the government is expected to continue to improve the long-term mechanism of "stabilizing land prices, housing prices, and expectations", and implement city-specific policies to promote a virtuous and healthy development of the residential market. Under the general requirement of controlling housing prices, the credit environment will be relaxed. Simultaneously, the government is expected to ease the financial pressure on developers by slightly increasing development loans, allowing debt extension, and improving the financing environment for bond issuance.

In 2022, new supply of prime retail properties in China is expected to remain strong. Over 12 million square meters of new supply is expected to enter the market, and the retail market in each city will continue to expand. Among the first-tier cities, new supply in Beijing and Shanghai is expected to exceed one million square meters. Further, new supply is expected to remain high in four cities located in western China, namely

Chongqing, Chengdu, Kunming, and Xi'an. Land development in the core area is limited, driving the development of retail market in emerging business districts. In the future, stock renewal and new development will be carried out simultaneously.

Strong demand for national Grade A office properties has improved the confidence of market participants, and ultimately narrowed the rental decline in the Grade A office market. Moving forward, the TMT and finance sectors are expected to remain as the main drivers of office leasing market in 2022.

FINANCIAL REVIEW

The Group's loss attributable to equity holders for the year amounted to RMB17,667 million (2020: loss RMB14,476 million), increased by 22.0% when compared to 2020. Basic loss per share were RMB9.77 (2020: loss per share RMB8.00).

As at December 31, 2021, the total assets decreased to RMB19,328 million from RMB43,390 million in last year. Net assets, the equivalent of shareholders' funds, decreased to RMB5,123 million (2020: RMB22,790 million). In terms of value per share, net assets value per share is RMB2.83 at the end of the reporting period, as compared to RMB12.60 as at December 31, 2020. In addition, the approximate 3.1% appreciation of RMB to HK$ and United States dollar has resulted in the recognition of a RMB59 million exchange translation gain reported in this fiscal year.

The Group's revenue of RMB181 million (2020: RMB404 million) decreased by 55.2% when compared with last year, and was mainly due to the decrease in revenue from sales of properties.

The revenue from sales of properties amounted to RMB168 million (2020: RMB392 million), decreased by 57.1% as compared to 2020. The Group sold properties with total gross floor area ("GFA") of approximately 468,000 sq. ft. (2020: approximately 832,000 sq. ft) in 2021, a 43.7% decrease as compared with last year.

Gross profit margin for sales of properties was 24.8% (2020: 27.7%), a 2.9 percentage point decrease when compared with last year.

Income from property leasing decreased by 26.3% to RMB2.4 million (2020: RMB3.2 million). Property management income was RMB11 million (2020: RMB9 million).

During the year, the Group generated income of RMB19 million, RMB58 million, RMB74 million, RMB8 million and RMB9 million from sales of residential properties of Shanghai Concord City Phase I, carparks of Shanghai Cannes, residential properties of Chongqing Manhattan City Phase I, residential properties of Chongqing Manhattan City Phase II and residential properties of Chongqing Manhattan City Phase III respectively.

Contract liabilities decreased to RMB301 million as at December 31, 2021 from RMB382 million as at December 31, 2020. This was primarily due to the recognition of revenue from sale of residential properties of Shanghai Concord City Phase I, Chongqing Manhattan City Phase I and Phase III and carparks of Shanghai Cannes during the year.

Other income, gains and losses, net were gain of RMB0.3 million (2020: loss of RMB642 million). The decrease in the loss was mainly attributable to the loss on disposal of investment properties and properties under development in 2020.

Administrative expenses during the year were RMB136 million (2020: RMB128 million) which increased by 5.9%. It was mainly attributable to increase in legal and professional fee.

Finance costs represent mainly interest expenses and other borrowing costs in relation to other borrowings and the fixed-rate senior notes. No finance costs (2020: RMB357 million) were capitalised on various projects and RMB1 million which is related to interest on lease liabilities were charged to the profit or loss during the year (2020: RMB1 million).

The changes in fair value of investment properties were loss of RMB1,182 million (2020: loss of RMB17,066 million). The downward adjustments in the re-valuation of the property portfolio as of December 31, 2021 was initiated by the compression of commercial property market sentiments. The changes in fair value of investment properties in Shanghai experienced a decrease of RMB519 million (2020: decrease of RMB14,579 million) which was mainly contributed by the project of Shanghai Cannes. The changes in fair value of investment properties in Chongqing experienced a decrease of RMB663 million (2020: decrease of RMB2,487 million) which was mainly contributed by the projects of Chongqing Concord City and Chongqing International Commerce Centre.

