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Zhenro Properties Group Limited
正榮地產集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6158 and Debt Stock Code: 4596, 40572, 40516, 40375, 40715, 40116, 40225, 40250, 40047, 40826, 40008, 86008, 40648, 5100, 86029)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

ANNUAL RESULTS AND OPERATIONAL HIGHLIGHTS

- The aggregated contracted sales of the Group, together with its joint ventures and associated companies, for the year ended 31 December 2021 was RMB145.6 billion, representing a year-on-year increase of 2.6%.

- During the year, the Group has acquired 29 parcels of land with an aggregated estimated GFA of 4.3 million sq.m.. As at 31 December 2021, the Group had a total land bank with GFA of 25.95 million sq.m.

- For the year ended 31 December 2021, revenue increased 2.4% year-on-year to RMB36,992.4 million, profit decreased 66.4% year-on-year to RMB1,195.5 million and core profit decreased 30.9% year-on-year to RMB2,284.1 million.

- Contract liabilities (which is advanced sales proceeds) as at 31 December 2021 was RMB90,987.1 million, representing a year-on-year increase of 49.5%.

- Cash and bank balances as at 31 December 2021 was RMB39,120.5 million, representing a year-on-year decrease of 9.0%.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Zhenro Properties Group Limited ("**Zhenro Properties**" or the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021 together with the comparative figures for the preceding financial year as follows. The annual results have been prepared in accordance with International Financial Reporting Standards (the "**IFRS**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**36,992,368**	36,126,089
Cost of sales		**(31,609,978)**	(29,222,208)
Gross profit		**5,382,390**	6,903,881
Other income and gains	5	**1,559,320**	1,026,911
Selling and distribution expenses		**(1,243,288)**	(1,159,713)
Administrative expenses		**(1,190,179)**	(1,138,328)
Impairment losses on financial assets, net		**(7,815)**	(5,087)
Other expenses	5	**(1,528,830)**	(161,450)
Fair value gains on investment properties		**(201,201)**	323,960
Fair value gains or losses from financial assets at fair value through profit or loss		**(69,468)**	(37,632)
Finance costs	7	**(645,115)**	(504,796)
Share of profits and losses of:			
Joint ventures		**7,419**	33,887
Associates		**263,204**	545,272
PROFIT BEFORE TAX	6	**2,326,437**	5,826,905
Income tax expense	8	**(1,130,924)**	(2,267,971)
PROFIT FOR THE YEAR		**1,195,513**	3,558,934
Attributable to:			
Owners of the parent		**809,005**	2,650,744
Non-controlling interests		**386,508**	908,190
		1,195,513	3,558,934
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	**RMB0.19**	RMB0.61

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021	2020
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**1,195,513**	3,558,934
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**98,086**	549,623
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**98,086**	549,623
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**98,086**	549,623
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**1,293,599**	4,108,557
Attributable to:		
Owners of the parent	**907,091**	3,200,367
Non-controlling interests	**386,508**	908,190
	1,293,599	4,108,557

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2021

	Notes	2021 *RMB'000*	2020 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,256,586**	561,410
Investment properties		**9,862,000**	10,615,200
Right-of-use assets		**366,147**	345,356
Other intangible assets		**4,029**	6,902
Investments in joint ventures		**2,253,731**	3,137,528
Investments in associates		**10,842,477**	5,675,958
Deferred tax assets		**2,445,635**	1,803,433
Total non-current assets		**27,030,605**	22,145,787
CURRENT ASSETS			
Financial assets at fair value through profit or loss		**652,254**	938,067
Properties under development		**131,073,246**	117,686,697
Completed properties held for sale		**11,554,582**	7,870,910
Trade receivables	*11*	**768,412**	124,825
Due from related companies		**13,233,656**	7,880,825
Prepayments, other receivables and other assets	*12*	**28,462,160**	20,377,345
Tax recoverable		**1,946,202**	1,388,542
Cash and bank balances		**39,120,489**	42,972,503
Total current assets		**226,811,001**	199,239,714
CURRENT LIABILITIES			
Trade and bills payables	*13*	**20,379,909**	21,219,712
Other payables and accruals	*14*	**13,491,751**	12,351,381
Contract liabilities		**90,987,118**	60,866,676
Due to related companies		**7,167,094**	13,816,828
Interest-bearing bank and other borrowings		**25,865,230**	12,891,572
Senior notes		**6,493,906**	5,186,525
Corporate bonds		**2,070,623**	1,470,458
Tax payable	*8*	**5,030,496**	4,400,731
Lease liabilities		**47,438**	54,666
Total current liabilities		**171,533,565**	132,258,549
NET CURRENT ASSETS		**55,277,436**	66,981,165
TOTAL ASSETS LESS CURRENT LIABILITIES		**82,308,041**	89,126,952

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**22,094,299**	28,869,723
Other payables and accruals	*14*	**907,110**	2,891,445
Corporate bonds		**2,368,227**	3,084,546
Senior notes		**15,246,258**	15,781,545
Deferred tax liabilities		**681,527**	848,301
Lease liabilities		**68,109**	48,438
Total non-current liabilities		**41,365,530**	51,523,998
Net assets		**40,942,511**	37,602,954
EQUITY			
Equity attributable to owners of the parent			
Share capital		**282**	282
Reserves		**19,353,914**	19,575,985
		19,354,196	19,576,267
Perpetual capital securities		**1,401,587**	1,418,707
Non-controlling interests		**20,186,728**	16,607,980
Total equity		**40,942,511**	37,602,954

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 21 July 2014. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 January 2018. The registered office of the Company is located at Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

During the year, the Group was principally involved in property development, property leasing and commercial property management.

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is RoYue Limited, which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all standards and interpretations, International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations) approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Going Concern Basis

As at 31 December 2021, the Group's current portion of interest-bearing bank and other borrowings, senior notes, corporate bonds and asset-backed securities amounted to RMB35,955,336,000 while its cash and cash equivalents amounted to RMB14,727,132,000. As stipulated in the announcement dated 18 February 2022, the Company experienced short-term liquidity pressure due to limited access to external capital to refinance its existing indebtedness. As such, the Company expects that its existing internal resources may be insufficient to address its upcoming debt maturities. The Company anticipates that the market condition in the real estate sector remains under pressure in 2022, and therefore, in the absence of a sharp recovery in the market and a resurge of various financing options, the Company remains cautious about its liquidity in the near term. The above events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the Directors consider that the Group has taken various measures and will have adequate funds available to enable it to operate as a going concern, taking into account the past operating performance of the Group and the following:

(a) The Group continues to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds.

(b) Up to the date of approval of this consolidated financial information, the Group successfully consummated exchange offer and consent solicitation with respect of senior notes in aggregate principal amount of RMB1,589,980,000 and US$685,623,000, which has effectively extended the maturity date to no earlier than March 2023 and waived any potential defaults, improving the liquidity of the Group.

(c) Up to the date of approval of this consolidated financial information, the Group successfully consummated consent solicitation with respect of the perpetual capital securities amounting to US$200,000,000, which has effectively postponed redemption of the securities to 6 March 2023 and extended the first reset date of distribution rate to March 2023, improving the liquidity of the Group.

2.1 BASIS OF PREPARATION (Continued)

Going Concern Basis (Continued)

(d) Subsequent to 31 December 2021, the Group successfully extended the maturity date of asset-backed securities of the aggregate principal amount of RMB180,000,000 to March 2023, alleviating the pressure on liquidity within a reasonable timeframe.

(e) Up to the date of approval of this consolidated financial information, the Group successfully consummated concurrent consent solicitation with respect of senior notes in aggregate principal amount of US$2,363,000,000, which has effectively waived any potential defaults, stabilizing the financial condition of the Group.

(f) The Group is actively negotiating with several banks and financial institutions on the extension for repayments of certain borrowings. The Group may be able to extend the payment schedule for certain interest-bearing bank and other borrowings. Nevertheless, the confirmation of such extension is subject to the final approval from the banks.

(g) The Group is actively negotiating with several financial institutions to obtain new loans at a reasonable cost. Certain financial institutions have indicated their intention to grant new loans to the Group.

(h) The Group continues to monitor capital expenditure to balance and relieve cash resource to support operations.

(i) The Group continues to take action to tighten cost controls over various operating expenses.

The Directors have reviewed the Group's cash flow forecast covering a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account of the above-mentioned 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 in the foreseeable future. Accordingly, the Directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2021 on a going concern basis.

Notwithstanding the above, given the volatility of the property sector in China and the uncertainties to obtain continuous support by the banks and the Group's creditors, material uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that 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 information.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

    The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate ("HIBOR") and United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this the above-mentioned practical expedient upon the modification of these borrowings when instruments provided that the "economically equivalent" criterion is met. Additional information about the transition and the associated risks is disclosed in note 44 to the financial statements.

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group as the Group does not have any rent concessions arising as a direct consequence of the covid-19 pandemic as at 31 December 2021.

The Group has changed its accounting policy of the classification of the interest paid in the consolidated statement of cash flows from operating activities to financing activities during the current year (the "Policy Change") so as to provide reliable and more relevant information of cash flows generated from financial liabilities. In the opinion of the directors of the Company, it is more appropriate to reflect all cash flows of the Group's borrowings as financing activities in the consolidated statement of cash flows and the Policy Change can result in a consistent presentation which is beneficial to users of the financial statements to understand all the related cash flows of the same financial liabilities and provides more comparable information with industry peers.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Set out below are the amounts by which each financial statement line item was affected for the years ended 31 December 2021 and 2020 as a result of the Policy Change:

	2021	2020
	RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest paid	**6,160,096**	4,749,170
Increase in cash flows related to operating activities	**6,160,096**	4,749,170
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(6,160,096)**	(4,749,170)
Decrease in cash flows related to financing activities	**(6,160,096)**	(4,749,170)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**–**	–

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to IAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Going Concern Consideration

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that may individually or collectively cast a significant doubt upon the going concern assumption are set out in note 2.1 to the financial statements.

