



天譽置業(控股)有限公司
SKYFAME REALTY (HOLDINGS) LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 00059)

ANNUAL REPORT 2021





CONTENTS

	<i>Page</i>
Corporation Information	2
Chairman's Statement	4
Corporate Profile	6
Management Discussion and Analysis	9
Brief Biography of Directors and Senior Management	29
Environmental, Social and Governance Report	33
Corporate Governance Report	68
Directors' Report	79
Independent Auditor's Report	90
Consolidated Statement of Comprehensive Income	97
Consolidated Balance Sheet	98
Consolidated Statement of Changes in Equity	100
Consolidated Statement of Cash Flows	101
Notes to the Consolidated Financial Statements	102
Five Year Financial Summary	206
Particulars of Properties Under Development, Properties Held for Sale and Investment Properties	207

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. YU Pan (*Chairman and Chief Executive Officer*)
Mr. WEN Xiaobing (*Deputy Chief Executive Officer*)
Mr. WANG Chenghua
Mr. JIN Zhifeng

Non-executive Director:

Mr. WONG Lok

Independent Non-executive Directors:

Mr. CHOY Shu Kwan
Mr. CHENG Wing Keung, Raymond
Ms. CHUNG Lai Fong

COMPANY SECRETARY

Mr. HUANG Tianbo

AUDIT COMMITTEE

Mr. CHOY Shu Kwan (*Chairman*)
Mr. CHENG Wing Keung, Raymond
Ms. CHUNG Lai Fong

REMUNERATION COMMITTEE

Ms. CHUNG Lai Fong (*Chairman*)
Mr. CHOY Shu Kwan
Mr. CHENG Wing Keung, Raymond
Mr. YU Pan

NOMINATION COMMITTEE

Mr. YU Pan (*Chairman*)
Mr. CHOY Shu Kwan
Mr. CHENG Wing Keung, Raymond
Ms. CHUNG Lai Fong

RISK MANAGEMENT COMMITTEE

Mr. WEN Xiaobing (*Chairman*)
Mr. CHOY Shu Kwan
Mr. CHENG Wing Keung, Raymond
Ms. CHUNG Lai Fong

SHARE LISTING

Main Board of The Stock Exchange
of Hong Kong Limited, Stock Code: 00059

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

32nd to 33rd Floors of HNA Tower
8 Linhe Zhong Road, Tianhe District,
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the PRC

Telephone: (86-20) 2208 2888

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1401, 14/F., Capital Centre
151 Gloucester Road, Wanchai, Hong Kong
Telephone: (852) 2111 2259
Facsimile: (852) 2890 4459

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton, HM 11, Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton, HM 11, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of China Limited
Guangzhou Rural Commercial Bank Co., Ltd.
The Bank of East Asia, Limited
Industrial Bank Co., Ltd., Hong Kong Branch

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

CORPORATE INFORMATION

BOND LISTING

The Stock Exchange of Hong Kong Limited

The Company's medium term bonds due 2024,

Stock Code: 05821 (ISIN: XS1130150391)

The Company's medium term bonds due 2024,

Stock Code: 05580 (ISIN: XS1323898707)

The Company's medium term bonds due 2025,

Stock Code: 05626 (ISIN: XS1397876258)

The Company's medium term bonds due 2026,

Stock Code: 05310 (ISIN: XS1525845985)

The Company's medium term bonds due 2026,

Stock Code: 05367 (ISIN: XS1558627771)

The Company's medium term bonds due 2031,

Stock Code: 05855 (ISIN: XS1142114278)

The Company's medium term bonds due 2031,

Stock Code: 05567 (ISIN: XS1304503268)

The Company's medium term bonds due 2032,

Stock Code: 05602 (ISIN: XS1341411822)

The Company's medium term bonds due 2033,

Stock Code: 05311 (ISIN: XS1525848575)

The Company's medium term bonds due 2033,

Stock Code: 05379 (ISIN: XS1558627342)

NOTES LISTING

Singapore Exchange Securities Trading Limited

The Company's US\$274,000,000 13%

Senior Notes due 2022 (ISIN: XS2022224047)

The Company's subsidiary's US\$292,000,000 13%

Senior Notes due 2023 (ISIN: XS2272702338)

LEGAL ADVISERS

Hong Kong Laws:

Sidley Austin

Bermuda Laws:

Conyers Dill & Pearman

PRC Laws:

廣東聯合發展律師事務所

(Guangdong Lianhefazhan Law Firm)

COMPANY'S WEBSITE

<http://www.skyfame.com.cn>

CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the board of directors (the “**Board**”) of Skyfame Realty (Holdings) Limited (the “**Company**”), I would like to present the review of the Group’s annual results for the year ended 31 December 2021 (the “**Year**”) and its outlook.

BUSINESS REVIEW

The year 2021 was the first year of the 14th Five-year Plan of China. Although faced with the complex and grave domestic and external situation and numerous risks and challenges, under the strong leadership of the state, China’s results in the fight against the pandemic attracted the world’s attention and the society and economy gradually recovered. At the same time, as vaccination programmes have widely commenced in major countries, people are optimistic about the economic outlook after the pandemic.

During the first half of the year, there were an obviously large number of transactions in China’s real estate industry. The area transacted in the 100 cities reached a historical high over corresponding periods, driving the results performance of real estate sales. The land auction market was even filled with optimistic sentiments. However, in the second half of 2021, with the continuous tightening of real estate control policies and the continuous cooling of the economy, the enthusiasm of home buyers suddenly cooled down, the real estate market deteriorated rapidly and the environment for property developer financing almost froze suddenly. The various unfavourable factors worked together to put unprecedented pressure on the sector. Most property developers experienced difficulties in liquidity. With companies competing to sell inventory, the situation of the industry was even direr. The year 2021 was the year with the most stress and the most dismal market conditions in the history of China’s real estate industry.

Steady and sound development has always been the Group’s priority strategy. Although the Group had taken a decisive step at the beginning of the year to contract its business, suspend all land acquisitions and investments, and focus its resources on driving the urban renewal project at Fengwei Village, Guangzhou with an area of approximately 2,000,000 sq.m., the sudden emergence of tremendous difficulties in the industry was still chilly. I together with my team led the Group to cope with the situation calmly to realize revenues of approximately RMB7,700 million for the year, which is about the same level as for the same period last year. We vigorously drove a development strategy of refocusing on the Guangdong-Hong Kong-Macao Greater Bay Area with Guangzhou as the centre, and on the basis of the successful bidding of the Fengwei Village project in late 2020, we paid close attention to driving the planning, construction application, and financing work of our projects. At present, the various tasks are progressing as planned. At the same time, the Group determinedly and vigorously started an asset disposal plan and such strategies as strengthening capital recovery, attaching great importance to cash flow safety. During the Year, the Group repaid in cash the principal of and interest on foreign US dollar-denominated debts amounting to approximately US\$200 million, protecting the rights of creditors and the Group’s cash flow safety and demonstrating the resilience of the Group’s development. In 2021, the Group recorded a gross profit of approximately RMB1,700 million (with a gross profit margin of approximately 22.1%) and a loss attributable to shareholders of approximately RMB280 million. Mainly due to the comprehensive measures proactively taken by the Group mentioned above in response to the deterioration of the market of the industry and severe competition, as well as for the sake of caution, the Group increased its provision for financial assets. All these transitional measures put pressure on the Group’s profit in 2021. As at 31 December 2021, the Group had a project portfolio and potential land reserves in aggregate gross floor area of 33,000,000 sq.m., which were mainly residential projects and were mainly located in the Guangdong-Hong Kong-Macao Greater Bay Area, second-tier cities, and surrounding cities. These land reserves provide us with a favourable development base for the foreseeable future.

CHAIRMAN'S STATEMENT

FUTURE OUTLOOK

As the speed of China's GDP growth gradually reduces and the real estate industry of China has greatly improved the living conditions of Chinese people over the last 20-odd years, we believe that the "great era" of real estate in China has passed. It is still a realistic choice to actively welcome a "small era". The year 2021 is a watershed in the history of property development in China.

Although "housing is for living but not for speculation" is still the general keynote of the central government, the emphasis is on implementing policies according to the situation of the city to promote the healthy development of the property development sector. Some local governments have also started to relax demand-side restrictions. The China Banking and Insurance Regulatory Commission also encourages commercial banks to meet the reasonable demand of 300 million "new citizens" for home loans. We anticipate that government policies will focus on stabilizing property investments this year, and subsequently the stringent restrictions on property developer financing may be gradually relaxed, though it will take some time for market confidence to be restored but the light is at the end of the dark tunnel.

The Group's future strategy will focus more on the operational efficiency of its projects. The overall tone will be to refocus on the Guangdong-Hong Kong-Macao Greater Bay Area with Guangzhou as the centre. The Group will cultivate projects with lucrative profit potential, continue to advance its plan to acquire the other 4,700,000 sq.m. of land in Guangzhou through urban renewal projects, determinedly expand the disposal of assets and accelerate the selling of inventory to contract its business, attach great importance to the Group's cash flow safety, and continuously strengthen its developmental resilience. At the same time, it will stay acute and prudently evaluate development opportunities in other areas so as to secure new points of growth for the Group.

ACKNOWLEDGEMENTS

Being the chairman of the Board and also the chief executive officer of the Company, I would also like to express my sincere gratitude to all our staff, customers, suppliers and business associates, creditors and shareholders for their unwavering assistance and support to the Group in the past years.

YU Pan
Chairman

Hong Kong, 31 March 2022

CORPORATE PROFILE

Skyfame Realty (Holdings) Limited (“**Skyfame Realty**”) is a company listed on the main board of The Stock Exchange of Hong Kong Limited under stock code 00059. Skyfame Realty is an investment holding company and its subsidiaries are principally engaged in the property development, property investment, property management and commercial operations.

The Group focuses on the development of a wide range of property types including residential and commercial properties, offices, serviced apartments and hotels in China as well as property investment and property management. Rooted in Guangzhou, the Group explores into cities in the mainland with high growth potential with particular focus on the development of community projects tailored-made for young home buyers. Currently, the Group holds a portfolio of development projects and land reserves covering Guangzhou, Zhongshan, Zhuhai, Shenzhen and Huizhou in the Greater Bay Area; Nanning and Guilin in the southern region; Xuzhou and Nanchang in the eastern region; and Chongqing, Kunming and Guizhou in the southwest region.

The Group holds project portfolio with an aggregated GFA of approximately 33.00 million sq.m. which consists of GFA of 15.30 million sq.m. existing projects completed, under development or for imminent development, and GFA of 17.70 million sq.m. of potential land reserves in Greater Bay Area, Nanning, Guilin, Xuzhou and Kunming for which co-operation agreements have been contracted with local governments or a third party pending land auctions, or framework agreements signed with parties involved in the redevelopment of old districts.

Leveraging on our management expertise in the property development business with specialty on the refurbishment of old urban areas and the development of youth community projects, the Group has established itself as a reputable and trustworthy property developer on mainland China.

2021 Event Highlights

- January
- A foundation laying ceremony was held for the ancillary works of the first phase of the rehabilitation area of the remodelling project at Fengwei Village, Jiufu Street, located at the northern gate of the Knowledge City in Huangpu District. The old district remodelling project is located in Fengwei Village, Jiufu Street, Huangpu District, Guangzhou, bounded by Kaifang Avenue to the east, Kangyao 7th Road to the south, Yongjiu Express to the west and Kangyao North Road to the north. The project covers a land for a total GFA of 1,939,000 sq.m. (total saleable GFA of 742,000 sq.m.).



- May
- On 24 May 2021, Skyfame International Holdings Limited, a wholly-owned subsidiary of Skyfame Realty, issued an additional US\$112,000,000 13.0% senior notes due 2023 for the first time.
- June
- On 7 June 2021, Skyfame International Holdings Limited, a wholly-owned subsidiary of Skyfame Realty, issued an additional US\$100,000,000 13.0% senior notes due 2023 for another time.

Major Honours and Awards in 2021

- On 16 March 2021, Skyfame Realty was ranked the 122nd among the “Top China Real Estate Development Enterprises in terms of Overall Strength 2021” (2021中國房地產開發企業綜合實力榜) by CREA (中房研協) and the E-House Research and Evaluation Centre (易居研究測評中心);
- On 20 May 2021, Skyfame Realty was ranked 88th among the “2021 Top 100 China Real Estate Listed Companies” (2021中國上市房企百強榜) by EH Consulting (億翰智庫);
- On 27 May 2021, Skyfame Realty was ranked 95th among “China Listed Real Estate Companies in terms of Overall Strength 2021” (2021中國房地產開發企業綜合實力榜) by CREA (中房研協) and the E-House Research and Evaluation Centre (易居研究測評中心);



CORPORATE PROFILE

- On 28 May 2021, the Shanghai E-House Research and Evaluation Institute (上海易居研究測評院), the Shanghai Academy of Social Sciences, Rongke Investment Management Company Limited (上海融客投資管理有限公司), Leju Finance (樂居財經), China Real Estate and Finance Magazine (中國房地產金融雜誌), and Market Value Online (Shanghai) (市值在線(上海)) released the first "Research Report on Market Value Management Standardization for Listed Real Estate Companies in China" (《中國房地產上市公司市值管理規範研究報告》) in China, in which Skyfame Realty was ranked 110th among "China Listed Real Estate Companies in the Development Category in Terms of Total Market Capitalization in 2020" (2020年中國開發類房地產上市公司市值總量排行), 101st among "China Listed Real Estate Companies in the Development Category in Terms of Market Capitalization Growth in 2020" (2020年中國開發類房地產上市公司市值增長量排行), and 86th among "China Listed Real Estate Companies in the Development Category in Terms of Market Capitalization Growth Rate in 2020" (2020年中國開發類房地產上市公司市值增長率排行);
- On 9 June 2021, Guangzhou Tianyu Property Management Company Limited of Skyfame Realty was ranked 92nd in the CRIC "Property Service Capability Evaluation 2021" (2021物業服務力測評結果排行) by the Shanghai E-House Research and Evaluation Institute (上海易居研究測評院) and the China Real Estate Appraisal Centre (中國房地產測評中心);
- On 28 June 2021, Skyfame Realty was ranked 71st among the "Top 100 Real Estate Enterprises in Guangdong Province in Terms of Overall Competitiveness 2021" (2021廣東省房地產企業綜合競爭力百強榜) by the Guangdong Province Real Estate Industry Association (廣東省房地產行業協會) and the China Index Academy (中指研究院);
- On 27 July 2021, Skyfame Realty was awarded the "Quality China Real Estate Developer Award" (優質中國房地產企業大獎) by the Quality Property Management Awards Organizing Committee of China Real Estate Enterprise Awards (優質中國房地產大獎優質物業管理大獎籌委會), the fourth consecutive year that Skyfame Realty has won the award;
- On 15 September 2021, Skyfame Realty was given the titles of "2021 Top 20 China Real Estate Enterprises with Stable and Healthy Operations" (2021中國房地產企業穩健經營二十強) and "2021 Top 15 China Real Estate Enterprises in Brand Value Growth" (2021中國房地產企業品牌價值成長性十五強) by EH Consulting (億翰智庫);
- On 26 October 2021, Skyfame Realty was ranked 75th among the "Top Listed Real Estate Companies in China in Terms of Brand Value 2021" (2021中國地產上市公司品牌價值榜) by Daily Economic News (每日經濟新聞) and NBD Think Tank (每經智庫);
- On 3 November 2021, Skyfame Realty won the "2021 ListCo Excellence Award" (2021年上市公司年度大獎) of the Hong Kong Institute of Financial Analysts and Professional Commentators Limited;
- On 10 December 2021, Skyfame Realty was awarded the "Best Information Disclosure among the Best Listed Companies in Greater China Award 2021" (大中華區最佳上市公司2021年度最佳資訊披露獎) by Gelonghui (格隆匯);
- On 16 December 2021, Skyfame Realty was ranked 82nd among the "Top China Real Estate Enterprises with Super Product Power 2021" (2021中國房企超級產品力) by EH Consulting (億翰智庫).