Income tax credit was RMB3,492 million (2020: income tax credit RMB4,648 million), a decrease of 24.9%. The decrease in income tax credit was the tax effect of the loss on changes in fair value of investment properties and the disposal of investment properties in 2021.

LIQUIDITY AND FINANCING

The Group monitors its liquidity requirements on a short to medium-term basis and arranges refinancing of the Group's borrowing when appropriate. During the year, the Group raised new external borrowings totaling of approximately RMB96 million (2020: RMB177 million).

At the end of the reporting period, the Group's senior notes, borrowings and amount due to a shareholder amounted to RMB1,600 million (2020: RMB1,518 million), RMB4,121 million (2020: RMB5,843 million) and RMB4,191 million (2020: RMB4,152 million) respectively. The Group's total borrowings were RMB9,912 million (2020: RMB11,513 million), a decrease of RMB1,601 million when compared to December 31, 2020. RMB9,912 million (2020: RMB11,513 million) is repayable within one year.

The gearing ratio of the Group as at December 31, 2021 was 192.9% (2020: 50.4%), determined as proportion of the Group's net borrowings (after deducting bank balances and cash and pledged/restricted bank deposits) to the shareholders' funds.

There was no material acquisition and disposal of group companies during the year.

TREASURY POLICIES

At the end of the reporting period, approximately 84% (2020: 87%) of the Group's borrowings were in RMB. The Group derives its revenue mainly in RMB. Bank balances are maintained mainly in RMB and HK$.

The bank borrowings are principally on a floating-rate basis while the other borrowings and senior notes are on a fixed-rate basis.

The Group has not used any interest rate or foreign currency derivative instrument to hedge its exposure to interest rate and foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

CHARGE ON ASSETS

As at December 31, 2021, the Group pledged assets with an aggregate carrying value of RMB15,902 million (2020: RMB38,235 million) to secure loan facilities utilised.

CONTINGENT LIABILITIES

As at December 31, 2021, the Group guaranteed mortgage loans to purchasers of its properties in the aggregate outstanding principal amount of RMB88 million (2020: RMB108 million). During the year, there was no default case.

Legal disputes

As at December 31, 2021, the Group is subjected to several legal claims mainly in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business. In these legal proceedings, the Group has received court orders to restrict the disposition of certain investment properties, properties under development for sale and properties held for sale in an aggregate amount of approximately RMB14,889 million (2020: RMB13 million) and the withdrawal of bank deposits of approximately RMB0.3 million (2020: RMB0.7 million) as at December 31, 2021. In the opinion of the Directors, the claims made by the construction contractors are mainly related to construction works that not met the required standards and pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors. In addition, the Group has already made or in the process of making countered claims for compensation from the construction contractors for causing delay in delivering of the properties to the end customers of the Group. The management has sought advices from the independent legal advisors or internal legal counsel, as at December 31, 2021, the Group has provided the construction cost liabilities amounting to RMB165 million (2020: RMB128 million) in relation to the above mentioned construction contracts under dispute.

Outstanding legal claims that are subjected to legal proceedings and/or appeal amounted to approximately RMB176 million (2020: RMB126 million) in aggregate in which RMB117 million (2020: RMB68 million) in relation to disputes under construction contracts. No further provision has been made in the consolidated financial statements in respect of these claims. The directors of the Company are of the opinion that the Group has reasonable ground to defense those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group.

Except for the matters disclosed elsewhere, the Group has the following litigations with some of its lenders:

(1) Legal disputes with 平安大華匯通財富管理有限公司 ("PinganDahua") and its fellow subsidiaries

    (a) On August 28, 2015, Shanghai Jingan-Concord Real Estate Co., Ltd. ("Shanghai Jingan") and Shanghai Minhang Concord Property Development Co., Ltd.) ("Shanghai Minhang"), each a wholly-owned subsidiary of the Company, as borrowers entered into an entrusted loan agreement with PinganDahua whereby an entrusted loan in the aggregate amount of RMB1.3 billion was granted (the "PinganDahua Entrusted Loan"), originally repayable by August 31, 2018 and extended verbally to October 15, 2018. Since then, the above parties had been in negotiations on new repayment arrangements. PinganDahua, without notice to Shanghai Jingan and Shanghai Minhang, made an application to the notary office for an execution certificate at the end of December 2018 and filed an application for enforcement with the High Court of Shanghai.