Judgements

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

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Classification between investment properties and completed properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after its completion, whereas, the properties are accounted for as investment properties under construction included in investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to completed investment properties. Investment properties, both under construction and completed, are subject to revaluation at the end of each reporting period.

Estimation uncertainty

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

Provision for expected credit losses on trade receivables and prepayments, other receivables and other assets

The Group uses a provision matrix to calculate ECLs for trade receivables and prepayments, other receivables and other assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The expected loss rate is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the properties sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and prepayments, other receivables and other assets is disclosed in note 23 and note 24 to the financial statements, respectively.

Provision for properties under development and completed properties held for sale

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

PRC corporate income tax ("CIT")

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimation and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by 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.

At 31 December 2021, the carrying amount of investment properties was RMB9,862,000,000 (2020: RMB10,615,200,000).

3. **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)**

Estimation uncertainty (Continued)

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. **OPERATING SEGMENT INFORMATION**

Management monitors the operating results of the Group's business which includes property development and leasing and commercial property management by project locations for the purpose of making decisions about resource allocation and performance assessment, while no single location's revenue, net profit or total assets exceed 10% of the Group's consolidated revenue, net profit or total assets, respectively. As the economic characteristics are similar in all the locations, where the nature of property development and leasing and management are similar, and the nature of the aforementioned business processes, the type or class of customer for the aforementioned business and the methods used to distribute the properties or provide the services are also similar, all locations were aggregated as one reportable operating segment.

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue at the end of the reporting period.

5. **REVENUE, OTHER INCOME AND GAINS, OTHER EXPENSE**

An analysis of revenue is as follows:

	2021 **RMB'000**	**2020** **RMB'000**
Revenue		
Revenue from contracts with customers	36,881,267	36,007,173
Revenue from other sources		
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	111,101	118,916
	36,992,368	36,126,089

5. REVENUE, OTHER INCOME AND GAINS, OTHER EXPENSE (Continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021 RMB'000	2020 RMB'000
Types of goods or services		
Sale of properties	36,518,764	35,601,372
Sale of goods	127,790	77,703
Property management services	67,666	88,118
Management consulting services	167,047	239,980
Total revenue from contracts with customers	36,881,267	36,007,173
Timing of revenue recognition:		
Properties or goods transferred at a point in time	36,646,554	35,679,075
Services transferred over time	234,713	328,098
Total revenue from contracts with customers	36,881,267	36,007,173

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	26,338,483	21,349,190

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

For property sales contracts, the Group recognises revenue equal to the contract amount when the purchaser obtains the physical possession or the legal title of the completed property.

Sale of goods

Revenue from sales of goods is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Payment of the transaction price is due immediately at the point the customer has accepted the materials.

Property management services

For property management services contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The majority of the property management service contracts do not have a fixed term.

Management consulting services

For management consulting services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date. The majority of the management consulting service contracts do not have a fixed term. The term of the contracts for pre-delivery and consulting services is generally set to expire when the counterparties notify the Group that the services are no longer required.

5. REVENUE, OTHER INCOME AND GAINS, OTHER EXPENSE (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

An analysis of other income and gains is as follows:

	2021 RMB'000	2020 RMB'000
Other income		
Interest income	520,683	578,680
Others	6,028	7,785
	526,711	586,465
Gains		
Exchange gain	41,648	64,351
Government grants	17,416	14,986
Forfeiture of deposits	18,629	14,959
Gain on disposal of subsidiaries	875,616	100,077
Gain on bargain purchase	25,622	21,751
Dividend income from financial assets at fair value through profit or loss	11,531	–
Net gain on disposal of financial assets at fair value through profit or loss	25,785	55,086
Remeasurement gain on investment in joint ventures and associates held before business combination	15,040	166,329
Gain on disposal of items of property, plant and equipment	1,322	2,907
	1,032,609	440,446
	1,559,320	1,026,911

An analysis of other expense is as follows:

	2021 RMB'000	2020 RMB'000
Impairment losses recognised for properties under development and completed properties held for sale	1,169,487	118,646
Impairment losses written off for completed properties held for sale	(8,516)	(30,108)
Losses on senior notes redemption at premium price	184,631	–
Donations	76,852	40,096
Net loss on disposal of financial assets at fair value through profit or loss	57,148	–
Others	49,228	32,816
	1,528,830	161,450

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**2021 RMB'000**	**2020 RMB'000**
Cost of properties sold		31,404,183	29,015,470
Impairment losses written off for completed properties held for sale	*5*	(8,516)	(30,108)
Impairment losses recognised for properties under development and completed properties held for sale	*5*	1,169,487	118,646
Depreciation of items of property, plant and equipment		63,647	57,309
Depreciation of right-of-use assets		48,819	47,865
Amortisation of other intangible assets		2,909	3,023
Gain on disposal of items of property plant and equipment, net		(706)	(2,754)
Gain on disposal of subsidiaries		(875,616)	(100,077)
Auditors' remuneration		950	11,238
Impairment losses on financial assets, net	*12*	7,815	5,087
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		578,490	610,134
Pension scheme contributions and social welfare		95,100	66,844

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 RMB'000	**2020 RMB'000**
Interest on interest-bearing bank and other borrowings, corporate bonds, senior notes and proceeds from asset-backed securities	5,741,445	4,996,793
Interest expense arising from revenue contracts	651,383	598,976
Interest on lease liabilities	6,027	6,619
Total interest expense on financial liabilities not at fair value through profit or loss	6,398,855	5,602,388
Less: Interest capitalised	(5,753,740)	(5,097,592)
	645,115	504,796

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong were not liable for income tax as they did not have any assessable profits currently arising in Hong Kong for the year ended 31 December 2021.

Subsidiaries of the Group operating in Mainland China were subject to PRC CIT at a rate of 25% for the year.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

8. INCOME TAX (Continued)

	2021 RMB'000	2020 RMB'000
Current tax:		
PRC CIT	1,423,553	1,816,771
PRC LAT	409,289	1,009,475
Deferred tax	(701,918)	(558,275)
Total tax charge for the year	1,130,924	2,267,971

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate are as follows:

	2021 RMB'000	2020 RMB'000
Profit before tax	2,326,437	5,826,905
At the statutory income tax rate	581,609	1,456,726
Profits and losses attributable to joint ventures and associates	(67,656)	(144,790)
Expenses not deductible for tax	22,695	21,190
Tax losses and deductible temporary differences utilised from previous years	170,584	(167,121)
Deductible temporary differences not recognised	347,493	168,172
Tax losses not recognised	110,407	176,688
Provision for LAT	409,289	1,009,475
Tax effect on LAT	(102,329)	(252,369)
Tax charge at the Group's effective rate	1,130,924	2,267,971

The share of tax charge attributable to joint ventures and associates amounted to RMB792,096,000 for the year (2020: RMB678,670,000). The share of tax credit attributable to joint ventures and associates amounting to RMB701,888,000 for the year (2020: RMB871,723,000) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

Tax payable in the consolidated statement of financial position represents:

	2021 RMB'000	2020 RMB'000
PRC CIT payable	3,312,932	2,642,994
PRC LAT payable	1,717,564	1,757,737
Total tax payable	5,030,496	4,400,731

9. DIVIDENDS

The proposed 2020 final dividend of HK$0.15 per ordinary share, amounting to a total of approximately RMB551,261,000 was approved by the Group's shareholders at the annual general meeting on 18 June 2021. The above-mentioned declared dividend was paid before 31 December 2021.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,367,756,000 (2020: 4,367,756,000) in issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the years ended 31 December 2021 and 2020 was based on 4,367,756,000 shares of the Company as at 1 January 2020.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

The calculations of the basic and diluted earnings per share amounts are based on:

	2021 RMB'000	2020 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	809,005	2,650,744
Shares		
Weighted average number of ordinary shares in issue during the year	4,367,756,000	4,367,756,000
Earnings per share		
Basic and diluted	RMB0.19	RMB0.61

11. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	768,412	124,825
Impairment	–	–
	768,412	124,825

Trade receivables mainly represent rentals receivable from tenants, sales of properties and sales of goods. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to diversified customers, there is no significant concentration of credit risk. Included in the Group's trade receivables of sales of properties are mainly due from state-owned enterprises and government departments. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values. An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 RMB'000	2020 RMB'000
Less than 1 year	734,234	82,579
Over 1 year	34,178	42,246
	768,412	124,825

11. TRADE RECEIVABLES (Continued)

Receivables that were neither past due nor impaired relate to diversified customers including state-owned enterprises and government departments, for whom there was no recent history of default and high collectibility.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rate of trade receivables is assessed to be 0.1%. Based on evaluation on the expected loss rate and gross carrying amount, the directors of the Company are of the opinion that the ECL in respect of these balances is considered to be immaterial, and therefore, there has not been a loss allowance provision.

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Prepayments related to third parties' land use rights	1,181,016	245,510
Deposits	3,792,756	3,554,706
Prepayments for acquisition of land use rights	71,802	3,179,445
Other tax recoverable	3,975,233	2,884,510
Due from non-controlling shareholders of subsidiaries	16,692,543	9,337,227
Contract cost assets	1,726,034	546,238
Prepayments for construction cost	207,804	266,304
Other receivables	832,497	373,115
	28,479,685	20,387,055
Impairment	(17,525)	(9,710)
	28,462,160	20,377,345

The movements in provision for impairment of prepayments, other receivables and other assets are as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	9,710	4,623
Impairment losses recognised (note 6)	7,815	5,087
Carrying amount at 31 December	17,525	9,710

Prepayments, other receivables and other assets are unsecured, non-interest-bearing and have no fixed terms of repayment.