MANAGEMENT DISCUSSION AND ANALYSIS

A. BUSINESS REVIEW

In 2021, due to the global economic downturn affected by the new crown pneumonia epidemic, the speed of the global economic recovery is still uncertain. In this environmental situation, regulatory measures aiming at reducing leverage in the real estate sector have added to the uncertainty. Under such circumstances, the industry has continued to show a trend of bottom shocks and deep integration and shuffle. However, starting from the end of 2021, with the proper implementation of the various supportive and comprehensive policies by the local government, the overall development of the real estate industry is gradually improving. It is expected that in the long run, the overall market conditions can be in a relatively stable and healthy development trend.

Our project portfolio is mainly located in regions in the Greater Bay Area and big second-tier and around cities with strong rigid housing demand and are most resilient to turbulences. Facing the complex and volatile external environment and the policy challenges on the entire industry, the Group adheres to the strategic direction of stable operation. In addition, the Group actively responds by the implementation of the business transformation strategy to return to the Guangdong-Hong Kong-Macao Greater Bay Area, to invest more resources to accelerate the new project of Fengwei Village in Guangzhou, the PRC with gross floor area of approximately 1.9 million sq.m. The overall transformation of the renovation project also bears the transitional cost of the business strategy implementation stage.

In the year of 2021, our Group has achieved a turnover of RMB7.7 billion. We recorded contracted sales totaling RMB11.1 billion (2020: RMB16.5 billion) at GFA of 1.2 million sq.m. (2020: 1.7 million sq.m.) at overall before-tax average selling price of RMB9,000 per sq.m. (2020: RMB9,500 per sq.m.). The GFA contracted, covering 25 projects under development and completed projects. Other than contracted sales that were delivered and recognized during the current year, the remaining will be recognized as property sales in the later years in 2022 to 2025 when the subject properties are delivered.

During the current year, we had nine projects (2020: eight) with properties delivered, namely Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Chongqing Skyfame•Smart City, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Nanning Spiritual Mansions, Xuzhou Skyfame Time City, Xuzhou Skyfame Elegance Garden and Nanchang Skyfame Fenghuangyue. The Group delivered aggregate GFA of 846,000 sq.m. (2020: 659,000 sq.m.) and recorded property sale revenue before direct taxes of RMB8,147 million (2020: RMB8,218 million). Comparing with last year, the revenue is about the same performance as in last year but with different mixtures in products and markets.

MANAGEMENT DISCUSSION AND ANALYSIS

A. BUSINESS REVIEW (continued)

The Group's recognized sales of properties in sale value before direct taxes and saleable GFA by projects for the year are as follows:

Project	Recognized Sales	
	Gross Amount <i>RMB'million</i>	GFA Delivered <i>sq.m.</i>
Guangzhou Skyfame Byland	160	2,000
Zhongshan Skyfame Rainbow	136	11,000
Chongqing Skyfame • Smart City	320	30,000
Nanning Skyfame Garden	60	17,000
Nanning Skyfame ASEAN Maker Town	1,479	139,000
Nanning Spiritual Mansions	3,639	353,000
Xuzhou Skyfame Time City	1,121	154,000
Xuzhou Skyfame Elegance Garden	1,188	131,000
Nanchang Skyfame Fenghuangyue	44	9,000
Total in year 2021	8,147	846,000
Total in year 2020	8,218	659,000

MANAGEMENT DISCUSSION AND ANALYSIS

B. PROPERTY PORTFOLIO

As at 31 December 2021, we have project portfolio and potential land reserves in aggregate GFA of 33.0 million sq.m. mainly located in Guangzhou, Shenzhen, Zhongshan, Zhuhai, Huizhou in the Guangdong-Hong Kong-Macao Greater Bay Area, Nanning and Guilin in the Southern Region of China, Xuzhou and Nanchang in the Eastern Region of China, and Chongqing, Kunming and Guizhou in the Southwestern Region of China. The land reserves provide us a solid capacity for a sustainable growth in the approaching timelines. Depending on the status of development of each project, the profiles about our land bank are categorized into group 1 as “properties completed, under or held for development”, group 2 as “co-operation projects” and group 3 as “potential land reserves” as below:

1. Properties completed, under or held for development

During the year, we held eighteen real estate development projects in mainland China of which six have been completed and the others under construction or for imminent development, together with joint venture projects we participated in and other projects held by a third parties that we are acting as project manager, all in all, we are holding interests in thirty-one projects, either completed, under construction or for future development. As at 31 December 2021, all these projects renders a total GFA of approximately 15.3 million sq.m..

MANAGEMENT DISCUSSION AND ANALYSIS

B. PROPERTY PORTFOLIO (continued)

1. Properties completed, under or held for development (continued)

The table below sets out details of property portfolio.

Project	Location	Property type	Estimated total GFA (sq.m.)	Estimated total saleable GFA (Note a) (sq.m.)	Accumulated saleable GFA delivered (sq.m.)	Actual/ Estimated completion year	The Group's interest
Guangzhou Skyfame Byland	Guangzhou	Residential & commercial	315,000	159,000	125,000	2017-19	100%
Guangzhou Fengwei Village Project	Guangzhou	Residential & ancillary commercial	1,939,000	742,000	-	2024-27	80%
Guangzhou Luogang Project	Guangzhou	Serviced apartment & ancillary commercial	122,000	101,000	-	2024	100%
Skyfame Health Smart City	Shenzhen	Serviced apartment & commercial	183,000	129,000	-	2024	100%
Zhongshan Skyfame Rainbow	Zhongshan	Residential & ancillary commercial	105,000	86,000	79,000	2020	51%
Skyfame Zhuhai Bay	Zhuhai	Residential & ancillary commercial	295,000	209,000	-	2022-23	80%
Nanning Skyfame Garden	Nanning	Residential & ancillary commercial	1,202,000	950,000	926,000	2016-18	80%
Nanning Skyfame ASEAN Maker Town	Nanning	Composite development	1,305,000	1,047,000	749,000	2018-24	80%
Nanning Spiritual Mansions	Nanning	Residential and ancillary commercial	749,000	581,000	558,000	2020-21	40%
Guilin Lipu Skyfame Jade Valley	Guilin	Villas, residential & serviced apartments	236,000	230,000	-	2022-24	100%
Xuzhou Skyfame Time City	Xuzhou	Residential & ancillary commercial	468,000	395,000	370,000	2019-21	70%
Xuzhou Skyfame Elegance Garden	Xuzhou	Residential & ancillary commercial	205,000	153,000	131,000	2021-22	78%
Xuzhou Skyfame Smart City	Xuzhou	Residential & ancillary commercial	542,000	416,000	-	2022-24	89.8%
Nanchang Skyfame Fenghuangyue	Nanchang	Residential & ancillary commercial	119,000	110,000	75,000	2013	65.5%
Chongqing Skyfame • Smart City	Chongqing	Composite development	1,195,000	962,000	425,000	2017-24	100%
Chongqing Skyfame Linxifu	Chongqing	Residential & ancillary commercial	448,000	360,000	-	2022-23	76%
Kunming Anning Linxi Valley	Kunming	Residential & ancillary commercial	297,000	255,000	-	2022	(note b)
Kunming Skyfame City	Kunming	Residential & ancillary commercial	502,000	384,000	-	2022-25	90%
Sub-total - developed by subsidiaries			10,227,000	7,269,000	3,438,000		
Co-operation projects (note c)			5,061,000				
Total			15,288,000				

MANAGEMENT DISCUSSION AND ANALYSIS

B. PROPERTY PORTFOLIO (continued)

1. Properties completed, under or held for development (continued)

Note:

- (a) Total saleable GFA excludes un-saleable area for municipal facilities, area allocated to a cooperative partner and resettlement housing to be provided without sale considerations in certain projects.
- (b) For Kunming Anning Linxi Valley, a project being developed through a right under a contractual arrangement, the above project profile refers to GFAs under development by the project company.
- (c) Co-operation projects refer to the projects which are developed by joint venture or we act as project manager pursuant to the relative agreements. The above projects profile refers to the GFAs under development by the project companies.

In Guangdong-Hong Kong-Macao Greater Bay Area:

(1) Guangzhou Skyfame Byland (“廣州天譽半島”)



The project, named as Guangzhou Skyfame Byland, is held by a subsidiary of the Company whereas a third party, Guangzhou Port Group Co., Limited (廣州港集團有限公司), is entitled to share 28% in developable GFA of the completed properties. The legal title over the remaining 72% of the completed properties rests with the Group.

The plot is located at Zhoutouzui, Haizhu district, Guangzhou, at the riverside of Bai e lake, one of the top 8 attractions in Guangzhou. The project represents the only sizable luxury living community with the widest river view in downtown of Guangzhou. The project is a mixed-use development with a total GFA of approximately 315,000 sq.m. (total saleable GFA of 159,000 sq.m.), consisting of seven towers comprising residential apartments, offices, serviced apartments, municipal and other facilities, underground car parking facilities and supporting commercial facilities.

The entire project had been completed. 800 car parking spaces and the entire block of tower A1 in aggregate GFA of 20,000 sq.m. are retained by the Group for long-term leasing purpose.

MANAGEMENT DISCUSSION AND ANALYSIS

B. PROPERTY PORTFOLIO (continued)

1. Properties completed, under or held for development (continued)

In Guangdong-Hong Kong-Macao Greater Bay Area: (continued)

(2) Guangzhou Fengwei Village Project (“廣州鳳尾村項目”)



The project is an old village redevelopment project located in Fengwei Village, Jiufo Street (九佛街), Huangpu District, Guangzhou. The project is adjacent to the Hongwei metro station, which is about one hour away from Tianhe District, the centre of Guangzhou, and close to the International Biomedical Innovation Park. The project covers a land for a total GFA of 1,939,000 sq.m. (total saleable GFA of 742,000 sq.m.).

In late of 2020, an indirect wholly-owned subsidiary of the Company namely Nanning Tianyu Jurong Realty Company Limited (“Tianyu Jurong”), was notified by Fengwei Village Economic Cooperative Society that, following the open tender process for the introduction of cooperative entity on the Guangzhou Public Resources Trading Service Platform, Tianyu Jurong became the cooperative entity for the project. The demolition works on the land and the construction has been commenced.

(3) Guangzhou Luogang Project (“廣州蘿崗項目”)

The project is located at the north of Yin Tong Road (賢堂路) of Yonghe District in Huangpu, Guangzhou. The project occupies a site of 50,263 sq.m. with planned GFA of 122,000 sq.m. (total saleable GFA of 101,000 sq.m). The land is originally granted for industrial purpose and our management plans to develop the project into serviced apartments and commercial properties. The management is currently negotiating with the district government about the redevelopment of the zone into a commercial project.

Guangzhou Luogang Project has development right enabling the Group to commence development subject to obtaining government approval on conversion of land uses. Investment costs paid on the project are presented as prepayments for proposed projects grouped into “Other receivables and prepayments” of the consolidated balance sheet.

(4) Skyfame Health Smart City (“天譽大健康智慧工業園”)



The project, named as Skyfame Health Smart City is located at the southeast of Guangming New Zone, Shenzhen. The project company holds a right to redevelop on the land for a total GFA of 183,000 sq.m.(total saleable GFA of 129,000 sq.m.) for innovative industrial premises, serviced apartments and offices. We have completed the demolition works on the land and the construction has been commenced during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

B. PROPERTY PORTFOLIO (continued)

1. Properties completed, under or held for development (continued)

In Guangdong-Hong Kong-Macao Greater Bay Area: (continued)

(5) Zhongshan Skyfame Rainbow (“中山天譽虹悅”)



The project, named as Zhongshan Skyfame Rainbow and located on Cui Sha Road (翠沙路), Rainbow Planning Zone at the north of West Zone, Zhongshan, Guangdong province, is a residential development with ancillary commercial properties. The total GFA of the project is about 105,000 sq.m. (saleable GFA of 86,000 sq.m.). The entire project had been completed and up to 31 December 2021, a total saleable GFA of 79,000 sq.m. has been delivered to buyers.

(6) Skyfame Zhuhai Bay (“天譽珠海灣”)

The Group has interest in a company engaged in a development project in Economic Zone of Gaolan Harbour, Pingshan New Town, Zhuhai, Guangdong province. The project has been developed into a residential development with total GFA of 209,000 sq.m. for sale and GFA 22,000 sq.m. to be surrendered to the local government as social subsidized housing for talents and public rental housing. Construction is in progress and the management expects to complete the project in 2022 to 2023.



In Southern Region of China:

(7) Nanning Skyfame Garden (“南寧天譽花園”)



Nanning Skyfame Garden and Skyfame Nanning ASEAN Maker Town, are collectively branded as “Nanning Skyfame City” (“南寧天譽城”). The project is located in the business hub of Wuxiang New District (五象新區) at the southeast of the downtown of Nanning, the capital of Guangxi province. The project has been developed into a residential community, namely “Nanning Skyfame Garden”, with a total GFA of 1,202,000 sq.m.

(saleable GFA of approximately 950,000 sq.m.), covering 65 towers for residential and retail properties, car parking facilities, public and municipal facilities, and residential and commercial units for the resettlement of original occupants. The entire project had been completed and up to 31 December 2021, a total saleable GFA of 926,000 sq.m. has been delivered to buyers, the remaining GFA of 24,000 sq.m. are on sale or held for the operation of our second “Yuwu Startup” co-work place.

MANAGEMENT DISCUSSION AND ANALYSIS

B. PROPERTY PORTFOLIO (continued)

1. Properties completed, under or held for development (continued)

In Southern Region of China: (continued)

(8) Nanning Skyfame ASEAN Maker Town (“南寧天譽東盟創客城”)

The development covers three land plots of 194,222 sq.m. (equivalent to 291.33 mu) located at the north of Wuxiang Da Road, Wuxiang New Zone (五象新區), Liangqing District, Nanning, Guangxi. The project is within walking distance from Nanning Skyfame Garden. The project is a development complex divided into east and west zone and is developed in phases. Planned total GFA is 1,305,000 sq.m. (saleable GFA of approximately 1,047,000 sq.m.). The east zone features A-class offices, retail properties and an international 5-star hotel branded as Westin Nanning in a skyscraper in a height of 346 meters named as the Skyfame ASEAN Tower (“天譽東盟塔”), together with a community development consisting of serviced apartments, retail properties, and ancillary facilities specifically developed for young occupants named as “the World of Mr. Fish”(“魚先生的世界”).