    (b) On November 17, 2017, Chongqing Riverside Real Estate Co., Ltd. ("Chongqing Riverside"), a wholly-owned subsidiary of the Company, as borrower entered into an entrusted loan agreement with 深圳市平安德成投資有限公司 ("PinganDecheng"), a fellow subsidiary of PinganDahua, whereby an entrusted loan in the aggregate amount of RMB500 million was granted to Chongqing Riverside (the "PinganDecheng Entrusted Loan") repayable by February 2,

2020. The PinganDecheng Entrusted Loan was secured by guarantee provided by each of Shanghai Jingan and Shanghai Minhang. Since the 4th quarter of 2018, the above parties have been in negotiations on new repayment arrangements. PinganDecheng without notice to Chongqing Riverside, obtained an enforcement order from Chongqing Fifth Intermediate People's Court on April 15, 2019 against Chongqing Riverside, Shanghai Jingan and Shanghai Minhang in respect of the principal amount of RMB500 million under the PinganDecheng Entrusted Loan together with interest and legal costs incurred. Since then, the above parties had been in negotiations on new repayment arrangements.

(c) On January 26, 2016, Chongqing Riverside as borrower entered into an entrusted loan agreement with 深圳市思道科投資有限公司 ("SSI"), a fellow subsidiary of PinganDahua, whereby an entrusted loan in the aggregate amount of RMB500 million was granted (the "SSI Entrusted Loan") to Chongqing Riverside repayable by January 27, 2020. The SSI Entrusted Loan was secured by guarantee provided by each of Shanghai Jingan and Shanghai Minhang. Since the 4th quarter of 2018, the above parties have been in negotiations on new repayment arrangements. SSI without notice to Chongqing Riverside, obtained an enforcement order from Chongqing Fifth Intermediate People's Court on April 16, 2019 against Chongqing Riverside, Shanghai Jingan and Shanghai Minhang in respect of the principal amount of RMB500 million under the SSI Entrusted Loan together with interest and legal costs incurred. Since then, the above parties had been in negotiations on new repayment arrangements.

(d) Each of PinganDahua, PinganDecheng and SSI has since assigned all its respective rights under the PinganDahua Entrusted Loan, the PinganDecheng Entrusted Loan and the SSI Entrusted Loan to 西藏瓴達信投資管理有限公司 (Tibet Lingdaxin Investment Management Co., Ltd.*).

(e) On June 10, 2021, the Company noted from 公拍網 (Public Auction Platform*), an online public auction platform established by the Shanghai Trade Association of Auctioneers that the Shanghai Second Intermediate People's Court (上海市第二中級人民法院) has issued a notice (the "Lot #4 Land Notice") in relation to the proposed auction of a parcel of land (lot #4) (the "Lot #4 Land") owned by Shanghai Jingan with total site area of 19,800 square meters located in the southern portion of Shanghai Concord City Phase II, which was mortgaged as security under the PinganDahua Entrusted Loan (the "Proposed Auction"). The Proposed Auction was scheduled to take place from July 11, 2021 to July 14, 2021. According to the Lot #4 Land Notice, as the Lot #4 Land was determined as idle land by Shanghai Jingan District Planning and Natural Resources Bureau in July 2018, the Lot #4 Land would be auctioned on the basis that it is idle land.

(f) The Company has sought legal advice and has filed an objection against the listing of the Lot #4 Land on 公拍網 (Public Auction Platform*) and commenced an administrative proceeding to contest against the Proposed Auction (the "Proceeding").

(g) On July 6, 2021, the Company was given to understand that the Higher People's Court of Shanghai Municipality (上海市高級人民法院) has notified the Shanghai Second Intermediate People's Court (上海市第二中級人民法院) that the Proposed Auction should not proceed as it is subject to the Proceeding. The Company however noted from the 公拍網 (Public Auction Platform*) on July 14, 2021 that the Proposed Auction took place as originally scheduled and indicated that the Lot #4 Land had been sold at RMB2,468,390,000, being the starting bid listed for the Proposed Auction. The Company also noted that payment of the balance of the purchase price under the Proposed Auction was scheduled for July 19, 2021 but understands that, before the purchase completes, a new land use right sales contract would need to be entered into.