The internal credit rating of amounts due from non-controlling shareholders of subsidiaries and other deposits was performing. The Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition. The expected loss rate of these receivables is assessed to be 0.1%. The Group has evaluated the expected loss rate and gross carrying amount, measured the impairment based on the 12-month expected credit losses, and assessed that the expected credit losses were RMB17,525,000 as at 31 December 2021 (2020: RMB9,710,000).

13. TRADE AND BILLS PAYABLES

An ageing analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	19,659,552	20,993,540
Over 1 year	720,357	226,172
	20,379,909	21,219,712

The trade payables are unsecured and are normally settled based on the progress of construction.

14. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Deposits related to land use rights	2,500,000	2,729,257
Advances from non-controlling shareholders of subsidiaries	6,111,911	6,126,827
Retention deposits related to construction	1,798,235	1,788,724
Payroll and welfare payable	256,171	336,521
Deposits related to sales of properties	476,692	230,979
Business tax and surcharges	396,361	400,333
Maintenance fund	365,131	355,152
Proceeds from asset-backed securities (note)	2,432,687	3,101,851
Others	61,673	173,182
	14,398,861	15,242,826
Less: Current portion	13,491,751	12,351,381
Non-current portion	907,110	2,891,445

Note: The balance represented proceeds received from a special purpose entity ("SPE") set up by a financial institution in Mainland China for issuance of asset-backed securities, to which the Group has collateralised certain future trade receivables for the remaining receipts from sales of properties. Under an assignment arrangement between the Group and the SPE, as and when the Group receives the sales proceeds from customers, the Group would remit any cash flows it collects on behalf of the SPE. As at 31 December 2021, the current portion of the proceeds from asset-backed securities was RMB1,525,577,000 (2020: RMB210,406,000) and the non-current portion was RMB907,110,000 (2020: RMB2,891,445,000). Subsequent to 31 December 2021, the repayment for the principal amount of RMB180,000,000 has been extended from 17 March 2022 to 17 March 2023. The effects of the extension on the liquidity of the proceeds from asset-backed securities were not reflected in the consolidated financial statements of the Group for the year ended 31 December 2021.

Except for the proceeds from asset-backed securities, other payables and advances from non-controlling shareholders of subsidiaries are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of each of the reporting periods approximated to their corresponding carrying amounts.

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present to you the annual results and business review of the Group for the year ended 31 December 2021 and its outlook for 2022.

RESULTS

For the year ended 31 December 2021, the revenue of the Group increased by 2.4% year-on-year to RMB36,992.4 million; the profit decreased by 66.4% year-on-year to RMB1,195.5 million; the core profit (exclude changes in fair values of investment properties and financial assets, exchange gain or loss, impairment loss and the relevant deferred taxes) decreased by 30.9% year-on-year to RMB2,284.1 million; and the profit attributable to owners of the parent decreased by 69.5% year-on-year to RMB809.0 million. The Board does not recommend the payment of a final dividend for the year 2021 (for the year ended 31 December 2020: HK$0.15 per share).

MARKET AND BUSINESS REVIEW

2021 is a year in which the real estate industry suffered unprecedented challenges and profound changes, and it is also the closing year of the Group's "2019-2021 Three-year Strategy". Zhenro Properties has insisted on consolidating its foundation during development, accelerated sales and cash collection based on the "cash flow" oriented principle, and reduced land expenditure to cope with the difficulties faced by the industry. As the government intensively launched property-related policies in various fields such as finance, land and market supervision, and the local governments kept on tightening regulation in accordance with the requirements of the long-term effective mechanism, the real estate industry showed a trend of "high-to-low sales". On the other hand, the centralized land supply policy has also changed the pattern of land acquisition of real estate companies. After the land market remained at high levels in the first half of the year, the overall land market began to cool down significantly in the second half of the year. The real estate companies suffered increasing pressure of cash crunch, leading to the weak enthusiasm of major real estate companies to acquire land. The Group has also sought after the optimal development strategy through multiple channels under difficult circumstances and tried its best to maintain a safe and stable financial situation.

Sales Target Basically Achieved

In 2021, the Group has established a special task force to tackle the problems of aged inventory and idle assets (parking spaces and shops), which focused on solving aged inventory problems, pushed the sales of idle properties and assets (parking spaces and shops), relieved the inventory burden and optimized the asset structure.

In terms of contracted sales performance, the Group, together with its joint ventures and associated companies, recorded an aggregate contracted sales of RMB145.6 billion in 2021, representing a year-on-year increase of 2.6%, and achieving 97.1% of the annual sales target, which was better than the average of the Group's industry peers despite under the pressure that the overall sales target completion rate of large-scale real estate enterprises was far below their yearly historical records.

Deep Penetration of First- and Second-Tier Regions and Solid Fundamentals

In 2021, the Group acquired 29 parcels of land with a total estimated GFA of approximately 4.3 million sq.m. in 14 cities. Pursuing to the strategy of "regional penetration", the Group expanded its business in the core metropolises. In terms of the tiers of cities, 90% of the newly acquired land bank was located in first- and second-tier cities with solid fundamentals. Facing the centralized land supply policy and the ever-changing operating environment, the Group has deepened its strategic cooperation with its industry peers to achieve a win-win cooperation by leveraging their respective management, capital and resource advantages, reducing the project development costs and enhancing project competitiveness.

As at 31 December 2021, the Group had a land bank with an aggregate GFA of 25.95 million sq.m. in 34 cities in the PRC, which is sufficient to support sales in 2022. 82% of the land bank was located in first- and second-tier cities, which is conducive to sales.

Continuously Deepening Product Strategy

Having positioned itself as "Home Upgrade Master", the Group has focused on the market demand for home purchases aiming at securing a better living environment, committed to creating high-quality residential housing products, and gradually developed and presented four product lines, including "Zhenro Mansion", "Zhenro Runchen", "Zhenro Pinnacle" and "Zhenro Yuandi". In addition, the product concept of "Future Oasis" of Zhenro Properties has fully covered the new projects. During the year, Zhenro Properties has ingeniously developed a smart living system, and a multi-functional and scenario-based smart community by using modern technology. While driving sales revenue, the Group's high quality products have also been recognized by various professional institutions in the industry. The Group won more than 40 honors by authoritative professional institutions such as Kinpan Award and Aesthetics Vogue Award during the year.

Tough Environment for Financing and Tightening Cash Policies

In 2021, the "three red lines" policy has continuously restrained the expansion of real estate enterprises in terms of financing, while the centralized real estate loan management policies controlled the flow of funds into the real estate sector from the bank side. During the first three quarters, the Group successfully seized several opportunities of financing under such pressure, and issued green senior notes with an aggregate amount equivalent to approximately US$1.75 billion and corporate bond of RMB1.32 billion. At the same time, the Group repaid and redeemed senior notes with an aggregate amount equivalent to approximately US$1.51 billion and corporate bond of RMB1.10 billion.

However, in the second half of 2021, the external business environment of the real estate industry suffered significant changes. Against the backdrop of the increasingly tightening financing environment, many real estate enterprises have encountered liquidity problems. Zhenro Properties has taken active measures to fight against difficulties in the industry, such as accelerating sales and cash collection, reducing land expenditure and streamlining corporate organization. However, the Group encountered difficulties in refinancing its indebtedness in the capital markets since the fourth quarter of 2021 and the proportion of restricted cash has further increased, imposing pressure on the Company's cash flow.

As at 31 December 2021, the Group's net debt-to-total equity ratio was 85.5% (end of 2020: 64.7%), its cash-to-short term debt ratio was approximately 1.1 times (end of 2020: 2.2 times) and its liabilities to asset ratio (excluding advanced sales proceeds) was 74.9% (end of 2020: 76.6%).

Promoting Green Development and Exploration of ESG Practice

Zhenro Properties upholds the core value of "prosperity from integrity" and has established a diversified environmental, social, and governance ("**ESG**") development system, it has formed a clear management structure covering the Board, the senior management and the ESG working committee comprising various functional departments, thus effectively reducing governance risks, which lays a solid foundation for sustainable development in the future. As a pioneer in implementing ESG philosophy in the real estate industry, the Group has incorporated ESG objectives into its strategic plan for long-term development and invested more resources in enhancing ESG work and relevant information disclosure. In addition, the Group attaches importance to two-way communication with different stakeholders and is committed to enhancing corporate transparency and building long-term relationships with stakeholders.

In response to the green and low-carbon construction in urban areas proposed by the Ministry of Housing and Urban-Rural Development, the Group has set the construction of environment-friendly and green buildings as the focus of its internal environmental protection policy. The Group has invested capital in supporting innovative building design to effectively utilize materials, energy resources and space, etc., thus protecting the environment from the sources. As at 31 December 2021, a total of 22 projects of Zhenro Properties were granted China 2- or 3-star green building certificates, with a total GFA of 2.4 million sq.m. In terms of green financing, the Group issued green senior notes with an aggregated amount of US$1.75 billion to support the refinancing of its green projects during the year.

During the year, MSCI upgraded the ESG rating of Zhenro Properties from "BB" to "BBB", which was the second time for MSCI to upgrade its ESG rating since December 2020. Moreover, China Chengxin Lvjin (Beijing) Co., Ltd.* (中誠信綠金(北京)有限公司) granted a BBB ESG rating to the Group, which was the highest rating given among the real estate enterprises assessed in the year. In addition, during the year, the Post-issuance Stage Certificate from Hong Kong Quality Assurance Agency and a green evaluation score of E1/86 (where E1 was the highest rating) from Standard and Poor's were granted for two green senior notes issued in September and November 2020, respectively, which showed the significant environmental benefits reaped from the green projects of the Group.