The west zone features residential and retail properties named as “Nanning Skyfame Byland” (“南寧天譽半島”). Construction works of the two zones is scheduled to complete by phases up to 2024. The development, when completed, will then be a landmark in Wuxiang New District.

Up to 31 December 2021, residential and commercial units of saleable GFA of 749,000 sq.m. have been delivered to buyers. For the undelivered saleable GFA of 298,000 sq.m., the management plans to retain GFA of 50,000 sq.m. to be held for long-term purpose for leasing to tenants engaged in retailing and distribution businesses, and the remaining GFA are scheduled to be delivered in 2022 onwards until 2024, the expected year of delivery of Skyfame ASEAN Tower.

MANAGEMENT DISCUSSION AND ANALYSIS

B. PROPERTY PORTFOLIO (continued)

1. Properties completed, under or held for development (continued)

In Southern Region of China: (continued)

(9) *Nanning Spiritual Mansions (“南寧檀府•印象”)*

The Group participates in an arrangement with 40% equity interest in a project company formed with two other local developers. The project is located in the core area of Wuxiang New Zone, between Skyfame Garden and Vanke Park, at the north of Yudong Avenue (玉洞大道) in Liangqing District, Nanning. The project, named as “Nanning Spiritual Mansions”, is situated on a land plot of approximately 138,000 sq.m. and to be developed in GFA of 749,000 sq.m. (saleable GFA of 581,000 sq.m.), covering residential and commercial properties, school and municipal facilities. Construction works has been completed in phases starting from 2020. Up to 31 December 2021, a total saleable GFA of 558,000 sq.m. has been delivered to buyers.

(10) *Guilin Lipu Skyfame Jade Valley (“桂林荔浦天譽翡翠谷”)*



The land of the project was acquired through a public auction. The project, named as Guilin Lipu Skyfame Jade Valley, is located in Lipu City (荔浦市) at the south of Guilin City. Lipu is the transportation hub to Guilin (桂林), Liao Zhou (柳州), Wuzhou (梧州) and Hezhou (贺州) cities in Guangxi. The plot is rich of natural scenery resources making the project an attractive culture and tourism development. We plan to develop the project into villas, residences and serviced apartments, a hotel and tourist scenic spot. Total GFA to be developed is 236,000 sq.m. of which 230,000 sq.m is saleable. Construction commenced in late 2019 and delivery is expected to be in 2022 to 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

B. PROPERTY PORTFOLIO (continued)

1. Properties completed, under or held for development (continued)

In Eastern Region of China:

(11) Xuzhou Skyfame Time City (“徐州天譽時代城”)



Xuzhou Skyfame Time City is located at Xuzhou Quanshan Jiangsu Economic Development Zone (江蘇徐州泉山經濟開發區) in Xuzhou, Jiangsu province. It is situated in Times Avenue South and Xufeng Highway West in Xuzhou. It is an eco-residential and commercial development with residential and ancillary commercial units. The project has been completed in 2021, with a total GFA of 468,000 sq.m. (saleable GFA of 395,000 sq.m.) with saleable GFA of 370,000 sq.m. delivered up to 31 December 2021.

(12) Xuzhou Skyfame Elegance Garden (“徐州天譽雅園”)

The project, named as Xuzhou Skyfame Elegance Garden, is located at 1 km apart from Xuzhou Skyfame Time City. The land plot was acquired through a land auction in 2017 with a total GFA of about 205,000 sq.m. (saleable GFA of 153,000 sq.m.). Up to 31 December 2021, saleable GFA of 131,000 sq.m. has been delivered to buyers. The project is being developed into residential and ancillary commercial development and construction works are expected to be completed in 2022.



(13) Xuzhou Skyfame Smart City (“徐州廣譽智慧城”)



The land of the project was acquired through a land auction in 2019. The site is located in the north of the downtown of Xuzhou in Jiulihu district (九里湖) next to the Zhangxiaolou (張小樓) river and a wetland park under plan. The project, namely Xuzhou Skyfame Smart City, is a mixed development in a total GFA of 542,000 sq.m. (saleable GFA of 416,000 sq.m.), consisting of residential, serviced apartments, commercial properties and a hotel. Construction and pre-sale has been commenced with construction works expected to be completed in 2022 to 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

B. PROPERTY PORTFOLIO (continued)

1. Properties completed, under or held for development (continued)

In Eastern Region of China: (continued)

(14) *Nanchang Skyfame Fenghuangyue (“南昌天譽鳳凰樾”)*

The site, located in An Yi Xian (安義縣), a national graded eco-friendly living showcase at the northwest from the city of Nanchang, Jiangxi province. The project, named as Nanchang Skyfame Fenghuangyue, with a total saleable GFA of 110,000 sq.m. to be developed into GFA of 78,000 sq.m. for villas and residential properties, GFA of 6,000 sq.m. for street-level shops and a hotel of 26,000 sq.m. The entire project has been completed and but subject to certain minor rectification and upgrading works. As of 31 December 2021, GFA of 75,000 sq.m has been delivered to buyers.

In Southwestern Region of China:

(15) *Chongqing Skyfame • Smart City (“重慶天譽•智慧城”)*

The project is located in Nanan District of Chongqing, one of the city’s three major CBDs embracing the central government district, at the river shore of the Yangsze river. The location is one of the top ten key development zones in Chongqing. Total GFA of approximately 1.2 million sq.m. are being developed in two phases into residential, LOFT apartments and commercial properties. The equity interests in the project company were acquired in phases starting in 2018 to 2019.



Phase 1 of the project, named as “Gold Purple” (“紫金一品”), was completed upon our acquisition of the project. Phase 1 consists of GFA 313,000 sq.m. (saleable GFA 254,000 sq.m.). Phase 2, named as “Chongqing Skyfame•Smart City”, is a mixed development consisting of residences, serviced apartments, offices, shopping mall and carparking spaces, in total GFA of 882,000 sq.m. (saleable GFA of 708,000), of which GFA of 249,000 sq.m. are developed for commercial properties to be held for long term and remaining 459,000 sq.m. for sale.

Up to 31 December 2021, aggregate saleable GFA of 425,000 sq.m. has been delivered to the buyers. Delivery of Phase 2 is scheduled to take place by phases starting from 2020 to 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

B. PROPERTY PORTFOLIO (continued)

1. Properties completed, under or held for development (continued)

In Southwestern Region of China:

(16) *Chongqing Skyfame Linxifu (“重慶天譽林溪府”)*

The site located at the gateway of Chongqing in the west. The land will be developed into residential and ancillary commercial properties of GFA of 448,000 sq.m. (saleable GFA of 360,000 sq.m.). Construction has been commenced and presale in late of 2020. It is expected to be completed by around 2023.



(17) *Kunming Anning Linxi Valley (“昆明安寧林溪谷”)*

The Group obtained a right through a contractual arrangement entered with a third party. The project, named as Kunming Anning Linxi Valley (Phase 1), is erected on a plot of approximately 190,800 sq.m. with a planned GFA of approximately 297,000 sq.m. (saleable GFA of 255,000 sq.m.), which will be developed into villas, residential and ancillary commercial properties. Pre-sale was launched and the construction is expected to be completed in 2022.



(18) *Kunming Skyfame City (“昆明天譽城”)*



The land of this project was acquired through a land auction. The plot is situated in the northeast of Anning city of Kunming. The project, named as Kunming Skyfame City, is the first phase of a youth community project and is a residential development with total GFA of 502,000 sq.m. (saleable GFA of 384,000 sq.m.). Pre-sale was launched in 2020 and the completion of construction is expected by the year of 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

B. PROPERTY PORTFOLIO (continued)

2. Co-operation projects

As of 31 December 2021, our property portfolio consists of a number of projects jointly developed by joint venture or we act as project manager pursuant to the relative agreements. The total GFA of these projects are approximately 5.1 million sq.m..

3. Potential Land Reserves

3.1 *Intended bids for lands*

To prepare for future land replenishments, we have signed co-operation agreements with local governments or a third party in Nanning, Xuzhou and Kunming for obtaining lands through future public auctions with an aggregate GFA of 13 million sq.m. The lands will be launched for auctions when the conditions set out in the agreements have been fulfilled.

3.2 *Urban redevelopment projects*

The Group also holds potential land reserves through its participation in the redevelopment of some old districts that are subject to the urban redevelopment programs being implemented by local governments in Guangzhou. These remodelling projects will provide an aggregated estimated GFA of approximately 4.7 million sq.m.. Investments made on these projects are included as "Other receivables and prepayments" on the consolidated balance sheet.

Upon obtaining the governmental approval of urban redevelopment and completion of pending land auctions, the Group has capacity of additional land bank in estimated GFA of 17.7 million sq.m..

C. INVESTMENT PROPERTIES

Alongside with the development of properties for sale, the management selects suitable properties from the Group's projects portfolio that renders satisfactory rental yields and has capital appreciation potential. As at 31 December 2021, the Group holds seven investment properties in an aggregate GFA of approximately 339,000 sq.m. at aggregated fair values of RMB3,658.5 million in Chongqing, Nanning, Guangzhou and Hong Kong for current and future leasing income with details as follows:

1. Commercial properties under development in Chongqing Skyfame • Smart City

As a condition of the land transfer contract in respect of the properties under development in Chongqing Skyfame • Smart City, aggregate GFA of 248,800 sq.m. is to be built into commercial properties for long-term investment purpose. These properties, when completed, will become part of an integrated complex development in a central business district at the Southern Shore District of Chongqing. The property, carries an open market value of RMB1,308.0 million as at 31 December 2021 (2020: RMB1,313.0 million).

2. Commercial properties in Skyfame Nanning ASEAN Maker Town

Total GFA of 50,000 sq.m. is being built by the project company for leasing to tenants engaged in retail and distribution businesses. This investment property is situated in the east zone of the land plot where grade-A offices, an international hotel and a skyscraper are being built. The property, carries an open market value of RMB686.0 million as at 31 December 2021 (2020: RMB590.0 million).

MANAGEMENT DISCUSSION AND ANALYSIS

C. INVESTMENT PROPERTIES (continued)

3. Guangzhou Skyfame Byland

A tower, consisting of GFA of 9,900 sq.m., is contracted with a renowned hotel operator of serviced apartments under a tenancy agreement. The open market value of the property is RMB532.0 million as at 31 December 2021 (2020: RMB532.0 million).

4. Car parking spaces in Guangzhou Skyfame Byland

800 car parking spaces in the completed premises were leased to a management company for fixed monthly rentals. These car parking spaces carry an open market value of RMB538.0 million as at 31 December 2021 (2020: RMB538.0 million).

5. Commercial podium at Tianyu Garden Phase II

Commercial podium in GFA of 17,300 sq.m. at Tianyu Garden Phase II in Tianhe District, Guangzhou are leased to tenants. The open market value of the property is RMB429.0 million as at 31 December 2021 (2020: RMB444.0 million).

6. Office premises at Huancheng HNA Plaza

Office premises in GFA of 1,500 sq.m. in Huancheng HNA Plaza, Tianhe District, Guangzhou were mostly tenanted as at 31 December 2021. The open market values of the premises as of 31 December 2021 are RMB54.0 million (2020: RMB55.2 million).

7. Office premises at Capital Centre

Office premises in GFA 6,200 sq.ft. (570 sq.m.) at Capital Centre in Wanchai, Hong Kong is fully leased. The open market value of the property as of 31 December 2021 is RMB111.5 million (HK\$136.3 million) (2020: RMB112.2 million (HK\$133.3 million)).

D. BUSINESS OUTLOOK

In terms of the overall economy, the central government has set a GDP target of 5.5% for 2022, but in the face of three kinds of pressure, namely shrinking demand, supply shock, and weakening expectations, coupled with the recurring disturbance of the Omicron pandemic and the prices of key raw materials remaining high, we are cautious about China's overall economic outlook for 2022.

In relation to the property development sector, in the second half of 2021, the whole property development sector cooled down abruptly, with housing sales remaining sluggish. Home buyer confidence was hit hard, a large portion of highly leveraged property developers experienced short-term difficulties, and the environment for property developer financing almost froze suddenly. The various unfavourable factors worked together to put unprecedented pressure on the sector. Although "housing is for living but not for speculation" is still the general keynote of the central government, the emphasis is on implementing policies according to the situation of the city to promote the healthy development of the property development sector. Some local governments have also started to relax demand-side restrictions. The China Banking and Insurance Regulatory Commission also encourages commercial banks to meet the reasonable demand of 300 million "new citizens" for home loans. We anticipate that government policies will focus on stabilizing property investments this year, and subsequently the stringent restrictions on property developer financing may be gradually relaxed, though it will take some time for market confidence to be restored but the light is at the end of the dark tunnel.

MANAGEMENT DISCUSSION AND ANALYSIS

D. BUSINESS OUTLOOK (continued)

As for the Group, steady and sound development has always been the Group's strategy. The Group continues to closely follow the direction of the state's real estate regulation and control policy. The Group helps the government to solve the housing and employment problems of young people by working on residential youth community projects in response to the rigid demand. The Group will vigorously promote the sale of its assets to recover cash, tightly grasp the opportunity of the initiative to accelerate the meeting of the demand of "new citizens" for home purchases, strictly control the various costs and expenses, speed up the construction progress of such projects as the old village redevelopment project located in Fengwei Village, and emphasize the safety of the Group's cash flows. In relation to additions to our land reserves, the Group continues to advance its plan to acquire the other 4,700,000 sq.m. of land in Guangzhou through urban renewal projects. It will suspend land acquisition through other channels except when good opportunities arise in the market. At the same time, the Group will pay an appropriate amount of attention to investment opportunities in other industries, seize new opportunities so as to add resilience to the Group's development, and consistently achieve its goal of quality growth.

E. FINANCIAL REVIEW

Sales Turnover and Margins

Property sales, net of direct taxes, recorded RMB7,484.2 million for the year (2020: RMB7,572.6 million). During the year, the Group had delivered GFA totaling approximately 846,000 sq.m. of properties in nine projects (2020: eight projects), which are Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Nanning Spiritual Mansions, Xuzhou Skyfame Time City, Xuzhou Skyfame Elegance Garden, Nanchang Skyfame Fenghuangyue and Chongqing Skyfame • Smart City, at an overall average selling price of RMB9,700 per sq.m. (2020: RMB12,500 per sq.m).

Gross margin on property sales for the year is 21.5% (2020: 27.8%). The lower margins for the year is due to the differences in the mixtures in products as compared to the last year.