(h) The Company had filed an application for the revocation of the sale of the Lot #4 Land through the Proposed Auction with the Shanghai High People's Court (上海市高級人民法院), which upheld the decision of the Shanghai Second Intermediate People's Court (上海市第二中級人民法院).

(i) Please refer to the Company's announcements dated June 30, 2021, July 16, 2021 and December 30, 2021 for further details.

(2) Legal disputes with 陸家嘴國際信託有限公司 ("Lujiazui")

On November 9, 2016, Shanghai Jingan as borrower entered into an entrusted loan agreement (the "Lujiazui Entrusted Loan Agreement") with Lujiazui whereby an entrusted loan in the total aggregate amount of RMB1.3 billion was granted. Three tranches of loan will be due on May 23, 2019, June 6, 2019 and June 15, 2019. Pursuant to the Lujiazui Entrusted Loan Agreement, Shanghai Jingan was required to pay a deposit of RMB124 million to Lujiazui by December 15, 2018, failing which Lujiazui can demand the immediate repayment of the total loan together with liquidated charges and interest. The full RMB124 million was not paid by due date and since December 4, 2018, Shanghai Jingan and Lujiazui have been in discussion to make a partial prepayment of the loan principal by utilising proceeds from sale of certain residential properties which have been charged to Lujiazui as security for the loan. Without notice to Shanghai Jingan, Lujiazui filed a civil claim claiming the amount of RMB1.24 billion against Shanghai Jingan with the High Court of Shanghai on December 20, 2018. Shanghai Jingan filed an appeal to The Supreme People's Court of the People's Republic of China (最高人民法院) (the "PRC Supreme Court") against the decision of the High Court of Shanghai on August 7, 2019. The appeal was dismissed by the PRC Supreme Court on December 27, 2019, and Shanghai Jingan was ordered to repay RMB1.24 billion to Lujiazui together with interest and legal costs incurred (the "Lujiazui Entrusted Loan"). Since then, the above parties had been in negotiations on repayment arrangements.

(3) Legal disputes with 中建投信託股份有限公司 ("JIC Trust")

(a) On September 27, 2017, Shanghai Jingan as a borrower entered into an entrusted loan agreement (the "JIC Trust Entrusted Loan Agreement") with JIC Trust whereby an entrusted loan in the aggregate amount of RMB1.2 billion (the "JIC Trust Entrusted Loan") was granted in twelve tranches. The loan tenure for each tranche is 24 months and will be due from October 13, 2019 to December 29, 2019 (the "Loan Term"). Pursuant to the JIC Trust Entrusted Loan Agreement, the lender has the right to demand immediate repayment of the loan if the lender has doubt over the borrower's financial ability to repay the loan. On February 14, 2019, Shanghai Jingan received a notice from JIC Trust informing that the JIC Trust Entrusted Loan Agreement would be terminated on February 18, 2019 and the loan would be due on the same day. As the Loan Term had not yet expired, Shanghai Jingan did not repay the loan as demanded. On February 22, 2019, JIC Trust filed a civil claim against Shanghai Jingan and the Company declaring the termination of the JIC Trust Entrusted Loan Agreement and the loan due. The amount of claim is RMB1,452.35 million. Since then, the above parties had reached settlement whereby Shanghai Jingan will repay the principal amount of RMB1.2 billion under the JIC Trust Entrusted Loan together with interest and legal costs incurred.