OUTLOOK

Looking ahead to 2022, the Company anticipates that the market condition in the real estate sector remains under pressure. The PRC government will be focusing on the implementation of a long-term effective mechanism in the real estate industry, persisting in not using real estate as a tool and means to stimulate the economy in the short term, and strengthening the expectation management with the policies of "houses are for living in, not for speculation" and "stabilizing land prices, property prices and expectations" as the core. In consideration of the "city-specific policies", it is expected to prolong the continuity and stability of regulatory policies; enhance the coordination and accuracy of regulatory policies; resolutely and effectively deal with the risks of overdue home delivery arising from debt defaults of some real estate companies; and keep on rectifying and standardizing the order of the real estate market.

In addition, the policy is expected to moderately accelerate the development of the long-term rental housing market and further facilitate the construction of affordable housing. Although the financing channels of real estate companies have limited room for relaxation in the foreseeable future, the role of the real estate industry in supporting the overall stability of an economy cannot be ignored under the current downward pressure of the macro-economy. However, the first- and second-tier cities deeply penetrated by the Group will still release the demand for first-time house purchase and home purchases aiming at securing a better living environment, so the reasonable capital needs of individuals and enterprises are expected to be supported. In this new stage of industry development, the high-growth model arising from high leverage and high inventory of the real estate sector is bound to be unsustainable, and the core competitiveness of real estate companies will further originate from their own strengths. Year 2022 marks the ground-breaking year of the Group's new three-year high-quality development and growth period. The Company will adhere to the business philosophy of "stability first" and try its best to ensure the stability of cash flow and to generate sufficient cash flow to meet its operation and financial commitments, including to explore the possibility to dispose certain assets to improve its overall liquidity. Based on the product philosophy of "Home Upgrade Master and Ingenious Zhenro", the Group will continue to strive to operate and manage its business well amid the current crisis, consolidate the risk prevention and control system, manage the compliance risks in various respects amid the ever changing market, and guarantee the Company's cash flow, thereby achieving a stable and sustainable operation and development, and creating the maximum values for its shareholders and investors.

APPRECIATION

Finally, on behalf of the Board, I would like to express our sincere appreciation to all shareholders, investors, business partners and customers for their support, and all employees for their dedication and hard work. We will continue to uphold our core value of "prosperity from integrity" and achieve sustainable and high-quality growth while bringing returns to shareholders and investors. We aim at developing the Company into a respectable enterprise with sustainable competitiveness.

Zhenro Properties Group Limited
HUANG Xianzhi
Chairman of the Board

Shanghai, China

31 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

Contracted Sales

For the year ended 31 December 2021, the Group recorded contracted sales of RMB145,643.0 million, representing a 2.6% year-over-year increase from 2020; total contracted GFA sold amounted to approximately 8.8 million sq.m., representing a decrease of approximately 1.1% from approximately 8.9 million sq.m. for the year ended 31 December 2020. Contracted average selling price ("**ASP**") for the year ended 31 December 2021 was approximately RMB16,545 per sq.m., compared with RMB15,949 per sq.m. for the year ended 31 December 2020.

The following table sets forth the geographic breakdown of the Group's contracted sales in 2021.

	Contracted GFA Sold	**Contracted Sales**	**Contracted ASP**	**% of Contracted Sales**
	sq.m.	*RMB' 000*	*RMB/sq.m.*	*%*
Yangtze River Delta Region	4,026,511	78,283,194	19,442	53.8
Western Taiwan Straits Region	2,540,603	36,150,481	14,229	24.8
Bohai Rim Region	524,032	8,816,020	16,823	6.0
Central China Region	1,076,147	13,054,625	12,131	9.0
Western China Region	388,050	5,173,613	13,332	3.5
Pearl River Delta Region	247,299	4,164,949	38,816	2.9
Total	8,802,642	145,642,882	16,545	100.0

Revenue Recognized from Sales of Properties

Revenue recognized from sales of properties increased by approximately 2.6% from RMB35,601.4 million for the year ended 31 December 2020 to RMB36,518.8 million for the year ended 31 December 2021, accounting for 98.7% of the Group's total revenue. The Group's recognized ASP from sales of properties was approximately RMB11,614 per sq.m. in 2021, representing a 5.5% decrease from RMB12,295 per sq.m. in 2020, primarily due to the increase in the proportion of GFA with a relatively lower ASP among total delivered GFA in 2021.

The increase in revenue recognized from sales of properties was primarily due to more GFA completed and delivered as a result of the Group's continuing expansion.

During the year of 2021, the properties delivered by the Group included Nanjing Zhenro Center, Nanjing Zhenro River Mansion, Foshan Zhenro Mansion, Wuxi Lake Heavens, Hefei Zhenro Mansion, Changsha Zhenro Fortune Center, Wuhan Zhenro Pinnacle and others. The following table sets forth the details of the revenue recognized from sales of properties of the Group by geographical location for the periods indicated.

	Recognized Revenue from Sales of Properties		% of Recognized Revenue from Sale of Properties		Total GFA Delivered		Recognized ASP	
	RMB'000	*RMB'000*	***%***	*%*	***sq.m.***	*sq.m.*	***RMB/Sq.m.***	*RMB/Sq.m.*
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Yangtze River Delta Region	**11,011,393**	13,990,535	**30.2**	39.3	**834,997**	935,718	**13,187**	14,952
Western Taiwan Straits Region	**16,889,638**	17,152,971	**46.3**	48.2	**1,534,664**	1,561,596	**11,005**	10,984
Bohai Rim Region	**742,632**	32,670	**2.0**	0.1	**79,891**	1,908	**9,296**	17,119
Central China Region	**5,776,197**	3,394,473	**15.8**	9.5	**557,075**	317,363	**10,369**	10,696
Western China Region	**226,524**	1,030,722	**0.6**	2.9	**17,169**	78,911	**13,194**	13,062
Pearl River Delta Region	**1,872,380**	–	**5.1**	–	**120,600**	–	**15,526**	–
Total	**36,518,764**	35,601,372	**100.0**	100.0	**3,144,396**	2,895,496	**11,614**	12,295

Completed Properties Held for Sale

Properties held for sale represent completed properties remaining unsold at the end of each financial period and are stated at the lower of cost and net realizable value. Cost of properties held for sale is determined by an apportionment of related costs incurred attributable to the unsold properties.

As at 31 December 2021, the Group had completed properties held for sale of RMB11,554.6 million, representing a 46.8% increase from RMB7,870.9 million as at 31 December 2020. The increase was primarily due to the increase in GFA completed. The Group has obtained the construction completion certificates in respect of all completed properties held for sale.

Properties Under Development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost comprising land costs, construction costs, capitalized interests and other costs directly attributable to such properties incurred during the development period and net realizable value. Upon completion, the properties are transferred to completed properties held for sale.

As at 31 December 2021, the Group had properties under development of RMB131,073.2 million, representing an 11.4% increase from RMB117,686.7 million as at 31 December 2020. The increase was primarily due to an increase in the number of projects developed by the Group in 2021.

PROPERTY INVESTMENT

Rental Income

The Group's rental income for the year ended 31 December 2021 was approximately RMB111.1 million, representing a 6.6% decrease from RMB118.9 million for the year ended 31 December 2020. Rental income fell due to the impact of novel coronavirus ("**COVID-19**") pandemic.

Investment Properties

As at 31 December 2021, the Group had 12 investment properties with a total GFA of approximately 788,051 sq.m. Out of such investment properties portfolio of the Group, 7 investment properties with a total GFA of approximately 496,928 sq.m. had commenced leasing.

LAND BANK

In 2021, the Group continued its deep penetration in the extended regions and cities. The Group acquired a total of 29 new land parcels with a total site area of approximately 1.3 million sq.m., an aggregate estimated GFA of approximately 4.3 million sq.m., a total contractual land premium of approximately RMB39,044.3 million and an average cost of approximately RMB9,083 per sq.m.. The following table sets forth details of the Group's newly acquired land parcels during the year ended 31 December 2021.