The leasing of properties revenue amounted to RMB25.5 million (2020: RMB25.1 million) mainly at the commercial podium at Tianyu Garden Phase II in Guangzhou, 800 car parks at Zhoutouzui, and offices at Capital Centre in Hong Kong. The major investment property under development of the Group, namely serviced apartments on Chongqing Skyfame • Smart City at Chongqing is in progress and expected to be completed on 2023-2024.

Other (losses)/gains – net

Other losses/gains – net mainly represents the unrealized fair value loss of the financial assets at fair value through profit or loss as at the balance sheet date mainly due to general weakened market sentiment as of market uncertainties during the last quarter of 2021 affecting the value of the Group's investments.

MANAGEMENT DISCUSSION AND ANALYSIS

E. FINANCIAL REVIEW (continued)

Operating expenses

Sales and marketing expenses amounted to RMB290.7 million for the year, a slightly increase of 1.9% compared to RMB285.4 million in the last year.

Administrative and other expenses, amounting to RMB400.8 million (2020: RMB443.1 million), decreased by 9.5% compared to last period. The decrease in administrative and other expenses was primarily a result of our cost planning arrangement as part of our efforts to manage our project costs during the year.

Total staff costs, one of the major administrative and other expenses, totalling RMB270.7 million for the year (2020: RMB310.9 million) of which RMB38.1 million (2020: RMB33.7 million) were capitalized as development cost of properties under development.

Finance income – net

Finance costs, representing mainly the arrangement fees and interests incurred on borrowings amounted to RMB1,064.7 million (2020: RMB868.6 million) for the year. Finance costs were mostly incurred for the development of projects and hence were capitalized as costs of projects under development, remaining RMB4.5 million (2020: RMB2.4 million) charged against the operating results for the year. The overall weighted average annualized borrowing cost, representing weighted average finance costs divided by total borrowings, is 11.4% (2020: 11.8%). Finance costs also included interest incurred on lease liabilities amounted to RMB18.3 million (2020: RMB34.0 million) and foreign exchange gain on financing activities of RMB97.8 million (2020: 246.2 million) recorded on conversion of offshore loans denominated in HK\$ and US\$ booked at closing rates as a result of appreciation of RMB against the HK\$ and US\$ in the year.

Income tax expense

Income tax expense mainly includes land appreciation tax of RMB187.9 million (2020: RMB481.0 million) on properties sold for the year and provision of RMB595.8 million (2020: RMB685.7 million) for corporate income taxes on assessable earnings for the year, netting off the deferred tax totaling RMB209.7 million (2020: RMB249.8 million).

Profit for the year

Profit for the year was approximately RMB109.5 million (2020: RMB1,003.0 million).

Profit for the year included RMB284.2 million loss attributable to owners of the Company (2020: profit of RMB950.9 million) and RMB393.7 million (2020: RMB52.1 million) profit attributable to non-controlling interests.

In 2021, the Group's net loss attributable to owners and the overall downward pressure on the Group's gross profit margin were mainly due to the impact of pneumonia epidemic on the economic recovery, the intense market competition in the industry, and the implementation of regulatory measures in the real estate sector. In view of the uncertainty of the current market conditions, the Group arranged to expedite the sale and marketing of the remaining units of the property projects to control the market risks and accelerate further expansion and development strategy in the urban renewal of Guangzhou Fengwei Village Project, based in the Guangdong-Hong Kong-Macao Greater Bay Area.

MANAGEMENT DISCUSSION AND ANALYSIS

E. FINANCIAL REVIEW (continued)

Liquidity and financial resources

	Change in %	31 December	
		2021 RMB'000	2020 RMB'000
Total assets	5.9%	30,776,471	29,061,741
Net assets	17.2%	5,619,708	4,794,758

Total assets of the Group amounted to RMB30,776.5 million (2020: RMB29,061.7 million), a 5.9% increase from last year. Properties under development, at carrying value of RMB14,272.2 million, is the biggest asset category, constituting 46.4% of the total assets of the Group. Total assets also include investment properties of RMB3,658.5 million, properties held for sale totaling RMB1,692.5 million, property, plant and equipment, right-of-use assets totaling RMB901.0 million, financial assets at fair value through profit or loss totaling RMB227.0 million, trade receivables of RMB198.1 million, other receivables and prepayments totaling RMB4,987.8 million, restricted cash of RMB2,879.6 million and cash and cash equivalents of RMB1,331.0 million.

Capital structure and liquidity

The borrowings of the Group, aggregated to RMB11,475.8 million at the year-end date, increase 32.0% from the balance of RMB8,691.4 million as at 31 December 2020, as a result of increase in borrowings and other expenses amount to RMB6,288.5 million, net with repayment of borrowings amounted to RMB3,504.1 million (included repayment of accrued interest and exchange effect of debt) during the year. Borrowings mainly comprises secured and unsecured borrowings from banks and financial institutions and corporate bonds issued to financial institutions and professional investors.

The Group endeavours to match the tenors of its borrowings with the normal operating cycle of the projects. Besides, our management is more than cautious to ensure due debts are served and repaid on schedule. The short-tenor borrowings are mainly borrowings due to banks, financial institutions and issue of bonds, for which repayments have been scheduled to be financed by sale proceeds generated from the projects securing the borrowings. The management expects the sale proceeds are sufficient enough to serve the repayments.

Net debt calculated as total borrowings net of cash and cash equivalents and less guarantee deposits for bank borrowings included in restricted cash (the "Net Debt"), increased to RMB7,832.8 million (2020: RMB6,530.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS

E. FINANCIAL REVIEW (continued)

Capital structure and liquidity (continued)

Notwithstanding, cash level at the year-end date increased sharply to RMB3,643.0 million at 31 December 2021 (2020: RMB2,160.8 million). As the increase in both borrowings and cash position, the net gearing ratio (calculated as Net Debt divided by the total equity plus Net Debt) maintains a steady level to 58.2% as at 31 December 2021 (2020: 57.7%).

Current assets aggregated to RMB25,886.5 million as at 31 December 2021 (2020: RMB24,431.9 million), an increase of 6.0% from last year. Current liabilities at the year-end date amounted to RMB19,856.0 million (2020: RMB17,524.0 million).

The current ratio is slightly decreased to 1.30 times as at 31 December 2021 (2020: 1.39 times). The management continues to pay high attention to the liquidity position and ensure that assets, mostly inventories for sale and properties under development, can be readily turned into cash to meet the financial needs of the Group.

Borrowings and pledge of assets

As at 31 December 2021, certain investment properties, self-use properties, right-of-use assets, properties held for sale and properties under development are mortgaged in favor of commercial banks and financial institutions to secure for financing facilities granted to the Group for general working capital and acquisition needs. In addition, equity interests in certain subsidiaries are charged as security for certain borrowings. As at 31 December 2021, aggregate outstanding balances of these secured borrowings amounted to RMB8,203.1 million.

The pledged assets or the underlying assets represented by these securities carry an aggregate estimated fair value of approximately RMB18.3 billion as at 31 December 2021. Management considers these securities provide sufficient coverage to serve the interests of our creditors.

F. CONTINGENT LIABILITIES

The Group has been involved in several lawsuits arising in the ordinary course of business. As at 31 December 2021 and 2020, provision has been made for the probable losses to the Group based on management's assessment on the outcome of the lawsuits taking into account the legal advice and none of these is expected to have a significant effect on the consolidated financial statements of the Group.

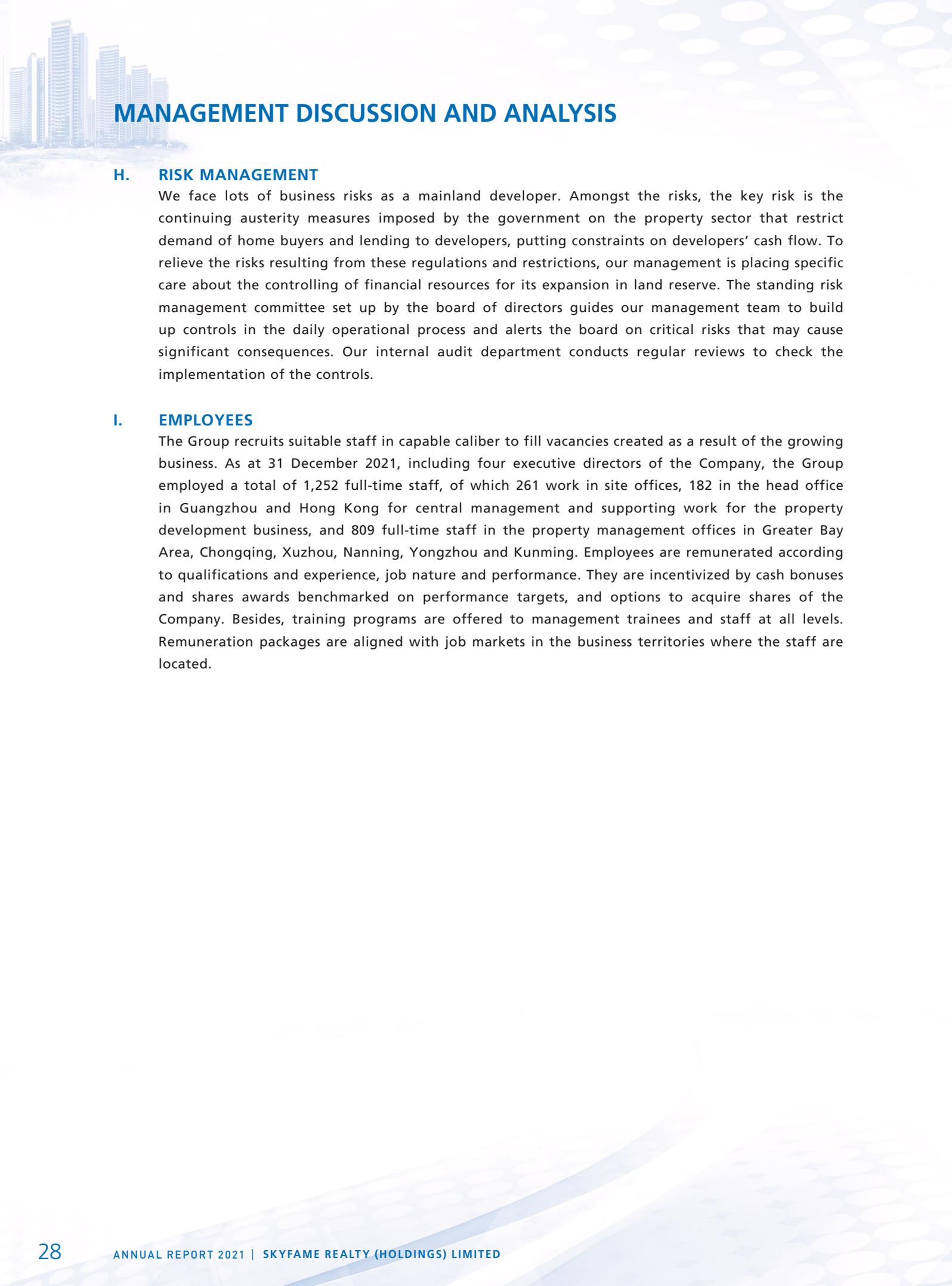
MANAGEMENT DISCUSSION AND ANALYSIS

G. TREASURY MANAGEMENT

The Group is engaged in property development and other activities which are mainly conducted in the PRC and denominated in RMB, the functional currency of the Company's principal subsidiaries. Nonetheless, certain corporate financing, property leasing, investment holding and administrative activities are carried out in Hong Kong and denominated in HK or US dollars. As at 31 December 2021, the Group has Hong Kong and US dollar denominated borrowings equivalent to RMB5,334.4 million, representing 46.5% of total borrowings, financial assets at fair value of RMB216.0 million and overseas properties for self-use and leasing in Hong Kong with carrying value of HK\$199.3 million (equivalent to RMB162.9 million). All other assets and liabilities in material values are denominated in RMB. These assets and liabilities denominated in non-RMB are converted to RMB at the closing exchange rates of RMB against these US and HK dollars on consolidation into the financial accounts of the Group.

Throughout the year ended 31 December 2021, RMB has appreciated 2.9% and 2.3% against HK and US dollars respectively. As a result, net unrealized foreign exchange gains of RMB97.8 million were recorded when assets and liabilities denominated in foreign currencies are converted into RMB in the financial accounts. In addition, exchange differences arising from consolidation of assets and liabilities of subsidiaries operating in Hong Kong as at 31 December 2021 results to an exchange gain of RMB5.9 million which is recorded in the exchange reserve that forms part of the equity of the Group.

The fluctuations in RMB against the US and HK dollars will bring volatility to the bottom line of the Group against which unrealized losses or profits are booked. The Group's operations are mostly conducted in the PRC, and therefore there is no natural hedge against possible depreciation of RMB. The management will from time to time weigh the benefits of the hedge and costs to be incurred, the extent of fluctuations in RMB perceived by the management. We are also exploring other natural hedges, such as investments in different territories where US and HK dollars are the functional currencies to reduce the exposures of the depreciation of RMB on the financial results and position of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS

H. RISK MANAGEMENT

We face lots of business risks as a mainland developer. Amongst the risks, the key risk is the continuing austerity measures imposed by the government on the property sector that restrict demand of home buyers and lending to developers, putting constraints on developers' cash flow. To relieve the risks resulting from these regulations and restrictions, our management is placing specific care about the controlling of financial resources for its expansion in land reserve. The standing risk management committee set up by the board of directors guides our management team to build up controls in the daily operational process and alerts the board on critical risks that may cause significant consequences. Our internal audit department conducts regular reviews to check the implementation of the controls.

I. EMPLOYEES

The Group recruits suitable staff in capable caliber to fill vacancies created as a result of the growing business. As at 31 December 2021, including four executive directors of the Company, the Group employed a total of 1,252 full-time staff, of which 261 work in site offices, 182 in the head office in Guangzhou and Hong Kong for central management and supporting work for the property development business, and 809 full-time staff in the property management offices in Greater Bay Area, Chongqing, Xuzhou, Nanning, Yongzhou and Kunming. Employees are remunerated according to qualifications and experience, job nature and performance. They are incentivized by cash bonuses and shares awards benchmarked on performance targets, and options to acquire shares of the Company. Besides, training programs are offered to management trainees and staff at all levels. Remuneration packages are aligned with job markets in the business territories where the staff are located.

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. YU Pan (*Chairman and Chief Executive Officer*)

Aged 57, joined the Company in December 2004 when he took control of the Company through acquisition of a controlling interest in the Company. He has been the controlling shareholder of the Company ever since then. Mr. YU has over 32 years of experience in the development of high-end residential, commercial and hotel projects in the PRC. He is a founder of the prestigious real estate company, 廣州市天譽控股集團有限公司 (Guangzhou Tianyu Holdings Group Company Limited*) (“GZ Tianyu”), which was set up in July 1997 and from which the Company acquired some real estate projects in Guangzhou in 2007. Mr. YU also acts as the chief executive officer of the Company, overseeing the strategic planning and corporate development of the Group.