(b) Whilst the Company was in the process of obtaining a new loan from an independent financial institution for the repayment of the JIC Trust Entrusted Loan, on August 6, 2021, the Company noted from 工行融e購 (ICBC Global E-Trade Service*), an online trade platform established by the Industrial and Commercial Bank of China that the Shanghai Second Intermediate People's Court (上海市第二中級人民法院) has issued a notice (the "Lot #3 and Lot #5 Land Notice") in relation to the proposed auction of two parcels of land (together with the constructions constructed thereon) owned by Shanghai Jingan, being a parcel of land (lot #3) (the "Lot #3 Land") and a parcel of land (lot #5) (the "Lot #5 Land"), each located in the northern portion of Shanghai Concord City Phase II with a total site area of 7,838 square meters and 11,208 square meters, respectively, which were mortgaged as security under the JIC Trust Entrusted Loan (the "Proposed Auction (JIC Trust)"). The Proposed Auction (JIC Trust) was scheduled to take place from September 15, 2021 to September 18, 2021. According to the Lot #3 and Lot #5 Land Notice, a judicial valuation report (司法鑑定評估報告) on the Lot #3 Land and the Lot #5 Land has been prepared by 上海富申房地產估價有限公司 (Shanghai Fushen Real Estate Appraisal Co., Ltd.*) (the "Judicial Valuation Report") with a total appraised value of RMB1,855,900,500. The Directors are of the view that the Judicial Valuation Report was made based on erred information on the Lot #3

Land and the Lot #5 Land, which substantively undervalued the Lot #3 Land and the Lot #5 Land and hence the Company disagreed with the Judicial Valuation Report.

(c) On September 18, 2021, the Company noted from the 工行融e購 (ICBC Global E-Trade Service*) that the Proposed Auction (JIC Trust) took place as originally scheduled and indicated that the Lot #3 Land and the Lot #5 Land had been sold at RMB1,299,140,000, being the starting bid listed for the Proposed Auction (JIC Trust).

(d) In addition to the Proposed Auction (JIC Trust), the Company further noted from 工行融e購 (ICBC Global E-Trade Service*) that the Shanghai Second Intermediate People's Court (上海市第二中級人民法院) has issued a notice (the "Second Notice (JIC Trust)") in relation to the proposed auction of the Huashan Building, a property owned by Shanghai Jingan located at West Nanjing Road, Jing'an District, Shanghai, the People's Republic of China with gross floor area of 7,340 square meters (the "Huashan Building"), which was mortgaged as security under the JIC Trust Entrusted Loan (the "Proposed Second Auction (JIC Trust)"). The Proposed Second Auction (JIC Trust) was scheduled to take place from October 8, 2021 to October 11, 2021. According to the Second Notice (JIC Trust), a judicial valuation report (司法鑑定評估報告) on the Huashan Building has been prepared by 上海富申房地產估價有限公司 (Shanghai Fushen Real Estate Appraisal Co., Ltd.*) (the "Second Judicial Valuation Report") with a total appraised value of RMB419,608,600. The Directors are of the view that the Second Judicial Valuation Report erred in classifying the Huashan Building as a hotel instead of a commercial property, which substantively undervalued the Huashan Building. Accordingly, the Company disagreed with the Second Judicial Valuation Report.

(e) The Proposed Second Auction (JIC Trust) took place as originally scheduled and the Huashan Building had been sold at RMB335,690,000, being the starting bid listed for the Proposed Second Auction (JIC Trust).

(f) Please refer to the Company's announcements dated August 16, 2021, September 30, 2021 and December 30, 2021 for further details.

Shanghai Jingan has filed applications for a review (the "Review") of the application of law and factual errors in the rulings in the judicial process of execution of auctioning (i) the Lot #4 Land through the Proposed Auction; (ii) the Lot #3 Land and the Lot #5 Land through the Proposed Auction (JIC Trust); and (iii) the Huashan Building through the Proposed Second Auction (JIC Trust) (collectively, the "Auctions"), to the PRC Supreme Court. The PRC Supreme Court has conducted the filing and examination for the Review. As at the date of this announcement, the PRC Supreme Court has yet to issue its decision. If the PRC Supreme Court rules in favour of Shanghai Jingan, the PRC Supreme Court may rectify the Auctions or order that Shanghai Jingan be compensated, which will impact on the outstanding debts of Shanghai Jingan. The Company will continue to take all necessary actions to vigorously contest against each of the Auctions. The Company will make further announcement(s) on the material development and progress in relation to the above as and when appropriate.