Properties Developed by the Group's Subsidiaries

City	Land Parcel/Project Name	Site Area	Estimated Total GFA	Land Premium	Average Land Cost (Based on the Estimated Total GFA)	Attributable Interest
		sq.m	*sq.m.*	*RMB million*	*RMB/sq.m.*	
Nanjing	Nanjing South New Town Project G32	31,902	122,873	3,230	26,287	31%
Hangzhou	Hangzhou Heting Xiqing Mansion	30,764	81,664	894	10,949	83%
Suzhou	Suzhou Kunshan Kaifa District Parcel	103,259	341,460	2,405	7,043	50%
Wuhan	Wuhan Caidian Yuelong Mansion East	34,012	118,011	445	3,768	100%
Xi'an	Xi'an Jinghe Lehuacheng A Parcel	53,117	187,139	858	4,586	34%
Xi'an	Xi'an Jinghe Lehuacheng B Parcel	41,900	148,748	680	4,571	34%
Quanzhou	Quanzhou Jingdong Zhenro Mansion	20,165	53,669	341	6,354	51%
Putian	Putian Hanjiang Zhenro Mansion	19,895	65,985	285	4,319	100%
Xiamen	Xiamen Zhenro Zhongliang Tianzhu Run Mansion	19,978	86,479	1,880	21,739	95%
Xiamen	Xiamen Lianfa Zhenro Mansion	19,209	78,170	1,570	20,084	51%
Fuzhou	Fuzhou Begonia Mansion	46,429	118,173	740	6,262	100%
Fuzhou	Fuzhou Jingxiu Mansion	24,964	54,148	332	6,131	100%
Fuzhou	Fuzhou Guanlan Mansion	19,515	57,895	325	5,614	51%
Guangzhou	Guangzhou Zhenro Seazen Yunxi Run Mansion	58,507	190,917	2,091	10,952	51%
Guangzhou	Guangzhou Zengcheng Parcel	50,673	215,383	1,490	6,918	100%
Guangzhou	Guangzhou Nansha Parcel	12,679	72,580	1,021	14,072	50%
Subtotal		**586,968**	**1,993,292**	**18,587**	**9,325**	

Properties Developed by the Group's Joint Ventures and Associated Companies

City	Land Parcel/Project Name	Site Area *sq.m*	Estimated Total GFA *sq.m.*	Land Premium *RMB million*	Average Land Cost (Based on the Estimated Total GFA) *RMB/sq.m.*	Attributable Interest
Nanjing	Nanjing Zhenro Runqi Mansion	32,844	98,429	1,640	16,662	45%
Nanjing	Nanjing Zhenro Runhe Mansion	48,786	166,679	1,210	7,259	40%
Hangzhou	Hangzhou Hangyao City	52,122	219,040	2,841	12,969	43%
Wuxi	Wuxi Zhenro Jade Yue	78,590	210,345	1,901	9,038	50%
Hefei	Hefei Binyu Riverside Garden	90,017	247,463	2,804	11,331	49%
Fuyang	Fuyang Qinghe Garden	101,718	309,517	861	2,780	50%
Quanzhou	Quanzhou Forest Garden	64,921	219,254	392	1,788	25%
Nanchang	Nanchang Zhenro Dongrun Mansion	76,375	241,515	1,276	5,284	15%
Xiamen	Xiamen Lianfa Zhenro Zhenhua Mansion	46,551	142,883	2,660	18,617	49%
Putian	Putian Lianfa Zhenro Yuhu Sky Land	22,877	78,818	600	7,612	37%
Foshan	Foshan Redco Guanshan Mansion	51,714	111,924	1,037	9,265	49%
Guangzhou	Guangzhou Liwan Parcel	48,797	169,257	2,581	15,246	44%
Tianjin	Tianjin Yunxi Run Mansion	32,702	90,278	655	7,255	50%
Subtotal		**748,014**	**2,305,402**	**20,457**	**8,874**	
Total		**1,334,983**	**4,298,694**	**39,044**	**9,083**	

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 2.4% from RMB36,126.1 million for the year ended 31 December 2020 to RMB36,992.4 million for the year ended 31 December 2021. The following table sets forth the Group's revenue for each of the components, the percentage of total revenue represented and the relevant changes for the periods indicated.

	2021		2020		
	Revenue	**% of Total Revenue**	Revenue	% of Total Revenue	Year-over-Year Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
Sales of properties	**36,518,764**	**98.7**	35,601,372	98.6	2.6
Property lease	**111,101**	**0.3**	118,916	0.3	(6.6)
Management consulting services(1)	**167,047**	**0.5**	239,980	0.7	(30.4)
Property management services	**67,666**	**0.2**	88,118	0.2	(23.2)
Sales of goods	**127,790**	**0.3**	77,703	0.2	64.5
Total	**36,992,368**	**100.0**	36,126,089	100.0	2.4

Note:

(1) Primarily includes revenue generated from provision of design consultation services to joint ventures and associated companies and third parties.

Cost of Sales

The Group's cost of sales primarily represents the costs directly incurred for the property development activities as well as commercial property management and leasing operations. The principal components of cost of sales for property development include cost of properties sold, which represents direct construction costs, land use right costs and capitalized interest costs on related borrowings for the purpose of property development during the period of construction.

The Group's cost of sales increased by approximately 8.2% from RMB29,222.2 million for the year ended 31 December 2020 to RMB31,610.0 million for the year ended 31 December 2021, primarily due to the increase in the number of properties completed and delivered by the Group during the year ended 31 December 2021.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit decreased by approximately 22.0% from RMB6,903.9 million for the year ended 31 December 2020 to approximately RMB5,382.4 million for the year ended 31 December 2021.

Under the impact of the unfavourable macro market environment and the COVID-19 pandemic, selling prices of the projects were lowered. As a result, gross profit margin for the year ended 31 December 2021 decreased by 4.5 percentage points to 14.6% from 19.1% for the year ended 31 December 2020.

Other Income and Gains

The Group's other income and gains primarily consist of interest income, commercial compensation, gain on disposal of subsidiaries and others. Interest income primarily consists of interest income on bank deposits. Commercial compensation primarily represents forfeited deposits received from certain potential customers who did not subsequently enter into sales contracts with the Group and penalties received from certain customers due to their breach of sales or pre-sales contracts.

Other income and gains increased by approximately 51.8% from RMB1,026.9 million for the year ended 31 December 2020 to RMB1,559.3 million for the year ended 31 December 2021, primarily due to gain on disposal of subsidiaries in 2021.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertising, marketing and business development expenses, sales and marketing staff cost, office expenses, fees paid to third-party sales agents, rental and other expenses relating to sales of properties and property leasing services.

The Group's selling and distribution expenses increased by approximately 7.2% from RMB1,159.7 million for the year ended 31 December 2020 to RMB1,243.3 million for the year ended 31 December 2021, primarily due to (i) the strengthened selling and marketing efforts in promoting property projects in new cities and regions in which the Group operates; and (ii) the expansion of the Group's in-house sales and marketing team to support its business expansion in 2021.

Administrative Expenses

Administrative expenses primarily consist of management and administrative staff costs, entertainment expenses, office and meeting expenses, stamped duties and other taxes, rental costs, depreciation of property, plant and equipment, professional fees, travelling expenses, bank charges, listing expenses and other general office expenses and miscellaneous expenses.

The Group's administrative expenses increased by approximately 4.6% from RMB1,138.3 million for the year ended 31 December 2020 to RMB1,190.2 million for the year ended 31 December 2021, primarily due to the increase in the number of projects developed by the Group.

Other Expenses

Other expenses increased by 846.9% from RMB161.5 million for the year ended 31 December 2020 to RMB1,528.8 million for the year ended 31 December 2021, primarily due to impairment losses recognised for properties under development, the expense for redemption of senior notes at premium, net loss on disposal of financial assets and donation expense.

Fair Value Gains/Losses on Investment Properties

The Group develops and holds certain commercial properties on a long-term basis for rental income or capital appreciation. Under the impact of the unfavourable macro market environment and the COVID-19 pandemic, there was a decrease in the fair value of investment properties as a result of the decline in demand for commercial property. For the year ended 31 December 2021, the Group recorded a fair value losses on investment properties of RMB201.2 million, as compared with the fair value gains on investment properties of RMB324.0 million for the year ended 31 December 2020.

Finance Costs

Finance costs primarily consist of interest expenses for bank and other borrowings net of capitalized interest relating to properties under development.

The Group's finance costs increased by approximately 27.8% from RMB504.8 million for the year ended 31 December 2020 to RMB645.1 million for the year ended 31 December 2021, primarily due to an increase in the scale of total interest-bearing borrowings in 2021.

Share of Profits of Joint Ventures and Associated Companies

The Group's share of profits of joint ventures was approximately RMB7.4 million for the year ended 31 December 2021, compared with the share of profits of RMB33.9 million for the year ended 31 December 2020, primarily due to the decrease in the number of properties delivered and the decline in profit margin for joint ventures.

The Group's share of profits of associated companies was approximately RMB263.2 million for the year ended 31 December 2021, compared with the share of profits of RMB545.3 million for the year ended 31 December 2020, primarily due to the decrease in the number of properties delivered and the decline in profit margin for associated companies.

Income Tax Expenses

Income tax expenses represent corporate income tax and land appreciation tax ("**LAT**") payable by the Group's subsidiaries in the PRC.

The Group's income tax expenses decreased by approximately 50.1% from RMB2,268.0 million for the year ended 31 December 2020 to RMB1,130.9 million for the year ended 31 December 2021, primarily due to a decrease in the Group's profit before tax. The effective corporate income tax rate was 37.6% for the year ended 31 December 2021, compared with 26.1% for the year ended 31 December 2020.

Profit for the Year

As a result of the foregoing, the Group's profit for the year decreased by approximately 66.4% from RMB3,558.9 million for the year ended 31 December 2020 to RMB1,195.5 million for the year ended 31 December 2021.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The industry in which the Group engages is a capital-intensive industry. The Group has met, and expects to continue meeting, its operating capital, capital expenditure and other capital needs with proceeds from pre-sale and sale of properties, loans from commercial banks, proceeds from corporate debts or other securities offerings, and capital injections from shareholders. The Group's need for short-term liquid capital is mainly associated with loan repayments and capital needs for operation, and the Group's short-term liquid capital comes from cash balance, proceeds from pre-sale and sale of properties and new bank loans. The Group's need for long-term liquid capital is associated with capital allocated for new property development projects and repayment of long-term loan.

Cash Positions

As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB14,727.1 million (31 December 2020: RMB35,477.9 million), pledged deposits of approximately RMB8,132.4 million (31 December 2020: RMB609.6 million) and restricted cash of approximately RMB16,261.0 million (31 December 2020: RMB6,885.0 million).