Mr. WEN Xiaobing (*Deputy Chief Executive Officer*)

Aged 53, was appointed as executive director in November 2013. He is also the Deputy Chief Executive Officer of the Group and President of the Guangzhou head office overall in charge of the daily operations of Guangzhou head office and the property development business in the PRC. Mr. WEN holds a Bachelor Degree in History from Beijing University (北京大學) and is a professionally qualified economist specialized in labor economics in the PRC. He has over 31 years of working experience in managerial positions in corporations in the PRC. Before transferred to the Group, Mr. WEN joined GZ Tianyu in March 1999. Mr. WEN also acts as the director of Lvjing Holding Co., Ltd. (a PRC company listed in Shenzhen Stock Exchange, Stock code: 000502.SZ) since April 2019.

Mr. WANG Chenghua

Aged 44, joined the Group in March 2018 and was appointed as executive director in October 2018. Mr. WANG is also the President of the Group in charge of the Company's merger and acquisition, corporate finance, overseas investment and business explorations. Mr. WANG holds a Master Degree in economic and obtained a Level C Certificate from International Project Management Association (IPMA) in 2003. Mr. WANG is also a member of CPA Australia. He has over 14 years of working experience in merger and acquisition, corporate finance and finance management. Prior to joining the Group, Mr. WANG worked for a Global 500 company for over 10 years.

Mr. JIN Zhifeng

Aged 58, joined the Group in April 2019 and was appointed as executive director in October 2019. Mr. JIN holds a doctor's degree in Business Administration. He is a public valuer certified by the Ministry of Finance of the People's Republic of China, a member of the China Appraisal Society and a certified senior economist. Since April 2019, he also acts as the Executive Director and Chairman of Lvjing Holding Co., Ltd. (a PRC company listed in Shenzhen Stock Exchange, Stock code: 000502.SZ). Mr. JIN had held various senior executive positions at a nationwide asset management company in China with extensive experience in investment banking and asset management. Prior to joining the Group, he had held a role of executive director and CEO in Tianli Holdings Group Limited (Stock code: 00117.HK).

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. WONG Lok

Aged 64, joined the Company in August 2005 as an executive director and was re-designated as non-executive director in January 2019. Before his retirement, Mr. WONG worked as senior management in corporations engaged in property and general trading in Hong Kong and the PRC for many years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOY Shu Kwan

Aged 67, joined the Company in December 2004. Mr. CHOY holds a Master Degree in Business Administration and has over 27 years of extensive experience in banking and investment management. He worked for the CITIC group for 20 years in Hong Kong. Before his retirement in 2007, he was the managing director of CITIC Capital Markets Limited.

Mr. CHENG Wing Keung, Raymond

Aged 62, joined the Company in December 2004. Mr. CHENG is a practising solicitor in Hong Kong. He holds an honour degree in laws in The University of London and a Master degree of Business Administration awarded by The University of Strathclyde, Scotland. Mr. CHENG also holds a Diploma in Chinese Professional Laws in the Chinese University of Political Science and Law, the PRC. He has been appointed by the former Justice Ma of the Court of Final Appeal as a Practising Solicitor Member of the Solicitors Disciplinary Tribunal Panel with effect from 4 October 2017. Besides, Mr. CHENG was appointed by The Government of the Hong Kong Special Administrative Region as a member of the Panel of the Board of Review (Inland Revenue Ordinance) from January 2018 to March 2021. Mr. CHENG has over 34 years of experience in legal, corporate finance, company secretarial and listing affairs. He is an independent non-executive director in a listed company in Hong Kong, namely Elife Holdings Limited (Stock code: 223).

Ms. CHUNG Lai Fong

Aged 54, joined the Company in December 2004. Ms. CHUNG is a practising barrister in Hong Kong. She holds a Bachelor of Laws (Honours) Degree, a Bachelor of Arts (Honours) Degree in Accountancy and a Master of Laws Degree in Chinese Law. Ms. CHUNG is also a fellow member of the Association of Chartered Certified Accountants (UK) and a member of the Hong Kong Institute of Certified Public Accountants, the Chartered Governance Institute (UK) and The Hong Kong Chartered Governance Institute. She has over 26 years of professional experience in accounting, taxation, company secretarial, legal, regulatory and corporate governance.

COMPANY SECRETARY

Mr. HUANG Tianbo

Aged 36, joined the Group in May 2019 and has been appointed as the Company Secretary of the Company in August 2019. Mr. HUANG holds a Master's degree in Corporate Governance. He is an associate member of The Hong Kong Chartered Governance Institute and is a qualified board secretary accredited by Shanghai Stock Exchange. Mr. HUANG has extensive experience in the matters relating to the merger & acquisition and restructuring, corporate governance, investor relationship management and compliance issues of the public listed companies in the PRC and Hong Kong.

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. LIN Shengjie

Aged 56, is the Vice President of the Guangzhou head office in charge of all onshore financing in the PRC. Mr. LIN is a Bachelor Degree graduate in finance and accountancy of Guangdong University of Finance & Economics (廣東財經大學) and has over 31 years of working experience in the finance and accounting in property development, direct investments in the PRC, Thailand and Hong Kong. Before transferred to the Group, Mr. LIN joined GZ Tianyu in January 2002.

Mr. ZENG Fanyou

Aged 46, joined the Group in June 2016 and is the Vice President of Guangzhou head office in charge of sales and marketing management of property development. Mr. ZENG graduated from Henan University School of Economics (河南財經學院) with a Bachelor's Degree in Economics and holds a Project Management Professional certificate. He has 21 years of working experience in property sales and marketing in the PRC, working for Zhu Jiang Real Estate Development Co., Ltd. and New World China Land Limited in the past.

Ms. YUAN Hongfang

Aged 50, is the Vice President of the Guangzhou head office responsible for the daily management of the business development of Guangzhou head office. Ms. YUAN graduated from Lingnan College, Sun Yat-sen University (中山大學嶺南學院) and holds a Master Degree in Business Management. She has over 27 years of working experience in finance, administration in the sectors.

Mr. TAN Yongqiang

Aged 58, joined the Group in October 2016 and is the Vice President of Guangzhou head office in charge of city development business that focuses on the urban renewal projects in Guangzhou. Mr. TAN graduated from South China University of Technology (華南理工大學) with a Bachelor's Degree in Industrial and Civil Construction. He is also a postgraduate in Business Administration from Western Sydney University. Mr. TAN has over 25 years of working experience in the area of project management and has worked in large-scale group in the PRC such as Yuexiu Group (越秀集團).

Mr. CHEN Jianwen

Aged 42, joined the Group in August 2018 and is the Vice President of Guangzhou head office in charge of planning and management of financial accounting, treasury and tax affairs of PRC operations. Mr. CHEN graduated from Sun Yat-sen University (中山大學) with a Bachelor's Degree in management. He also holds the certificates of the Chinese Certified Public Accountant (CPA), Certified Tax Agents (CTA) and the Certified Internal Auditor (CIA). Mr. CHEN worked in one of the big four international accounting firms as well as many well-known and listed real estate groups in China as a senior financial management. He has over 19 years of solid experiences in financial management.

Mr. SONG Tianyu

Aged 39, joined the Group in December 2018 and is the Vice President of Guangzhou head office in charge of the Group's overall operation and management. Mr. SONG graduated from Xiamen University (廈門大學) with major in business administration. He has over 15 years of experience in administrative management. Prior to jointly the Group, Mr. SONG worked in a Global 500 company in charge of administrative management for years.

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT (continued)

Ms. LIU Yun

Aged 45, joined the Group in February 2019 and is the Vice President of Guangzhou head office, responsible for the Group's contract tendering and cost management. Ms. LIU graduated from Jiangxi University of Science and Technology (江西理工大學), major in engineering cost management, and holds a qualification certificate of intermediate engineer in construction cost. She was a senior management member of a well-known listed mainland real estate development group and has over 24 years of extensive experience in bidding and procurement, budgeting and final costs assessment, contract management and legal affairs.

Mr. XU Jiancheng

Aged 49, joined the Group in March 2019 and is the Vice President of Guangzhou head office in charge of the Group's design management. Mr. XU graduated from South China University of Technology (華南理工大學) with a bachelor's degree in architecture, and holds the certificates of National Grade-1 Architect and Senior Engineer. He worked for a well-known listed mainland real estate development group for 20 years and held various positions including vice president of design, chief architect and general manager of design centre, with over 24 years of extensive working experience in this field.

Mr. XU Jihong

Aged 48, joined the Group in May 2019 and is the Vice President of Guangzhou head office in charge of the Group's engineering management. Mr. XU graduated from the Construction Engineering Department of South China University of Technology (華南理工大學) with a bachelor's degree in industrial and civil construction engineering. He served as a key engineering manager in a number of well-known listed mainland real estate development group and has over 23 years extensive experience in regional engineering operation management and establishing regional engineering operation management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

The Environmental, Social and Governance Report (“the Report”) summarizes the proposals, plans and performance of Skyfame Realty (Holdings) Limited (“the Company”) and its subsidiaries (collectively “the Group” or “we”) in environmental, social and governance (“ESG”), and their commitments to sustainable development.

As a mainland real estate enterprise listed in Hong Kong, the Group adheres to the policy on a sustainable ESG approach, promises to deal with the matters relating to environment, society and governance of the Group effectively and responsibly, and regards the aforesaid missions as part of our business strategy to enable the Group to grow and make contribution not only in economic development, but also in the environment and society.

The ESG Governance Structure

The board of directors of the Company (the “Board”) is principally responsible for overseeing and the accountability of the Group’ ESG strategy and reporting, with the assistance of a ESG working team (“the working team”) which consists of the core members from various departments of the Group and is responsible for collecting relevant materials and data on ESG aspects to prepare the ESG Report. The working team reports to the Board regularly to assist the Group in identifying and assessing the risk in ESG, as well as assessing the effectiveness of the Group’s internal control mechanism for ESG. The working team will also check and assess our different performance in environment, occupational safety and health, labour standards, product responsibilities, and other aspects within the scope of ESG. The Board decides the orientation for the Group’s ESG strategy and guarantees the effectiveness of the mechanism for ESG risk control and internal control.

SCOPE OF REPORTING

The Report mainly focuses on the Group’s core locations in the mainland China, including but not limited to dormitories, offices, show flats, exhibition halls, and property management companies. Data was collected from the Group’s core operating sites, including but not limited to Guangzhou, Nanning, Xuzhou, Zhuhai, Shenzhen, Guilin, Chongqing, Kunming and Hong Kong. As the three co-work places, in Guangzhou, Nanning and Chongqing only have minimal environmental impacts, therefore relating to the co-work places data are only restricted to the social data of Subject Area B. Unless specified otherwise, we obtained the ESG key performance indicators (“KPI(s)”) through the Group’s operation control mechanism. When the Group has a more mature data collection system and has deepened the work in sustainable development, we will continue expanding the scope of disclosure in the future.

REPORTING FRAMEWORK

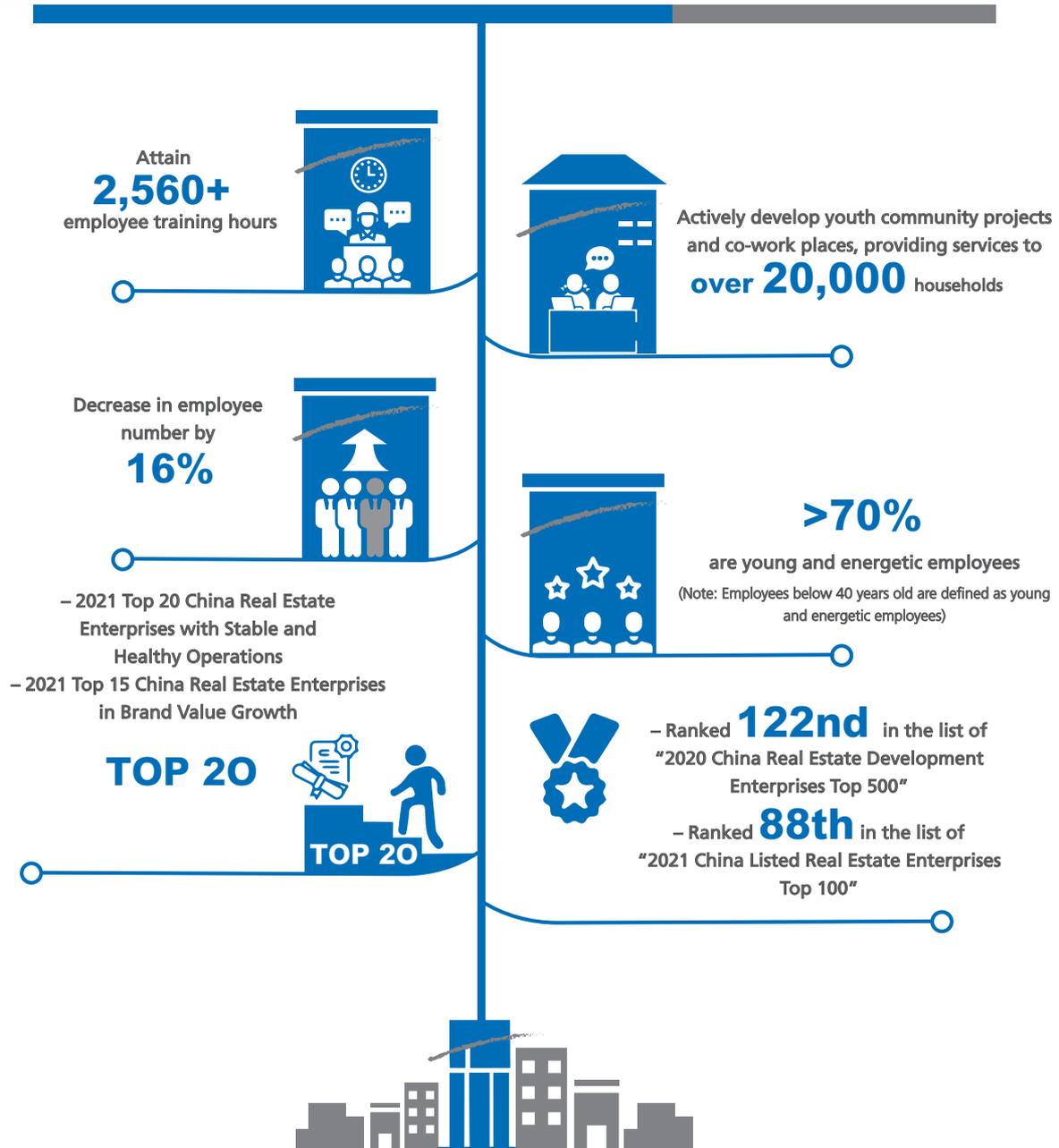
The Report was prepared in accordance with Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide” or “Reporting Guide”) as set out in Appendix 27 to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited.