IMPORTANT EVENTS AFFECTING THE GROUP THAT HAVE OCCURRED SINCE THE END OF THE FINANCIAL YEAR

Save as disclosed below and the section headed "CONTINGENT LIABILITIES" above, to the knowledge of the directors of the Company, there is no other important event affecting the Group since the end of the financial year and up to the date of this announcement:

(a) Winding up petition against the Company

On February 28, 2022, the Company received a petition (the "Petition") from JIC Trust in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) filed in the High Court of The Hong Kong Special Administrative Region (the "High Court") under Companies Winding-up Proceedings No. 67 of 2022 that the Company may be wound up by the High Court for failing to pay an outstanding debt of Shanghai Jingan, a wholly-owned subsidiary of the Company, which the Company has provided a corporate guarantee, in the sum of HK$904,433,593.19. The Shanghai Second Intermediate People's Court (上海市第二中級人民法院) has yet to issue the confirmation for the judgement amount (the "Subject Amount") as at the date of the Petition. The Petition was scheduled to be heard before the High Court on May 4, 2022 and was subsequently further adjourned to November 28, 2022. The Company is opposing the Petition and will continue to seek legal advice on the matter. Please refer to the Company's announcements dated March 18, 2022, May 4, 2022, June 1, 2022, July 13, 2022, July 25, 2022 and September 19, 2022 for further details.

As disclosed in the section headed "CONTINGENT LIABILITIES — Legal disputes" above, Shanghai Jingnan has filed the Review which the PRC Supreme Court has conducted the filing and examination. As at the date of this announcement, the PRC Supreme Court has yet to issue its decision. If the PRC Supreme Court rules in favour of Shanghai Jingan, the PRC Supreme Court may rectify the Auctions or order that Shanghai Jingan be compensated, which will impact on the outstanding debts of Shanghai Jingan.

Accordingly, the Company believes that the grounds for the Petition and the Subject Amount may be subject to dispute and the Company will continue to take all necessary actions to vigorously contest against each of the Auctions and the Petition.

Further announcement(s) will be published as and when necessary to keep the shareholders and potential investors informed.

(b) Suspension of trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

(i) The Company failed to announce its preliminary financial results for the year ended December 31, 2020 which shall have been agreed with the auditor on or before March 31, 2021. Accordingly, pursuant to Rule 13.50 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), trading in the shares of the Company has been suspended since April 1, 2021, and remains suspended as at the date of this announcement.

(ii) On May 27, 2021, the Company received a letter from the Stock Exchange stating that the Listing Committee of the Stock Exchange may cancel the Company's listing under Rule 6.01A of the Listing Rules if the Company fails to remedy the issues causing its trading suspension, fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by September 30, 2022. In such case, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company's listing. Please refer to the Company's announcement dated May 31, 2021 for further details.

(iii) On May 5, 2022, the Company received additional resumption guidance from the Stock Exchange. Please refer to the Company's announcement dated May 6, 2022 for further details.

(c) Default in repayment of the USD226,000,000 15.0% Senior Notes due 2021 by Cheergain Group Limited

(i) On October 15, 2018, Cheergain Group Limited (the "Issuer"), a wholly-owned subsidiary of the Company, issued USD226,000,000 15.0% Senior Notes due 2021 (the "15% US$ Senior Notes") which were listed on the Official List of The International Stock Exchange.

(ii) The 15% US$ Senior Notes have matured on October 15, 2021 (the "Maturity Date") and delisted from The International Stock Exchange on the Maturity Date. Yet, no payment was made by the Issuer on the Maturity Date and such non-payment constitutes an event of default under the indenture constituting the 15% US$ Senior Notes.

(iii) The total amount due under the 15% US$ Senior Notes comprises the outstanding principal of USD225,600,000 and interest accrued thereon (the "Outstanding Amount").

(iv) The Company has been proactively communicating with the holders of the 15% US$ Senior Notes (the "Noteholders") and will continue to engage in active dialogue with the Noteholders with a view to keep the Noteholders informed of the actions taken and to be taken by the Company in arranging for settlement of the Outstanding Amount.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2021, the Group had 298 employees (2020: 367 employees) in Hong Kong and the PRC. The related employees' cost for the year amounted to approximately RMB37 million (2020: RMB37 million). The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry and prevailing market conditions. In addition, share options may be granted from time to time in accordance with the terms of the Group's approved share option scheme to provide incentives and rewards to the employees.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining the highest standards of corporate governance consistent with the needs and requirements of the business and its shareholders, and consistent with the "Corporate Governance Code" set out in Appendix 14 to the Listing Rules (the "CG Code"). Throughout the financial year ended December 31, 2021 and up to the date of this announcement, the Group has complied with all code provisions in the CG Code except code provision A.1.8 and C.1.2 (which are respectively renamed as code provision C.1.8 and D.1.2 with effect from January 1, 2022).