Indebtedness

As at 31 December 2021, the Group had total outstanding bank and other borrowings of approximately RMB47,959.5 million (31 December 2020: RMB41,761.3 million), corporate bond with carrying amounts of approximately RMB4,438.9 million (31 December 2020: RMB4,555.0 million) and senior notes with carrying amounts of approximately RMB21,740.2 million (31 December 2020: RMB20,968.1 million). The Group's borrowings are denominated in Renminbi, Hong Kong dollars and US dollars.

The following table sets forth the Group's total borrowings as at the dates indicated:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current borrowings:		
Bank borrowings – secured	**434,240**	219,615
Bank borrowings – unsecured	**478,727**	131,474
Other borrowings – secured	**6,869,986**	–
Other borrowings – unsecured	**63,757**	–
Plus: current portion of non-current borrowings		
Bank borrowings – secured	**13,197,495**	9,785,574
Bank borrowings – unsecured	**3,389,358**	570,990
Other borrowings – secured	**1,431,667**	1,078,200
Other borrowings – unsecured	**–**	1,105,719
Senior notes and Corporate bonds	**8,564,529**	6,656,983
Total current borrowings	**34,429,759**	19,548,555
Non-current borrowings:		
Bank borrowings – secured	**18,573,989**	23,862,894
Bank borrowings – unsecured	**980,310**	3,203,029
Other borrowings – secured	**2,540,000**	1,207,800
Other borrowings – unsecured	**–**	596,000
Senior notes and Corporate bonds	**17,614,485**	18,866,091
Total non-current borrowings	**39,708,784**	47,735,814
Total	**74,138,543**	67,284,369

The following table sets forth the maturity profiles of the Group's total borrowings as at the dates indicated:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Repayable within one year	**34,429,759**	19,548,555
Repayable in the second year	**17,314,850**	22,230,132
Repayable within third to fifth years	**21,701,354**	24,453,188
Repayable more than five years	**692,580**	1,052,494
Total	**74,138,543**	67,284,369

Additionally, for the year ended 31 December 2021, the Group has issued a variety of corporate bonds and unsecured senior notes. Please refer to the section headed "OFFERINGS, REPURCHASES AND REDEMPTIONS OF BONDS AND SENIOR NOTES" below for more details.

Borrowing Costs

The Group's weighted average financing cost of debt was 6.8% for the year ended 31 December 2021, compared with 6.5% for the year ended 31 December 2020. The increase was primarily due to the increase in the proportion of other borrowings which bear higher borrowing costs.

Charge on Assets

As at 31 December 2021, the Group's asset portfolio included property, plant and equipment with carrying value of RMB959.6 million (31 December 2020: Nil), right-of-use assets with carrying value of RMB183.5 million (31 December 2020: Nil), investment properties with carrying value of approximately RMB6,317.7 million (31 December 2020: RMB9,092.9 million), properties under development with carrying value of RMB66,855.6 million (31 December 2020: RMB63,105.0 million), completed properties held for sale with carrying value of RMB1,898.1 million (31 December 2020: RMB1,293.5 million) and financial assets at fair value through profit or loss with carrying value of RMB168.6 million (31 December 2020: RMB493.1 million) were pledged as security for the Group's secured borrowings.

OFF-BALANCE SHEET EQUITY DATA

For the year ended 31 December 2021, revenue attributable to the Group in proportion to the equity in joint ventures and associated companies was approximately RMB6,049.4 million. As at 31 December 2021, cash and bank balances attributable to the Group in proportion to the equity in joint ventures and associated companies was approximately RMB4,167.7 million.

FINANCIAL RISKS

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pays to shareholders outside of the PRC. The Group had cash at banks denominated in foreign currencies, which exposed the Group to foreign exchange risk. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Since the second half of 2021, Chinese property developers and the capital markets that have funded growth and development of the sector have experienced an inflection point characterized by a number of adverse developments, which have adversely impacted the Group's ability to obtain financing from the capital markets and other sources, and significantly curtailed the funding available to the Group to address its upcoming debt maturities. The Group will continue to work on generating sufficient cash flow to meet its financial commitments.

KEY FINANCIAL RATIOS

The Group's current ratio was 1.3 as at 31 December 2021 (31 December 2020: 1.5).

The Group's net gearing ratio (defined as total borrowings less cash and bank balances divided by total equity as at the end of the year and multiplied by 100) was 85.5% as at 31 December 2021 (31 December 2020: 64.7%).

CONTINGENT LIABILITIES

Mortgage Guarantees

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to the Group's customers in order to secure the repayment obligations of such customers. The mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificates to the customers, or (ii) the settlement of mortgage loans by the customers. If a purchaser defaults on the mortgage loan, the Group is typically required to repurchase the underlying property by paying off the mortgage loan. If it fails to do so, the mortgagee banks will auction the underlying property and recover the balance from the Group if the outstanding loan amount exceeds the net foreclosure sale proceeds.

As at 31 December 2021, the material contingent liabilities incurred for the Group's provision of guarantees to financial institutions in respect of the mortgage loans they provided to the Group's customers were approximately RMB34,711.3 million (31 December 2020: RMB32,161.3 million).

The Directors confirm that the Group has not encountered defaults by purchasers in which it provided mortgage guarantees that, in aggregate, had a material adverse effect on the financial condition and results of operations of the Group.

Other Financial Guarantees

As at 31 December 2021, the guarantees given to banks and other institutions in connection with borrowings made to the related companies and third parties were approximately RMB12,981.9 million (31 December 2020: RMB2,604.5 million).

Legal Contingents

The Group may be involved in lawsuits and other proceedings in its ordinary course of business from time to time. The Group believes that no liabilities resulting from these proceedings will have a material adverse effect on business, financial condition or results of operations of the Group.

Commitments

As at 31 December 2021, the Group's capital commitment it had contracted but yet provided for was RMB35,880.8 million (31 December 2020: RMB28,716.1 million).

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as at 31 December 2021, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

OFFERINGS, REPURCHASES AND REDEMPTIONS OF BONDS AND SENIOR NOTES

The Group continuously looks for financing opportunities to support its business development. These opportunities include raising funds through senior notes and corporate bonds offering plans.

Offerings

In January 2021, the Company issued green senior notes due January 2026 with an aggregate principal amount of US$400.0 million bearing interest at a rate of 6.63% per annum and listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**2026 Notes I**").

In February 2021, the Company issued green senior notes due August 2026 with an aggregate principal amount of US$300.0 million bearing interest at a rate of 6.70% per annum and listed on the Stock Exchange (the "**2026 Notes II**").

In April 2021, the Company issued green senior notes due April 2022 with an aggregate principal amount of US$220.0 million bearing interest at a rate of 5.98% per annum and listed on the Stock Exchange (the "**2022 Notes I**").

In June 2021, the Company issued green senior notes due September 2024 with an aggregate principal amount of US$340.0 million bearing interest at a rate of 7.10% per annum and listed on the Stock Exchange.

In July 2021, the Company issued green senior notes due June 2022 in the principal amount of RMB1,300.0 million and RMB300.0 million, respectively, totalling an aggregate principal amount of RMB1,600.0 million bearing interest at a rate of 7.125% per annum and listed on the Stock Exchange.

In July 2021, Zhenro Properties Holdings Company Limited* (正榮地產控股股份有限公司) ("**Zhenro Properties Holdings**", a wholly-owned subsidiary of the Company) issued corporate bonds due July 2025 with an aggregate principal amount of RMB1,320.0 million bearing interest at a rate of 6.3% per annum and listed on the Shanghai Stock Exchange.

In September 2021, the Company issued green senior notes due September 2022 with an aggregate principal amount of US$250.0 million bearing interest at a rate of 6.50% per annum and listed on the Stock Exchange (the "**2022 Notes II**").

The Group intends to use the proceeds from these bonds and senior notes offerings to repay external borrowings and may also consider other financing plans in the future.

Repurchases and Redemptions

In March 2021, the Company redeemed an aggregate principal amount of US$310.0 million of all outstanding senior notes due March 2022, originally issued with an aggregate principal amount of US$310.0 million bearing interest at a rate of 9.15% per annum and listed on the Stock Exchange. The redemption was made at a price equal to 102.5% of the principal amount of the outstanding senior notes, plus accrued and unpaid interest, to (but not including) the redemption date. All such redeemed senior notes were cancelled in March 2021.

In June 2021, the Company redeemed an aggregate principal amount of RMB1,000.0 million of all outstanding senior notes due August 2021, originally issued with an aggregate principal amount of RMB1,000.0 million bearing interest at a rate of 7.40% per annum and listed on the Stock Exchange. The redemption was made at a price equal to 100% of the principal amount of the outstanding senior notes, plus accrued and unpaid interest, to (but not including) the redemption date. All such redeemed senior notes were cancelled in June 2021.

In June 2021, the Company redeemed an aggregate principal amount of US$420.0 million of all outstanding senior notes due January 2023, originally issued with an aggregate principal amount of US$420.0 million bearing interest at a rate of 8.65% per annum and listed on the Stock Exchange. The redemption was made at a price equal to 103% of the principal amount of the outstanding senior notes, plus accrued and unpaid interest, to (but not including) the redemption date. All such redeemed senior notes were cancelled in June 2021.

In September 2021, holders of the corporate bonds, originally issued by Zhenro Properties Holdings with an aggregate principal amount of RMB1,100.0 million bearing interest at a rate of 7.16% per annum and listed on the Shanghai Stock Exchange, exercised their option to require the Company to repurchase all outstanding corporate bonds. The repurchase was made at a price equal to 100% of the principal amount of the outstanding corporate bonds, plus accrued and unpaid interest, to the repurchase date. All such repurchased corporate bonds were cancelled in September 2021.