REPORTING PERIOD

The Report elaborates on the Group’s ESG events, challenges and measures for the year ended 31 December 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Skyfame Realty (Holdings) Limited's Achievements in Corporate Sustainability



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

The stakeholders' participation is an indispensable process for the Group to continue improving its sustainable development performance. Therefore, we value all stakeholders and their opinions on our matters related to ESG. Through the participation of stakeholders and communication channels, the expectations of stakeholders are integrated into our operation and ESG strategies. In order to comprehensively understand, respond to and deal with the major concerns of different stakeholders, we communicate closely with them – including but not limited to shareholders and investors, customers, suppliers, contractors, consultants, employees, government and regulators, peers and peer chambers as well as social groups, non-government institutions and media, committed to improving the Group's ESG performance and creating more values for our country and society in sustainable development.

The stakeholders' participation and communication channels are as follows:

Major Stakeholder	Communication Channel
Shareholders and investors	Shareholders' annual general meetings
	Annual reports and interim reports
	Announcements and circulars
Customers	Customer satisfaction surveys and feedback forms
	Customer service hotline
	Customer service centre
	Relationship managers
Suppliers	Supplier management meetings and events
	Supplier on-site audit management policy
Contractors	Contractor management meetings and events
	Contractor on-site audit management policy
Consultants	Regular consulting meetings
	Field visits
Employees	Employee opinion survey
	Channels for employees to express their opinions (such as forms and suggestion boxes)
	Regular management communication and performance assessment
	Intranet
Government and regulators	Regular reports of performance
	Field visits
Peers and peer chambers	Industrial meetings and lectures
Social groups, non-government institutions and media	Public and community events and partnership plans for different topics
	Environmental, Social and Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT (continued)

When developing operation strategies and proposing measures for ESG, the Group will consider the expectations of stakeholders, improve its performance continuously through cooperation, and create more values for society.

MATERIALITY ASSESSMENT

The management and employees that perform major functions in the Group have participated in preparing the Report to assist the Group in reflecting on its operation, identifying matters related to environment, society and governance, and assessing the importance of relevant matters to the Group's business and stakeholders. We prepared a questionnaire based on the key matters related to environment, society and governance that had been assessed and collected data from relevant departments and business institutions of the Group.

The following table is a summary of the Group's material ESG matters in the Report:

Reporting Guide	Material ESG Aspects of the Group
A. Environmental	
A1. Emissions	Exhaust gas emissions
	Greenhouse gas emissions
	Waste treatment
A2. Use of resources	Energy consumption
A3. The environment and natural resources	Green construction
A4. Climate change	Climate change
B. Social	
B1. Employment	Salary and benefits
	Recruitment, promotion and dismissal
B2. Health and safety	Occupational safety and health
	Occupational safety training and employee health management
B3. Development and training	Training management
B4. Labour standards	Preventing engagement of child labour or force labour
B5. Supply chain management	Fair and open procurement
	Commercial ethics

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT (continued)

Reporting Guide	Material ESG Aspects of the Group
B6. Product responsibility	Quality control
	Customer service and privacy
	Intellectual property
	Advertisements and labels
B7. Anti-corruption	Anti-corruption
B8. Community investment	Corporate social responsibility

For the year ended on 31 December 2021, the Group confirmed that it had established appropriate and effective management policies and monitoring systems for ESG matters and confirmed that all the contents disclosed complied with the requirements in the Report Guidelines.

QUANTITATIVE

The standards and methodologies used in the calculation of relevant data in the Report, as well as the applicable assumptions were disclosed. The KPIs were supplemented by explanatory notes where appropriate.

CONSISTENCY

The statistical methodologies applied to this Report were substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies. If there are any changes that may affect comparison with previous reports, supplementary notes will be made on the relevant paragraph.

CONTACT US

Any opinions and suggestions from stakeholders are appreciated by the Group. You are welcome to provide your valuable opinions on the ESG Report or the performance in sustainable development and send by email to cs@sfr59.com.

A. ENVIRONMENTAL

A1. Emissions

General Disclosure and KPIs

The Group attaches great attention to good environmental management and strives to protect the environment in order to fulfil its social responsibility. The Group also pays special attention to the emission of exhaust gas and greenhouse gases, noise management, drainage and sewage produced during the construction process in order to reduce emissions and minimize negative impacts on the environment. We have also established a relevant environmental management system and actively take environmental protection measures for environmental pollution generated in the course of operation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

General Disclosure and KPIs (continued)

During the reporting period, the Group did not violate relevant local environmental laws and regulations, including, but not limited to, the *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》), the *Law of the People's Republic of China on Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》), the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* (《中華人民共和國大氣污染防治法》), the *Law of the People's Republic of China on the Prevention and Control of Pollution by Environmental Noise* (《中華人民共和國環境噪聲污染防治法》), the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》) and the *Waste Disposal Ordinance* (《廢物處置條例》) concerning emissions of exhaust gases and greenhouse gases, and the discharges to water and land, and the generation of hazardous and non-hazardous wastes that have a significant impact on the Group.

The Group has formulated an environmental protection management system to determine the environmental protection objectives and the breakdown, quantified and implementable sub-objectives or phased objectives. The project manager will verify and determine the environmental sensitive points, environmental protection objectives and corresponding environmental regulations and other requirements according to the actual situation on site. In addition, the project manager will identify environmental factors, determine, change and update the major environmental factors, in each construction stage and construction activities, including the renewal of the process and the use of raw materials, so as to identify the major factors affecting the environment and formulate a targeted and feasible environmental protection work plans. During the construction process, if the project content and environmental requirements change, specific measures of environmental protection will be adjusted accordingly, including but not limited to technical management and specific environmental protection, such as noise control, drainage, sewage management, garbage management, resource management, dust control and bulk material transportation, in order to work out feasible and effective environmental protection plans to reduce the impacts on the community and hence the natural ecology.

The Group has set up *Guidelines for Construction Control of Water Supply and Drainage Engineering* (《給排水工程施工管控工作指引》), to let project site engineers be familiar with the construction technology of water supply and drainage engineering, and to master the prevention and treatment methods of common quality problems, so as to improve the quality of water supply and drainage construction. In the guidelines, the construction requirements on relevant materials, preparation before outdoor drainage works, outdoor water supply, outdoor water drainage, indoor water supply, etc. are specified.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

General Disclosure and KPIs (continued)

The Group has made effective controls on pollutants such as waste water, exhaust gas, noise and waste generated in the production and office processes, managed waste in an orderly manner, supervised the implementation of environmental protection measures by various departments, and implemented an effective environmental management system to achieve the environmental objectives and guidelines of the Group.

Exhaust gas emissions

In the course of the Group's business operations, exhaust gas emissions mainly come from automobile exhaust emissions. Although all construction projects are developed by contractors and there are no emissions from construction projects in our business operations, as a responsible real estate developer, we are aware of the potential environmental impact of construction projects. Therefore, we have also set up measures related to construction project emissions in order to achieve win-win cooperation and harmonious coexistence with the community.

During the reporting period, the performance of exhaust emissions is summarized as follows:

Exhaust Gas Type	2021 Total Emissions (kg)	2020 Total Emissions (kg)
NO _x	216.41	202.05
SO _x	1.24	3.14
PM	20.37	18.93

The Group's emissions for the year 2021 is more or less consistent with the year 2020. During the course of operations, we take the following emission reduction measures:

(a) Automobile exhaust

Vehicles owned by the Group mainly serve business needs to provide shuttle services to employees and customers, and assist project managers in construction site inspection. We have formulated the *Guidelines for Vehicle Management Operations* (《車輛管理作業指引》) to strengthen the Company's vehicle management and improve vehicle efficiency. The scope of management includes:

- Full-time drivers check the mileage of the vehicle and registers the detailed information immediately after completing the driving tasks.
- The Integrated Operation Management Center, the Administration and Personnel Department or the General Department of the project companies shall designate special personnel to make statistics and check the petroleum consumption of vehicles together with drivers on a regular basis; and

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

General Disclosure and KPIs (continued)

Exhaust gas emissions (continued)

(a) Automobile exhaust (continued)

- Overhauling the vehicles regularly to effectively reduce fuel consumption, thus reducing carbon emissions and exhaust emissions.

(b) Architectural engineering

The exhaust gases from construction projects are mainly dust generated during civil construction, exhaust gases emitted from various construction machinery and transport vehicles, and organic exhaust gases generated during renovation. The control measures we have taken include, but are not limited to, the following:

- For all dust-prone processes, dust-control, dust-isolation and ventilation measures shall be taken to ensure that the dust content discharged into the atmosphere meets the national industrial hygiene standards, so that residents can have a beautiful, fresh and comfortable environment;
- Construction site hardening and greening and frequent sprinkling and watering to reduce dust pollution;
- It is strictly prohibited to throw garbage out of buildings, all garbage shall be bagged and transported away; and
- There is a car wash platform at the main entrance and exit of the site, transport vehicles must be washed before leaving the site.

Greenhouse gas emissions

The Group's major greenhouse gas emissions come from direct greenhouse gas emissions from gasoline consumed in transportation and diesel consumed in backup generators (Scope I) and indirect greenhouse gas emissions from energy sources purchased from electricity (Scope II). The following table provides an overview of the performance of greenhouse gas emissions:

Indicator ¹	2021		2020	
	Total Emissions ¹ (tonnes CO ₂ equivalent)	Intensity ² (tonnes CO ₂ equivalent/ RMB1 million of revenue)	Total Emissions (tonnes CO ₂ equivalent)	Intensity ² (tonnes CO ₂ equivalent/ RMB1 million of revenue)
Direct greenhouse gas emissions (Scope I)	214.86	0.03	510.63	0.07
Indirect greenhouse gas emissions (Scope II)	9,785.97	1.28	9,589.98	1.25
Total greenhouse gas emissions (Scope I and II)	10,000.83	1.31	10,100.61	1.32

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

General Disclosure and KPIs (continued)

Greenhouse gas emissions (continued)

Notes:

1. Greenhouse gas emission data are presented in terms of carbon dioxide equivalence with the reference to, including but not limited to, the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (《溫室氣體盤查議定書：企業會計與報告標準》) published by the World Resources Institute and the World Business Council for Sustainable Development, and *How to Prepare Environmental, Social and Governance Reports? – Appendix II: Guidelines for Reporting Key Environmental Performance Indicators* (《如何準備環境、社會及管治報告？ – 附錄二：環境關鍵績效指標彙報指引》) released by The Stock Exchange of Hong Kong Limited, the newly released baseline emission factors of China's regional power grid and the global warming potential of the *Fifth Assessment Report* (《第五次評估報告》) issued by the Intergovernmental Panel on Climate Change.
2. As of 31 December 2021, the Group's revenue was approximately RMB7,663 million (2020: RMB7,702 million).

Since the outbreak of COVID-19 in year 2020, consumption of gasoline has reduced a lot as cross-broader and city to city vehicle travelling have been suspended or reduced. As a result, direct greenhouse gas emissions (Scope 1) was reduced by reduction of gasoline consumption accordingly.

As the business operations for years 2020 and 2021 remain steady, the Group's carbon emissions in electricity consumption is relatively stable. We have actively adopted electricity-saving and energy-saving measures to reduce greenhouse gas emissions, including:

- Reducing carbon emissions from automobile exhaust, of which the detailed measures have been described in the section "Exhaust gas emissions – Automobile exhaust" above; and
- At the operational level, actively adopting environmental protection and energy saving measures, of which relevant measures will be explained in the section "Energy consumption" in Aspect A2.

Through the above measures, employees' awareness of emission reduction and carbon reduction has been enhanced.

Sewage discharge

Domestic waste water is the Group's main source of sewage. The management of production and sewage discharge on construction sites are taken charge of by the main contractors' contracting coordination management departments which are under the supervision of the management offices of the main contractors. The treatment methods related to sewage discharge on construction sites are as follows:

- Discharge ditches shall be set up in accordance with the standards on construction sites, and sedimentation tanks are set up at the entrance of construction sites, and sewage is discharged into the municipal sewage pipeline system after sedimentation;
- During foundation construction, the project teams select qualified sludge discharging operating units to remove the sludge;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

General Disclosure and KPIs (continued)

Sewage discharge (continued)

- Sewage from flushing mixers and transport vehicles on project sites are discharged into municipal pipelines after sedimentation; and
- On-site cleaners are responsible for checking and cleaning the sediments in the sedimentation tank on a regular basis.

Domestic sewage

Waste water generated in our daily life is mainly toilet flushing waste water. The Group has set up drainage pipes for domestic washing waste water. Domestic waste water is generally discharged into municipal pipelines and treated centrally by local sewage treatment plants. The sewage treatment methods are as follows:

- Washing tanks are built in the canteens of the project teams, as well as vegetable washing tanks, sedimentation tanks and canteen oil separating tanks according to relevant regulations. Oily sewage shall be separated by oil separating tanks and then discharged into municipal sewage pipelines. Oil separating tanks are cleaned regularly;
- For toilet flushing waste water, we have set up septic tanks. Waste water is fermented and isolated before being discharged to local sewage pipelines. At the same time, septic tanks are regularly cleaned up by the local environmental sanitation department;
- When sewage discharge facilities are damaged, timely remedial measures are taken to replace the damaged drainage facilities to control and reduce the impact on the surrounding and social environment; and
- When receiving relevant complaints, we will immediately identify the reasons, formulate corrective measures, and make corrections as required, and at the same time transmit the information to relevant parties for follow up actions.

Performance of waste water discharge during the reporting period is shown as follows:

Types of Waste Water	2021		2020	
	Total Discharge (cubic metres)	Intensity ¹ (cubic metres/RMB1 million of revenue)	Total Discharge (cubic metres)	Intensity ¹ (cubic metres/RMB1 million of revenue)
Domestic sewage	1,224,410	159.78	1,146,758	148.89

Note:

1. As of 31 December 2021, the Group's revenue was approximately RMB7,663 million (2020: RMB7,702 million).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

General Disclosure and KPIs (continued)

Waste treatment

The Group identifies and classifies wastes, designates persons responsible for the management to waste disposal in a timely manner, and maintains environmental sanitation around the collection box. We have relevant measures to regulate wastes generated in the operation process, especially in the construction process. The specific measures are as follows:

- Establish construction waste disposal archives and file the implementation situation of construction waste disposal on construction sites; and
- Set up a safety and civilization inspection team to inspect the waste disposal on the construction project site at the same time of safety and civilization inspection, rectify the non-conformity within a time limit and issue rectification notices.

All kinds of waste disposal are strictly conducted in accordance with the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》) and the *Administrative Measures for Urban Living Garbage* (《城市生活垃圾管理辦法》).

Non-hazardous waste

For non-hazardous wastes generated in the operation process, the Group adopts the method of waste classification and recycling, classifies and stacks the recyclable wastes, such as steel, timber and so on, in order to facilitate recycling. Construction wastes, domestic wastes and office wastes generated on the construction sites are classified, stacked and disposed according to the regulations, and designated personnels are assigned to clean up. Workers do not directly throw rubbish downstairs when removing construction wastes; but place wastes in corresponding places. For domestic and office wastes, officers of the authority responsible for environmental sanitation will collect and discharge the wastes by vehicles every day, and not stack the wastes everywhere or put the wastes on hold for a long time. Leftovers in canteens are poured into special recycling bins, and not be dumped everywhere, and are handled by designated persons. We educate all personnel to abide by the hygiene system, and impose fines on those after repeated counselling.