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. The Company made specific enquiries with each director and each of them confirmed compliance with the Model Code during the year ended December 31, 2021.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the financial statements and continuing connected transactions of the Group for the year ended December 31, 2021.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The followings is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended December 31, 2021.

Disclaimer of Opinion

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

Basis for Disclaimer of Opinion

1. Scope limitation relating to appropriateness of the going concern assumption

As set out in note 1 to the consolidated financial statements, which indicates that the Group recorded a net loss of RMB17,667,458,000 for the year ended December 31, 2021 and, as of the date, the Group's had net current liabilities of RMB6,844,268,000. As at December 31, 2021, the Group's total borrowings (principal and interest) and 15% fixed rate senior notes (the "15% US$ Senior Notes") amounted to RMB4,120,751,000 and US$251,184,000 (equivalent to RMB1,599,716,000), respectively, were default and did not repay up to the date of the approval of these consolidated financial statements while its cash and cash equivalents amounted to RMB4,257,000. In addition, a winding-up petition was filed to the court by one of the lenders against the Company on February 28, 2022.

These events and conditions that material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern.

In view of the above circumstances, the directors of the Company plan to undertake a number of measures to improve the Group's cash flows, liquidity and financial position to enable the Group to meet its liabilities, which are set out in note 1 to the consolidated financial statements.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the successful outcome of these plans and measures, which are subject to multiple uncertainties, including: (1) the successful negotiation of borrowings of RMB3,500,000,000 (the "First Refinancing") to fully settle amounts due (including accrued interest and penalties) to (a) 平安大華匯通財富管理有限公司 and its fellow subsidiaries ("PinganDahua Group"), where PinganDahua Group has assigned all its rights thereunder to 西藏瓴達信投資管理有限公司 (Tibet Lingdaxin Investment Management Co., Ltd.*); and (b) 中建投信託股份有限公司; (2) the successful negotiation and obtainment of further borrowings of approximately RMB4,240,000,000 (the "Second Refinancing") from other financial institutions using certain properties in Shanghai and Chongqing as collateral (including but not limited to properties which are currently used as collaterals and are expected to be released upon obtaining the First Refinancing) to fully settle amounts due (including accrued interest and penalties) under the 15% US$ Senior Notes, the entrusted loan granted by 陸家嘴國際信託有限公司 and other loans and/or borrowings of the Group, and any remaining balance will be used to finance the Group's general working capital; (3) the successful dismissal of the winding-up petition; and (4) derivation of proceeds from the sales of properties held for sale and pre-sale of properties under development of sale of certain projects in Shanghai and Chongqing during the Group's ordinary and usual course of business.

However, during the course of our audit for the financial year ended December 31, 2021, we were unable to obtain sufficient information to enable us to evaluate the likelihood of success of the executing the First Refinancing and Second Refinancing plans and, therefore, we were unable to obtain sufficient appropriate evidence to conclude whether the directors' use of the going concern basis of accounting to prepare the consolidated financial statements is appropriate.

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

2. *Fair value measurement and loss on disposal of investment property of Shanghai Concord City Phase II Southern portion (Lot #4)*

As disclosed in the section headed "land use right and valuation — Shanghai Concord City Phase II — Southern portion" in note 4 to the consolidated financial statements, a wholly-owned subsidiary of the Group, Shanghai Jingan Concord Real Estate Co. Ltd ("Shanghai Jingan") held a parcel of land situated at Yongyuanbang, Nanjing West Road, Shanghai of approximately 19,800 square meters (the "Target Land" or "Lot #4"). The Target Land is related to the southern portion of Shanghai Concord City Phase II project. The Target Land was mortgaged as security to one of the Group's lenders, PinganDahua for several years up till now. As further explained in that note, Shanghai Jingan District Planning and Natural Resources Bureau ("Jingan Bureau") issued a determination letter of idle land identification to Shanghai Jingan. If proven to be idle land, Jingan Bureau may have the right to take back the Target Land for no compensation.