In November 2021, the Company early redeemed an aggregate principal amount of US$200.0 million of all outstanding senior notes due November 2021, originally issued with an aggregate principal amount of US$200.0 million bearing interest at a rate of 5.95% per annum and listed on the Stock Exchange (the "**2021 Notes**"). The redemption was made at a price equal to 100% of the principal amount of the outstanding senior notes, plus accrued and unpaid interest, to (but not including) the redemption date. All such early redeemed senior notes were cancelled in November 2021.

References are made to the announcements of the Company dated 14 October 2021, 20 October 2021, 26 October 2021, 4 November 2021, 11 November 2021, 19 November 2021 and 26 November 2021.

During the year ended 31 December 2021, the Company has made the following partial repurchases of its senior notes and senior perpetual capital securities in the open market:

Senior notes/securities	**Principal amount of senior notes/ securities repurchased**	**Aggregate principal amount of senior notes/securities originally issued**	**Outstanding principal amount of senior notes/ securities as at 31 December 2021**
The 2026 Notes I	US$7,000,000	US$400,000,000	US$400,000,000
The 2026 Notes II	US$9,000,000	US$300,000,000	US$300,000,000
7.35% senior notes due 2025 (listed on the Stock Exchange)	US$1,000,000	US$350,000,000	US$350,000,000
The 2022 Notes I	US$10,050,000	US$220,000,000	US$220,000,000
The 2022 Notes II	US$11,500,000	US$250,000,000	US$250,000,000
8.7% senior notes due 2022 (listed on the Stock Exchange)	US$15,000,000	US$300,000,000	US$300,000,000
The 2021 Notes	US$7,500,000	US$200,000,000	–*(Note)*
10.25% senior perpetual capital securities (the "**PCS**", listed on the Stock Exchange)	US$4,000,000	US$200,000,000	US$200,000,000

Note:

As mentioned above, subsequent to the partial repurchases of the 2021 Notes, all outstanding 2021 Notes were early redeemed and cancelled in November 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

Reference is made to the joint announcement issued by the Company and Zhenro Services Group Limited ("**Zhenro Services**") dated 19 May 2021 (the "**Joint Announcement**").

On 19 May 2021, Zhenro Properties Holdings, two purchasers each being a wholly-owned subsidiary of Zhenro Services (the "**Purchasers**") and Zhenro Commercial Management Co., Ltd.* (正榮商業管理有限公司) (the "**Target Company**") entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") pursuant to which the Purchasers have conditionally agreed to acquire, and Zhenro Properties Holdings has conditionally agreed to dispose of, an aggregate of 99% equity interest in the Target Company at the total consideration of RMB891 million, subject to the consideration adjustment mechanism under the Sale and Purchase Agreement. The consideration is payable by the Purchasers to Zhenro Properties Holdings in cash in two instalments. The equity transfer will be completed in two phases, and the completion of each phase is conditional upon certain conditions precedent being fulfilled and/or waived (as the case may be) by the Purchasers. The first and second phases concern the transfer of 59.40% and 39.60% equity interests in the Target Company, respectively, by Zhenro Properties Holdings to the Purchasers. The Target Company and its subsidiaries are principally engaged in the provision of commercial operation and management services for commercial properties.

As at 31 December 2021, the conditions precedent to the first phase of equity transfer have been fulfilled and the first phase of equity transfer has taken place, and upon which, the Target Company and its subsidiaries (the "**Target Group**") have ceased to be subsidiaries of the Company and their financial results are no longer consolidated into the financial statements of the Company. At the same time, the Target Group became the non-wholly owned subsidiaries of Zhenro Services. It is expected that completion of the second phase of equity transfer will take place on or before 30 June 2022, subject to the conditions precedent thereto having been fulfilled.

For details regarding the disposal of the Target Company by Zhenro Properties Holdings, please refer to the Joint Announcement.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, joint ventures and associated companies by the Company during the year ended 31 December 2021.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 December 2021, there was no significant investment held by the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group currently has no plan to make any significant investment or acquisition of capital assets but will continue to seek potential investment or acquisition opportunities according to the Group's development needs.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had a total of 1,467 employees (31 December 2020: 1,902 employees).

The Group actively recruits skilled and qualified personnel in local markets through various channels, such as on-campus recruitment programs, recruiting firms, internal referrals and advertisement on the Internet. The Group particularly values employees who demonstrate loyalty to their work and who value corporate culture, as well as those with relevant working experience. The Group's continued success and growth, to a considerable extent, depends on its ability to identify, hire, train and retain suitably skilled and qualified employees, including management personnel, with relevant professional skills. Therefore, the Group has established systematic training programs for employees, such as management as well as marketing and sales personnel, based on their positions and expertise.

The Group enters into labor contracts with all employees and offers employees competitive remuneration packages that include basic salaries, discretionary bonuses, performance-based payments and year-end bonuses. To incentivize employees and promote the long-term growth of the Company, the Company has adopted a share option scheme.

Under the applicable PRC laws and regulations, the Group is subject to social insurance contribution plans. The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all employees in Hong Kong.

SUBSEQUENT EVENTS

Save for the following matters, no material events were undertaken by the Group subsequent to 31 December 2021 and up to the date of this announcement.

Consent Solicitation Relating to Senior Perpetual Capital Securities

References are made to the announcements of the Company dated 4 January 2022, 18 February 2022, 21 February 2022, 4 March 2022, 7 March 2022, 13 March 2022, 16 March 2022 and 29 March 2022.

On 4 January 2022, the Company made an announcement in relation to the Company's exercise of its option pursuant to the Terms and Conditions of the PCS to redeem the PCS in full on 5 March 2022. However, since then, against the backdrop of the adverse market conditions, the Company's internal funds available for debt services became increasingly limited and it is expected that its existing internal resources might be insufficient to address its debt maturities in March 2022, including the redemption of the PCS in full on 5 March 2022. Therefore, the Company solicited consents from beneficial owners of the PCS to certain proposed waiver and amendments in respect of the PCS pursuant to the consent solicitation as described in the consent solicitation memorandum, in order to improve the Company's overall financial condition and give it financial stability. The extraordinary resolution relating to the proposed waiver and amendments was passed at the PCS holders' meeting that was held on 28 March 2022. On 29 March 2022, the Company executed the supplemental trust deed to give effect to the revised proposed amendments.

For details regarding the consent solicitation relating to the PCS, please refer to the above-mentioned announcements.

Exchange Offer and Consent Solicitation Relating to Senior Notes

References are made to the announcements of the Company dated 21 February 2022, 4 March 2022, 13 March 2022, 14 March 2022, 21 March 2022, 29 March 2022 and 30 March 2022.

On 21 February 2022, the Company conducted the exchange offer and consent solicitation (the "**Exchange Offer and Consent Solicitation**") with respect to certain senior notes (the "**Exchange Notes**") held by non-U.S. persons outside the United States. The purpose of the Exchange Offer was to extend the Company's debt maturity profile, strengthen its balance sheet and improve cash flow management. The purpose of the Consent Solicitation was to eliminate substantially all of the restrictive covenants and to modify certain of the events of default, the definition of change of control and other provisions in the exchange notes indentures (the "**Exchange Notes Indentures**") and to waive any potential breaches that may arise as a result of the events described in the exchange offer and consent solicitation memorandum.

The Company has received requisite consents for the consent solicitations under the Exchange Offer and Consent Solicitation. As such, the proposed waivers as set forth in the exchange offer and consent solicitation memorandum have become effective. The execution of each of the supplemental indentures to each of the Exchange Notes Indentures, dated 14 March 2022, by and among the Company, certain of the Company's offshore subsidiary guarantors (if applicable) and the respective trustee of the corresponding Exchange Notes Indentures, giving effect to the proposed amendments in compliance with the conditions contained in each of the Exchange Notes Indentures.

With respect to the Exchange Notes submitted for exchange, eligible holders of the Exchange Notes validly accepted and exchanged in the Exchange Offer and Consent Solicitation received the applicable exchange and consent consideration on 29 March 2022. At the same time, the Company issued US$728,623,000 in aggregate principal amount of 8.0% senior notes due 2023 (the "**New USD Notes**") and RMB1,589,980,000 in aggregate principal amount of 8.0% senior notes due 2023 (the "**New RMB Notes**").

For details regarding the Exchange Offer and Consent Solicitation relating to the Exchange Notes, the New USD Notes and the New RMB Notes, please refer to the above-mentioned announcements.

Concurrent Consent Solicitation Relating to Senior Notes

References are made to the announcements of the Company dated 21 February 2022, 7 March 2022, 13 March 2022 and 29 March 2022.

On 21 February 2022, the Company solicited consents from certain senior notes (the "**Consent Notes**" and each, a "**Series of Notes**") holders to certain proposed amendment and waiver to consent notes indentures pursuant to the concurrent consent solicitation (the "**Concurrent Consent Solicitation**") as described in the consent solicitation statement. The purpose of the Concurrent Consent Solicitation was to waive any potential breaches that may arise as a result of the events described under the consent solicitation statement and to amend the definition of change of control and the events of default provision in the consent notes indentures (the "**Consent Notes Indentures**") to carve out any default or event of default in respect of each Series of Notes as a result of a default or event of default occurring under the conditions set forth in the Consent Solicitation Statement.

The Company has received requisite consents for the consent solicitations under the Concurrent Consent Solicitation. As such, the proposed waivers as set forth in the consent solicitation statement have become effective. Execution of each of the consent supplemental indentures to each of the Consent Notes Indentures, dated 14 March 2022, by and among the Company, certain of the Company's offshore subsidiary guarantors and the Trustee, giving effect to the proposed amendment in compliance with the conditions contained in each of the Consent Notes Indentures. On 29 March 2022, the Company has paid the concurrent consent fee.

For details regarding the Concurrent Consent Solicitation relating to the Consent Notes, please refer to the above-mentioned announcements.