In order to further promote waste reduction, we have set up *Regulations on the Management of Office Order* (《辦公秩序管理規定》), in which management departments actively promote paperless office management, and earnestly do a good job in fine management of printing paper, ink cartridges and toner cartridges consumables. To reduce unnecessary waste of resources, double-sided printing or photocopying are encouraged.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

General Disclosure and KPIs (continued)

Non-hazardous waste (continued)

Types of Non-hazardous Waste	2021		2020	
	Total Discharge ¹ (tonnes)	Intensity ² (tonnes/RMB1 million of revenue)	Total Discharge ¹ (tonnes)	Intensity ² (tonnes/RMB1 million of revenue)
General domestic waste	3,885	0.51	3,317	0.43

Notes:

- Volume of waste recycled has been deducted.
- As of 31 December 2021, the Group's revenue was approximately RMB7,663 million (2020: RMB7,702 million).

Through the above measures and policies, employees' awareness of waste reduction has been improved.

Hazardous waste

In the operation process, we try our best to reduce or avoid the use of hazardous substances or construction methods that may produce hazardous wastes. Effective isolation measures shall be taken for corrosive and poisonous wastes produced on construction sites, and the wastes are discharged before being disposed of in order to avoid significant environmental pollution. Under normal operating conditions, our offices will not produce any hazardous wastes, but the Group still has relevant guidelines, such as the storage of hazardous chemicals implemented in accordance with the requirements of the *Hazardous Chemicals Management System* (《化學危險物品管理制度》), and other toxic and hazardous office wastes in the operation process shall also be handled by specialised personnel in case of emergencies.

A2. Use of resources

General Disclosure and KPIs

The Group aims to actively promote the effective use of resources, to monitor the potential impact of business operations on the environment, promote green business environment, and minimize the negative impact of the Group's and its subsidiaries' operations on the environment. The Group adheres to the rational and efficient use of resources, and has formulated *Instructions for Public Energy Consumption Management* (《公共能耗管理作業指導書》) to standardize the energy consumption statistics, ensures the accuracy of energy consumption statistics and rapid information feedbacks, and maintains the monitoring of energy consumption. Through the analysis of the data, relevant effective measures are taken to reduce energy consumption, reduce costs and improve management quality, as well as ensuring the safety, comfortability and convenience in the living environment of project operators.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A2. Use of resources (continued)

General Disclosure and KPIs (continued)

The Group manages the use of water, electricity, oil, gas and other energy resources, and conducts statistical and comparative analysis. As the Group maintains monthly analysis of energy statistics, when data anomalies occur, the reasons for data anomalies will be found out in time and analysed and corrected. When the abnormal fluctuation of energy consumption data is found to be large, personnel will be immediately organized to investigate the causes, focusing on the inspection of transmission lines, water pipelines, energy-using equipment, in order to find out problems in time, take appropriate measures to deal with the abnormal situation, and report to the project manager and the competent department of the Company.

In addition, the Group has *Regulations on the Management of Office Order* (《辦公秩序管理規定》), requiring employees to shut down their own office equipment in time off work and to check whether there is any abnormal office equipment in their department. When working overtime, the last personnel leave the office area shall be responsible for turning off the Company's public equipment power supply, public lighting, etc., and checking whether the office door is locked before leaving. In order to achieve sustainable environmental development, the Group will also regularly disseminate environmental protection messages and practical suggestions on environmental lifestyle to its employees, so that they can enhance their awareness of environmental protection and practice environmental protection during working hours.

Energy consumption

In daily production and operation, the Group's main energy consumption is production power consumption and domestic power consumption. The Group implements relevant energy use efficiency plans to achieve the goals of saving electricity and effectively using electricity. The specific measures are as follows:

- Lighting, computers, air conditioners, fans and other energy-consuming equipment in office places, dormitories and equipment rooms shall be turned off if not in use to save electricity;
- Energy-saving light sources are generally used in public areas, such as lighting in gardens, fire escape ladders, elevator halls and garages;
- Energy-saving lightings and sound-control switches are used for tower lighting, and the switching time is controlled by timing switches. The switching time is adjusted according to different seasons, and the shortest opening time is set to satisfy the lighting requirements in the public area of the tower;
- The switching time of street lamps and basement lighting in the park is controlled by timing switches. The time-controlled switching time is adjusted according to different seasons, and the shortest switching time is set to satisfy the lighting of the park and basements;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A2. Use of resources (continued)

General Disclosure and KPIs (continued)

Energy consumption (continued)

- Fins and filters of coil fans of air conditioners are cleaned regularly, the insulation effect of the refrigeration pipeline is checked regularly, and the cooling tower is cleaned regularly to ensure the cooling effect of the cooling tower is maximised and to keep the energy consumption of the central air conditioner to a minimum; and
- The ventilation system of the basement adopts timing switches to control its opening time. Without approval, the fan of the basement is not allowed to be opened at will, but it is necessary to ensure that the extinguishers can be functioned in the first place under any conditions.

In addition, the Group has also posted energy-saving slogans in prominent positions to permeate the awareness of energy-saving and environmental protection into every employee's work and life, so that employees can always maintain their environmental protection awareness.

During the reporting period, the Group's consumption of electricity and other energies are:

Type of Energy	2021		2020	
	Consumption (kWh)	Intensity ³ (kWh/RMB1 million of revenue)	Consumption (kWh)	Intensity ³ (kWh/RMB1 million of revenue)
Diesel ¹	42,992	5.61	35,823.77	4.65
Gasoline ²	715,411	93.36	1,666,700.39	216.39
Electricity	17,781,700	2,320.50	17,327,447.41	2,249.69

Notes:

1. The actual consumption of diesel is 4,042 litres (2020: 3,368 litres)
2. The actual consumption of gasoline is 76,819 litres (2020: 175,298 litres). Since the outbreak of COVID-19 in year 2020, consumption of gasoline has reduced a lot as cross-broader and city to city vehicle travelling has been suspended or reduced.
3. As of 31 December 2021, the Group's revenue was approximately RMB7,663 million (2020: RMB7,702 million).

Water management

The water used by the Group is mainly domestic water consumed in production and living areas. In order to improve the Company's water use efficiency, we have taken the following measures:

- Save water and check the leakage of pipelines and valves in the community regularly;
- Regularly check the faucets, toilets and other water appliances in public places in the community for leakage and conduct timely maintenance and replacement;
- Use water-saving appliances;
- Check faucets and fountains for park greening regularly to eliminate leakage; and
- If any abnormal condition is found, relevant departments are informed for actions taken to prevent waste of water resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A2. Use of resources (continued)

General Disclosure and KPIs (continued)

Water management (continued)

The Group has also been strengthening water-saving publicity and posting water-saving slogans to guide employees to use water rationally. Based on our operation mode and the geographical location of the operational points and offices, the Group has no problem in finding suitable water sources.

Use of packaging materials

Due to the nature of business, the Group does not use packaging materials in the operation process, so it does not use a large number of packaging materials in the daily operation process.

A3. The environment and natural resources

General Disclosure and KPI

The Group focuses on the impact of its business on the environment and natural resources. In addition to conforming to relevant environmental laws and regulations and international standards to properly protect the natural environment, the Group also incorporates the concept of environmental protection into its internal management and daily operation activities to achieve the goal of environmental sustainability.

The Group has formulated the *Operation Guideline on Engineering Quality Control* (《工程質量控制作業指引》) to implement the “Model First” method in projects. Before large-scale construction, the contractor shall, according to the requirements of the Design and Project Management Department or the Engineering Department, first construct small-scale construction models in the existing building and then carry out large-scale construction after confirmation, so as to ensure that the quality meets the design effect and avoid waste of rework.

In addition, the Group has also noted the potential environmental impacts during construction and operation, and has designated relevant guidelines, such as *Special Construction Plan for Noise Pollution Prevention and Control Safety* (《噪聲污染防治安全專項施工方案》), *Operation Guidelines on Indoor Environmental Pollutions Control* (《室內環境污染控制作業指引》), *Environmental Protection Measures for Construction Projects* (《施工項目環保措施》) and so on to reduce the impact on the community, environment and natural resources during operation.

Noise management

The *Special Construction Plan for Noise Pollution Prevention and Control Safety* (《噪聲污染防治—安全專項施工方案》) formulated by the Group includes various project requirements such as noise control objectives and indicators, precautions for noise monitoring, control measures and requirements, humanistic care measures, etc. In addition, a construction noise pollution prevention and control team will be set up during construction of the project to reduce noise pollution in the community and environment in the construction process.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A3. The environment and natural resources (continued)

General Disclosure and KPI (continued)

Noise management (continued)

In addition, we will set up relevant environmental protection measures for the project, including noise control measures, which includes but is not limited to the following measures:

- Project managers organize operations department personnel to implement noise control management, implement relevant management systems and procedures, provide conditions for ensuring the prevention of noise pollution, and regularly monitor noise;
- Processes that generate noise in construction are included in the *Environmental Management Plan* (《環境管理方案》), and corresponding control methods are formulated;
- Establish noise control files and file the implementation of noise control on construction sites; and
- Take effective enclosure measures to reduce the impact on the surrounding environment for some equipment and processes that produce great noise pollution.

Indoor environmental pollution control

The Group has also formulated the *Operation Guidelines on Indoor Environmental Pollutions Control* (《室內環境污染控制作業指引》) to ensure that the construction materials used comply with the government's regulations and meet environmental indicators. The responsibilities of the responsible department for bidding and purchasing and the Engineering Management Department are specified in the guidelines. The requirements of working procedures such as testing construction and decoration materials, process control (geological survey stage, construction stage, completion and acceptance), sales demonstration units, indoor environmental testing institutions, and testing reports are also listed to reduce indoor environmental pollution.

Green construction

Although the construction of the Group will be entrusted to the contractor, it will also pay attention to the potential environmental impact in the construction process, so it has formulated relevant green construction policies, such as *Environmental Protection Measures for Construction Projects* (《施工項目環保措施》), *Special Plan for Green Construction* (《綠色施工專項方案》), *Operation Guidelines for Abnormal Events Management* (《異常事件管理作業指引》), etc.

Environmental Protection Measures for Construction Projects (《施工項目環保措施》) contains relevant regulations on the construction process of projects, such as adopting site hardening, dust noise detection equipment and other measures to practically measure and control dust, adopting LED lighting to reduce electricity consumption and light pollution and discharging construction sewage and domestic sewage after sewage treatment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A3. The environment and natural resources (continued)

General Disclosure and KPI (continued)

Green construction (continued)

The establishment of green construction management in construction enterprises is of great significance in the field of environmental protection. Therefore, each of our projects will have a corresponding *Special Plan for Green Construction* (《綠色施工專項方案》), clearly listing the green construction objectives, organizations and responsibilities of the project's green construction management, construction deployment and specific measures for green construction. The Group regards the realization of harmonious development of nature and society as its responsibility to implement. The Group saves resources and energy, reduces pollution and ensures construction safety to the maximum extent.

The Group has formulated *Operation Guidelines for Abnormal Event Management* (《異常事件管理作業指引》) to identify potential environmental accidents or emergencies of the Group, and to make emergency preparedness measures and responses to prevent or reduce possible accompanying environmental impacts. The working procedures include the formulation of emergency plans, the implementation of preventive measures, the handling of emergencies, corrections, prevention and continuous improvement. Emergency plans will include emergency prevention, response and handling documents related to production accidents, mass incidents, thefts, fires, floods, accidental leakage of hazardous chemicals and other emergencies. When an emergency occurs, the discoverer will report orally to the Human Resources Department, the office of the project company, the responsible department and the supervisor as soon as possible. Within 24 hours after the incident, the *report of Abnormal Event* (《異常事件報告》) will be submitted to the Human Resources Department of the Group or the office of the project company.

A4. Climate Change

General Disclosure and KPI

Climate change-related impacts present both physical and financial risks to our operations. The Group is aware that climate change may have potential impacts on our services and operations, and thus affect financial performance. It is our aim to identify and assess climate change risks in order to enhance our understanding of such impacts on our operations with a view to adapting our operations to climate change.

As a real estate developer, the primary source of acute physical risks associated with significant climate-related issues that may impact our operations are frequent extreme weather conditions such as extreme temperature, flooding and typhoon. As these events may disrupt construction activities, cause damage to the Group's properties and most importantly, threaten the safety of construction workers and construction site. To control these external risks, the Group closely monitors the weather conditions and climate change related issues of the districts where construction sites located, and requires its contractors to develop emergency plans and perform regular examination on construction equipment to ensure they meet the safety standards. Our financial performance and reputation could also be affected by such changes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

B1. Employment

General Disclosure and KPIs

Employees are an important cornerstone of the success and prosperity of the Group, and at the same time provide the Group with a steady stream of innovative impetus. We uphold the “people-oriented” enterprise operation strategy, respect and protect the legitimate rights and interests of every employee, standardize labour employment management, protect employees’ occupational health and safety, strengthen democratic management, safeguard employees’ vital interests, fully respect and attach importance to stimulating employees’ enthusiasm, initiative and creativity, and are committed to building a harmonious labour relationship.

In order to tie in with the expansion of the Group’s business and meet our demand for talents, we recruit all kinds of suitable talents from time to time to reserve solid talents for our development. We have set up the *Human Resources Management Manual* (《人力資源管理程序》) to standardize the Company’s management procedures for human resources, define responsibilities and rights, and realize scientific human resources management. The procedures set out the responsibilities of the heads of departments, the Human Resources Team of the Integrated Operation Management Center, the personnel department of the project company, the head of the project company, the direct management of projects, the co-management leaders of the Integrated Operation Management Center and the Chief Executive Officer of the Group. The Human Resources Team of the Integrated Operation Management Center will develop an annual work plan for human resources, including developing the plan for salary survey analysis and adjustment; determining the annual staffing, and developing the recruitment plan; developing a training plan; developing the annual work plan for enterprise culture construction.

The Company has formulated relevant personnel management policies such as the *Salary Management Policy* (《薪酬管理制度》), the *Personnel Recruitment Procedure* (《人事招聘流程》), the *Regulations on Employee Entry and Exit Procedures and Transfers* (《關於員工入和離職流程及調動的規定》) and the *Staff Manual* (《員工手冊》) to create a healthy, optimistic and positive working atmosphere for employees and guide employees to actively integrate their personal pursuit into the long-term career development with the Group.

During the reporting period, the Group actively abided the laws and regulations such as the *Labour Law of the People’s Republic of China* (《中華人民共和國勞動法》), the *Labour Contract Law of the People’s Republic of China* (《中華人民共和國勞動合同法》), as well as the *Employment Ordinance* (《僱傭條例》) of Hong Kong, and found no major violation of laws and regulations on human resources.