We modified our audit opinion on the consolidated financial statements of the Group for the year ended December 31, 2020 as we were not provided with explanation nor information that was in sufficient detail to support the probabilities applied by the directors of the Company that the Target Land would be found to be idle land or not idle land. These probabilities were used to determine the fair value of the Target Land as at December 31, 2020. We were accordingly unable to determine whether the fair value of the Target Land of RMB13,339,850,000 and the deferred tax liabilities of RMB5,558,270,000 as at December 31, 2020 and the fair value changes of the Target Land of RMB8,893,233,000 and the income tax credit of RMB2,223,308,000 for the year ended December 31, 2020 were fairly stated.

During the year ended December 31, 2021, PinganDahua exercised its rights to dispose of the Target Land by way of public auction on July 14, 2021 for RMB2,468,900,000 to partially settle long outstanding loans due to them. Hence, the Group recognised a loss on disposal of the Target Land of approximately RMB18,815,971,000 in the consolidated statement of profit or loss and other comprehensive income.

However, since the abovementioned limitation of scope remained unresolved during the audit for the consolidated financial statements for the year ended December 31, 2021, we were unable to determine whether: (1) the fair value of the Target Land of RMB13,339,850,000 as at December 31, 2020 and January 1, 2021; (2) the deferred tax liabilities of RMB5,558,270,000 as at December 31, 2020 and January 1, 2021; (3) the fair value changes of the Target Land of RMB8,893,233,000 for the year ended December 31, 2020; (4) the income tax credit of RMB2,223,308,000 for the year ended December 31, 2020 and 2021; and (5) the loss on disposal of the Target Land of RMB18,815,971,000 for the year ended December 31, 2021, and the related disclosures are fairly stated.

Any adjustments found necessary could have a consequential effect on the Group's financial position of December 31, 2020 and financial performance for the years ended December 31, 2021 and 2020 and the related disclosures in these financial statements.

3. *Scope limitation on cash and bank balance and other bank related balances*

As at December 31, 2021, the Company had cash and bank balances of RMB4,257,000. During the course of our audit, we have arranged bank confirmations, however, the bank balances of RMB632,000 have not yet returned up to the date of this report. In the absence of sufficient supporting documents relating to the balance of cash at these banks, we were unable to obtain satisfactory audit evidence as to the existence, accuracy and completeness of the Group's bank balance at December 31, 2021, nor any other balances and transactions, including, but not limited to, contingent liabilities, guarantees issued or other assets or liabilities that might have been entered into by the Group with this bank (Other Items). There were no other alternative audit procedures we could perform to satisfy ourselves whether the cash at bank balance as at December 31, 2021 are fairly stated and whether any Other Items need to be disclosed or recognised for the year ended December 31, 2021.

Any adjustments which might have been found necessary in respect of the cash and bank balances and Other items would have a consequential effect on the Group's statement of financial position as at January 1, 2021 and December 31, 2021, its loss for the year and the disclosures in the notes to the financial statements.

We disclaimed our opinion on the Company's consolidated financial statements for the year ended December 31, 2020 for the same matters as set out in items (1) to (3). Any adjustments to the amounts and balances for the year ended December 31, 2020 would affect the balances of these financial statements items as at January 1, 2021 and the corresponding movements, if any, during the year ended December 31, 2021. The balances as at December 31, 2020 and the amounts for the year then ended are presented as comparative information in the consolidated financial statements for the year ended December 31, 2021. We modified our audit opinion on the consolidated financial statements for the year ended December 31, 2021 also for the possible effect of the items (1) to (3) above that remained unresolved on the comparability of 2021 figures and 2020 figures in the consolidated financial statements for the year ended December 31, 2021.

SCOPE OF WORK OF AUDITORS

The figures in respect of the Group's consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

ANNUAL REPORT AND DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This annual results announcement is also published on the website of the Stock Exchange. The annual report for the year ended December 31, 2021 containing all information required by the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Directors would like to take this opportunity to express sincere gratitude to all shareholders for their continued support and to thank all staff members of the Group for their dedication and contribution to the Group.

By Order of the Board
CHINA PROPERTIES GROUP LIMITED
Dr. Wang Shih Chang, George
Chairman

Hong Kong, September 30, 2022

As at the date of this announcement, the Board of the Company comprises Dr. Wang Shih Chang, George, Mr. Wong Sai Chung and Mr. Xu Li Chang as executive directors, Mr. Kwan Kai Cheong as non-executive director and Mr. Warren Talbot Beckwith, Mr. Luk Koon Hoo and Dr. Garry Alides Willinge as independent non-executive directors.

* *For identification purpose only*