Disposal of Subsidiary

Reference is made to the announcement of the Company dated 25 March 2022.

On 25 March 2022, Zhengyu (Foshan) Real Estate Development Co., Ltd. (正裕(佛山)置業發展有限公司) (the "**Vendor**" and an indirect subsidiary of the Company), Chengdu Tongchuangjin Trading Co., Ltd (成都同創錦商貿有限責任公司) ("**Chengdu Tongchuangjin**"), Zhenglong (Foshan) Real Estate Development Co., Ltd. (正隆(佛山)置業發展有限公司) (the "**Target Project Company**"), Zhenro (Guangzhou) Real Estate Development Co., Ltd. (正榮(廣州)置業發展有限公司) and Hefan (Guangzhou) Equity Investment Management Co., Ltd. (合凡(廣州)股權投資基金管理有限公司) entered into an equity transfer agreement, pursuant to which the Vendor has agreed to dispose of, and Chengdu Tongchuangjin has agreed to purchase, the sale equity interest (the "**Disposal**"), representing 51% of the equity interest of the Target Project Company for a consideration of RMB155,623,950, which shall be paid by Chengdu Tongchuangjin to the Vendor in cash.

Upon completion of the Disposal, the Group will no longer hold any interest in the Target Project Company and the Target Project Company will cease to be accounted as a subsidiary of the Company.

For details regarding the Disposal, please refer to the above-mentioned announcement.

IMPACT OF COVID-19 PANDEMIC

Since January 2020, the COVID-19 pandemic has spread rapidly across the PRC and other parts of the world, posing severe challenges to the global economy.

With the effective control measures taken by the Chinese government, the outbreak has been gradually controlled and real estate business activities have also resumed in an orderly manner. To cope with the situation, the Group also carried out actions to minimize the impact of the COVID-19 pandemic on its business, including establishing the online sales platform, implementing measures to ensure smooth commencement of construction of projects, guaranteeing punctual supply of units and minimizing the risks associated with units delivery. In addition, the Group dynamically adjusted its business and marketing strategies to drive continued recovery in sales.

The Group will closely monitor the development of the COVID-19 pandemic and continue to assess the impact of the outbreak on the Group's finances and operations.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES")

References are made to the announcements of the Company dated 5 July 2019, 7 August 2020 and 29 September 2020.

In July 2019, pursuant to a facility agreement (the "**2019 Facility Agreement**") entered into between, among others, the Company as the borrower, certain wholly-owned subsidiaries of the Company as the original guarantors, Hang Seng Bank Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, The Bank of East Asia, Limited, Goldman Sachs (Asia) L.L.C. and BNP Paribas, acting through its Hong Kong Branch, collectively as the original lenders, for dual-currency term loan facilities in the amount of HK$234,000,000 and US$90,000,000 (totaling approximately US$120,000,000) (the "**2019 Loan Facilities**", each a "**2019 Loan Facility**") will be made available to the Company for a term of 36 months from the date of the 2019 Facility Agreement.

As provided in the 2019 Facility Agreement, if Mr. OU Zongrong, Mr. OU Guoqiang and Mr. OU Guowei collectively (a) do not or cease to, directly or indirectly, own at least 51% of the beneficial shareholding in the Company, carrying at least 51% of the voting right in the Company, of which at least 45% beneficial shareholding must, at any time on or after the first date of utilisation of the 2019 Loan Facility, be free from any security; (b) are not or cease to be the single largest shareholder of the Company; and/or (c) do not or cease to have management control over the Company, the commitments under the 2019 Loan Facilities may be cancelled and all amounts outstanding together with accrued interest and all other amounts accrued under the 2019 Loan Facilities may become immediately due and payable.

In August 2020, a facility agreement (the "**2020 Facility Agreement**") was entered into between, among others, the Company as the borrower, certain wholly-owned subsidiaries of the Company as the original guarantors, Bank of China (Hong Kong) Limited, CMB Wing Lung Bank Limited, Hang Seng Bank Limited and certain other financial institutions, collectively as lenders, for dual-currency term loan facilities in the amount of HK$273,000,000 and US$106,000,000 (totaling approximately US$141,000,000) for a term of 36 months from the date of the first utilisation of the loan facility. In September 2020, Chong Hing Bank Limited (as the lender) acceded to the 2020 Facility Agreement in accordance to the terms of the 2020 Facility Agreement (the "**Accession**"). Following the execution of the Accession, the total amount of loan facilities made available to the Company under the 2020 Facility Agreement equals to approximately US$161,000,000.

As provided in the 2020 Facility Agreement, if (i) Mr. OU Zongrong, Mr. OU Guoqiang and Mr. OU Guowei (collectively, the "**Relevant Persons**") collectively (a) do not or cease to, directly or indirectly, own at least 51% of the beneficial shareholding in the Company, carrying at least 51% of the voting right in the Company, of which at least 45% of the beneficial shareholding must, at all times from the date of the 2020 Facility Agreement for so long as any liability is outstanding or any commitment is in force, be free from any security; (b) are not or cease to be the single largest shareholder of the Company; and/or (c) do not or cease to have management control over the Company; and/or (ii) the chairman of the Company is not any of Mr. HUANG Xianzhi, Mr. LIU Weiliang or Mr. CHAN Wai Kin (each being an existing executive Director) or any of the Relevant Persons, the commitments under the loan facilities may be cancelled and all amounts outstanding together with accrued interest and all other amounts accrued under the loan facilities may become immediately due and payable.

Save as disclosed above, as at 31 December 2021, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF THE GROUP'S LISTED SECURITIES

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries purchase, sell or redeem any of the listed securities of the Group during the year ended 31 December 2021.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: HK$0.15 per share).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company ("**AGM**") will be held on Friday, 17 June 2022. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the Shareholders of the Company in accordance with the requirements of the Listing Rules in due course. For the purpose of determination of eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the forthcoming AGM to be held on Friday, 17 June 2022, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Monday, 13 June 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound governance policies and measures with the Board being responsible for performing such corporate governance duties.

During the year ended 31 December 2021, the Company has complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules in force from time to time (the "**Corporate Governance Code**") except for a deviation from the code provision A.2.1 (which has been renumbered as code provision C.2.1 since 1 January 2022) of the Corporate Governance Code which states that the roles of the chairman of the Board and chief executive should be separate and should not be performed by the same individual.

On 20 November 2019, Mr. WANG Benlong resigned and ceased to act as the executive Director, chief executive officer and the authorized representative of the Company. The Board expects that more time will be required to identify and appoint a suitable candidate as the chief executive officer of the Company. During the transitional period, Mr. HUANG Xianzhi, an executive Director of the Company and the chairman of the Board, has been appointed as the chief executive officer with effect from 20 November 2019, to temporarily take up the duties of Mr. WANG Benlong until a suitable candidate is appointed.

Notwithstanding the deviation from code provision A.2.1 (which has been renumbered as code provision C.2.1 since 1 January 2022), the Board believes that Mr. HUANG's extensive experience and knowledge, together with the support of the management, shall strengthen the solid and consistent leadership of the Group, and the vesting of the roles as the chairman and chief executive officer to Mr. HUANG would allow efficient business planning and decision, which the Board believes is in the best interest of the business development of the Group during this transitional period. The Company will, however, seek to re-comply with code provision A.2.1 (which has been renumbered as code provision C.2.1 since 1 January 2022) by identifying and appointing a suitable and qualified candidate to fill the casual vacancy as soon as practicable. Further announcement(s) will be made as and when appropriate in accordance with applicable requirements under the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry made by the Company, that they have complied with the Model Code during the year ended 31 December 2021.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The Audit Committee consists of three members, namely Dr. LOKE Yu (alias LOKE Hoi Lam) and Mr. WANG Chuanxu, being independent non-executive Directors, and Mr. OU Guowei, the non-executive Director. Dr. LOKE Yu (alias LOKE Hoi Lam) has been appointed as the chairman of the Audit Committee, and is the independent non-executive Director processing the appropriate professional qualifications. The primary duties of the Audit Committee include: (i) making recommendations regarding the appointment and removal of external auditors of the Company; (ii) reviewing the accounting policies and financial positions of the Company; (iii) reviewing and supervising the internal audit functions and internal control structure of the Company; and (iv) reviewing and overseeing the risk management of the Company.

The Audit Committee has reviewed and discussed the annual results of the Company for the year ended 31 December 2021. The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, Certified Public Accountants of Hong Kong ("**the Group's Auditor**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Group's Auditor 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 the Group's Auditor on this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Company:

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 International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to Note 2.1 to the consolidated financial statements, which states that as at 31 December 2021, the Group's current portion of interest-bearing bank and other borrowings, senior notes, corporate bonds and asset-backed securities amounted to RMB35,955,336,000 while its cash and cash equivalents amounted to RMB14,727,132,000. As stipulated in the announcement dated 18 February 2022, the Company experienced short-term liquidity pressure due to limited access to external capital to refinance its existing indebtedness. As such, the Company expects that its existing internal resources may be insufficient to address its upcoming debt maturities. Such events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.zhenrodc.com). The annual report will be despatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board
Zhenro Properties Group Limited
HUANG Xianzhi
Chairman of the Board

Shanghai, PRC, 31 March 2022

As at the date of this announcement, the executive Directors are Mr. Huang Xianzhi, Mr. Liu Weiliang, Mr. Li Yang and Mr. Chan Wai Kin, the non-executive Director is Mr. Ou Guowei, and the independent non-executive Directors are Dr. Loke Yu (alias Loke Hoi Lam), Mr. Wang Chuanxu and Mr. Lin Hua.

* *For identification purpose only*