There are many young and energetic employees in the Group, and employees under 40 account for more than approximately 70% (2020: 75%) of the total employees. The overall number of employees decreased approximately 16% from 2020 due to streamline of staff structure.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B1. Employment (continued)

General Disclosure and KPIs (continued)

The number of employees by function and age group is as follows:

By function \ By age group	By age group				Total number of employee	
	Under 30	31-40 years old	41-50 years old	Above 50 years old	2021	2020
Headquarter/ administrative office	31	95	42	14	182	256
Project operation	51	174	32	4	261	261
Property management	243	300	179	87	809	972
2021 Total	325	569	253	105	1,252	
	26%	46%	20%	8%	100%	
2020 Total	507	607	253	122		1,489
	34%	41%	17%	8%		100%

The number of employees by gender and geographical region group is as follows:

By Region \ By Gender	By Gender		2021 Total	2020 Total
	Male	Female		
Hong Kong	7	9	16	16
China	769	467	1,236	1,473
2021 Total	776	476	1,252	1,489
2020 Total	926	563	1,489	

For industry reasons, there are more male employees than female employees, but the Company is committed to balancing and diversifying the gender of its employees.

Turnover rate by function and age group

	By age group				2021	2020
	Under 30	31-40 years old	41-50 years old	Above 50 years old		
Headquarter/ administrative office	44%	27%	42%	24%	33%	33%
Project operation	27%	29%	14%	33%	27%	38%
Property management	90%	65%	39%	19%	64%	42%
Total	76%	47%	37%	20%	52%	39%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B1. Employment (continued)

General Disclosure and KPIs (continued)

Turnover rate by gender and geographical region

Year	By Gender		By geographical region		Total
	Male	Female	Hong Kong	China	
2021	53%	50%	13%	52%	52%
2020	42%	34%	12%	40%	39%

Note: Turnover rate = Number of departed employees during the year / ((number of employees at the beginning of the year + number of employees at the end of the year) / 2)

Salary and benefits

The Group has established a relatively fair, reasonable and competitive salary policy, which is based on the principles of fairness, competition, incentives, reasonableness and legality to pay employees. The salary of the Group's employees consists of basic salary, overtime salary, performance related bonus and related subsidies. In addition, the Group will make appropriate salary adjustments every year according to inflation, living standards and market conditions.

The Group signs and performs labour contracts with employees in accordance with the *Labour Contract Law of the People's Republic of China* (《中華人民共和國勞動合同法》), with a signing rate of 100% of labour contracts. In accordance with the law, we pay "five social insurance and one housing fund" for employees, i.e. pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing accumulation fund, to ensure employees enjoy social insurance benefits.

In accordance with national and local laws and regulations such as the *Labour Law of the People's Republic of China* (《中華人民共和國勞動法》), the Group effectively protects the legitimate rights and interests of employees, respects their right to rest and vacation, and regulates their working hours and the various rest and vacation rights they enjoy. All employees of the Group are entitled to holiday benefits such as the annual leave, sick leave, personal leave, marriage leave, maternity leave and nursing leave, condolence leave, work injury leave, study or examination leave, and judicial leave (jury service).

The Group has also set up the *Share Options Scheme* (《購股權計劃》) and the *Share Award Scheme* (《股份獎勵計劃》) to grant or award employees share options or shares which benchmark with employees' performance, promote our long-term goals, and offer rewards or remunerations to employees who have continuing contributions to the Group, so as to attract and retain outstanding talents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B1. Employment (continued)

General Disclosure and KPIs (continued)

Salary and benefits (continued)

In addition, the Group has been committed to providing thoughtful and comprehensive employee benefits and actively organizing rich and colourful activities. For this reason, we have formulated the *Plan for Implementation of Corporate Cultural Activities in Operation Headquarter in 2019* (《2019年營運總部企業文化活動開展方案》), aiming to enhance the cohesion of employees through cultural activities and hence the ability of employees to execute their work. The annual activities include, but are not limited to, employee birthday parties, daily physical exercises, office environment renovation, annual employee outdoor visits, March 8 activities, outreach activities, mid-autumn festival activities, preparations for the annual meeting of spring festival, and other small events. But, due to the outbreak of COVID-19 at the beginning of year 2019, those activities have been trimmed down so as to ensure the health of all employees of the Group.

Recruitment, promotion and dismissal

The Group actively implements the strategy of strengthening enterprises with talents and continuously establishes and improves the talent recruitment and selection policy. In order to meet the requirements of operation management and business development of the Company, rationally allocate human resources and standardize recruitment, the Group has formulated the *Operation Guidelines on Recruitment Management* (《招聘管理作業指引》). Relevant procedures are listed in the Guidelines, including but not limited to recruitment channels such as recruitment application and approval, internal recruitment and external recruitment, selection of job-application materials, interview, employment confirmation, background investigation, employment approval procedures, procedures of new employee joined, and establishment of employee files.

The Group has a clear basis and procedure for the promotion, transfer and demotion management of employees, standardizes the resignation procedure and protects the interests of both employees and the Company. Relevant procedures and detailed rules are listed in documents such as the *Staff Manual* (《員工手冊》), the *Operation Guidelines on Promotion Management* (《晉升管理作業指引》), the *Management Procedures for Employee Comprehensive Evaluation* (《員工綜合評估管理程序》) and the *Operation Guidelines on Appointments and confirmations of Employment* (《入職與轉正管理作業指引》). In principle, the Company carries out promotion evaluation and approval twice a year. We have implemented a fair and open assessment policy. We will fully consider the past performance of employees and their comprehensive qualities, including moral character, work capability and obedience awareness, to provide opportunities for employees to promote and develop so as to explore their potential.

Meanwhile, in order to provide outstanding employees a fair and impartial promotion channel and opportunities to retain talents, the Group will select outstanding young management cadres through internal competition to take up major positions in new development projects. In order to solve the problems of talent gap of the Group's core positions, brain drain in key positions, and difficulties in self-cultivation of talents, we have drawn up and implemented the *Proposal for Formation of Corporate Echelon Talent Pool* (《企業梯隊人才庫建設方案》) to optimize our human resources allocation, improve the talent reserve mechanism, and implement the successor plan for core positions and the talent reserve plan for key positions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B1. Employment (continued)

General Disclosure and KPIs (continued)

Recruitment, promotion and dismissal (continued)

In addition, in order to further strengthen and perfect our resignation management of employees, we not only set out the relevant procedures for resignation in the *Staff Manual* (《員工手冊》), but also formulated the *Operation Guidelines on Termination Management* (《離職管理作業指引》) to maintain a normal order of staff turnover and to combine the actual operation.

Equal opportunities

The Group strictly abides by various laws and regulations of national and local governments, adopts a fair, just and open recruitment procedure, and formulates relevant policy documents to eliminate discrimination in the recruitment process. It does not discriminate against any employee due to factors such as race, sex, skin colour, age, family background, national tradition, religion, physical quality and nationality, and allows employees to enjoy fair treatment at all stages of recruitment, salary, training and promotion, so as to try its best to recruit professional talents from different backgrounds to join the Group.

B2. Health and safety

General Disclosure and KPIs

The Group attaches great importance to the health and safety of its employees and is committed to creating a good working environment and safe production conditions. We strictly implement the relevant laws and regulations such as the *Labour Law of the People's Republic of China* (《中華人民共和國勞動法》), the *Production Safety Law of the People's Republic of China* (《中華人民共和國安全生產法》), the *Prevention and Control of Occupational Diseases Law of the People's Republic of China* (《中華人民共和國職業病防治法》), the *Fire Protection Law of the People's Republic of China* (《中華人民共和國消防法》), as well as the *Occupational Safety and Health Regulations* (《職業安全及健康條例》).

Occupational safety and health

The Group has established occupational health guidelines for enterprises in accordance with the OHSMS standard system of the *Occupational Health and Safety Management System* (《職業健康安全管理體系》). The Group is committed to preventing, controlling and eliminating occupational hazard factors in the working environment, protecting the health of workers, enhancing employees' awareness of safe production, ensuring building safety and meeting the needs of enterprises and employees.

The Group stipulates that the principal personnel in charge of the department shall be fully responsible for the occupational health management of the Company. The Project Management Centre of the Group regularly organizes the Company's safety management team to inspect the security situation of projects under construction, and the inspection results are reported to leaders of the Group. The Group has formulated the *Administrative measures for the reporting, investigating and handling of safety production incidents* (《安全生產事故報告與調查處理管理辦法》), to stipulate the procedures of reporting, investigating and handling of safety incidents, to implement an accountability system on safety production incidents and to prevent and reduce the occurrence of safety production incidents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B2. Health and safety (continued)

General Disclosure and KPIs (continued)

Occupational safety and health (continued)

The Group has compiled the *Operation Guidelines on the Management of Construction Safety and Legitimacy* (《安全文明施工管理作業指引》), and through preventive and monitoring measures, reducing the rate of accident occurrence at project construction process, improving the image and environment of construction sites, monitoring the construction safety process and knowledge in managing safety accidents. Project companies assess the management measures prepared by the contractors in regard to construction safety and legitimacy, and conduct independent patrolling, sample checking and monitoring on every aspects of the construction sites, report to the relevant person-in-charge and the contractors when problems are identified and monitor the relevant rectifications. The Group's Project Management Centre monitors the project companies' execution of safety management policies. We require the contractors to establish trainings on safety education and techniques, which are held regularly and seasonally.

Occupational safety training and employee health management

In order to take preventive measures, the safety officer of the project company is responsible for carrying out safety training and to supervise relevant personnel at occupational-disease-prone positions from time to time, including checking the use of labour protection equipment by employees, and inspecting and handling health risks at workplaces, so as to reduce the spread of common diseases and ensure construction safety. We will also arrange relevant employees who are relatively prone to occupational diseases to undergo occupational disease examination and establish health monitoring files. In addition, we have arranged for all employees to have a comprehensive physical examination every year to monitor their physical condition and detect potential crisis.

During the reporting period, the Group did not record any serious accidents that resulted in death or serious bodily injury, did not pay reimbursement or compensation to the employees of the Group due to such accidents, and did not find any material matters that violated laws and regulations related to employees' health and safety. There was no work-related fatalities occurred during the year and the past two years. During the year, there was in total 250 lost days due to work injury. Expenditure on physical examination of employees was approximately RMB389,681 (2020: approximately RMB405,986), a decrease of approximately 4% from 2020 due to the decrease of the number of headcounts.

Prevention and control measures of new coronavirus pneumonia

In order to effectively prevent and control the infection of the novel coronavirus pneumonia by Skyfame Group and ensure the health and life safety of all employees of the Company, the Company has formulated prevention and control measures in accordance with the specific requirements of the epidemic prevention and control department of the government. Each management center monitors the physical health of the Company's employees. For employees with abnormal physical conditions such as fever, cough, chest tightness, etc., they must be physically isolated at home for at least seven days, and will not be released from the observation until there isn't any abnormalities after the end of the observation period. For employees who have stayed in the place where the epidemic occurs and those who have close contact with personnel at the place where the epidemic occurs are required to be isolated and observed for 14 days before they resume working.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B2. Health and safety (continued)

General Disclosure and KPIs (continued)

Prevention and control measures of new coronavirus pneumonia (continued)

The entrance and exit of our China office are centralised. Employees are required to wear staff cards, register upon entry and exit, measure body temperature, wear masks, reduce going-out and visit friends or families. Business operation is mainly conducted through electronic equipment. In case of special circumstances where visiting is necessary, visitors are required to register their information, measure their body temperature and conduct hand disinfection. The ventilation of the office is maintained every day and is disinfected at least once a day. Employees will neither have meals together nor chatting, reduce the time and frequency of lunch meeting, reduce the probability of face-to-face contact, and often use tele-conferences or electronic devices for communication. Cleaning and disinfection of the office was strengthened. Furthermore, remote office system was set up which enable staff working from home when it is necessary. The Company actively cooperated with the Hong Kong government and the property management office of the office building in relation to the epidemic control measures.

The Company carried out the environmental governance work for the property projects at the construction site and strengthened the disinfection of public premises, especially for the key areas such as the centralized canteen and dormitories. We regularly disinfected and changed the ventilation at designated locations, maintained sanitation and clean, and cut off the spread of infectious diseases. The Company has strengthened the management of shift duty and emergency duty for projects, and paid close attention to if there was any epidemic in the construction site. The epidemic would be dealt with in strict compliance with the established measures upon the occurrence of the epidemic.

The property management company has strengthened the publicity effort towards the landlord of the community under its management, and enhanced the popularization of epidemic knowledge by means of bulletin board and WeChat group of property owners. The Company organized personnel to clean up the hygienic blind spot and increased the intensity and frequency of disinfection in key areas such as toilets, elevator boxes, building passages, refuse transfer stations, underground parking lots and underground water pipes. Management of people moving in and out in the community was strengthened. Body temperature checkpoint were set up, if necessary, at the entrance and exit of the community to strictly prevent the infection or spread of epidemics.

B3. Development and training

General Disclosure and KPIs

The Group recognises the importance to the establishment of an internal management training and development system of the enterprise. It provides diversified training modes such as induction training for new employees, management trainee training, employee policy training, professional skills training, personnel echelon training, and management personnel training to meet the different requirements of employees of all levels and types, enhance the skills of employees, and help the sustainable development and personal growth and development of employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B3. Development and training (continued)

General Disclosure and KPIs (continued)

Training management

To enhance the Group's operation management as well as to meet the demand of business development, the Group has established the *Operation Guidelines on Staff Training Management* (《培訓管理作業指引》) and *Operation Guidelines on Staff Internal Transfer* (《員工異動管理作業指引》) to standardize the Group's staff training management. At every year end, the Group devises an annual training program for the coming year, which encompasses both internal and external trainings and is tailor-made to suit the operating environment of every department. All training programs aim to elevate the employees' efficiency in order to cope with changes in their working environments.

We regularly arrange training and study for on-the-job managers on internal policies and procedures and professional skills improvement; meanwhile, on-the-job managers are arranged to attend professional training courses organized by external training institutions from time to time. In addition, an all-staff policy assessment is organized for all staff every six months. The assessment content includes policy examination results and policy training attendance, and the assessment results are incorporated into the annual comprehensive appraisal of employees.

In addition, in order to standardize the selection, assessment, training and enhancement in motivation of internal trainers, and to establish an internal trainer team to promote the business and culture development of the Company, we have formulated the *Management Measures for Internal Trainers* (《內部培訓師管理辦法》). In the management measures, detailed procedures of internal trainers and internal trainer assessment teams, such as the responsibilities, selection procedures, assessment management and training incentives, are listed in details.

Training course

The training categories of the Group are classified into induction training of new employees, management trainee training, employee policy training, professional skills training, echelon personnel training, management personnel training and other professional training. We will regularly conduct induction training for new employees and introduce the Group's development history, corporate culture, organization structure, company rules and regulations, office operation platform, work flow and company projects to help employees adapt to the working environment as soon as possible, better perform their duties and improve their work efficiency. The training of management trainees is continuously carried out every year, and the training of management trainees has been strengthened through the combination of closed centralized training and rotation training.

We have the *Echelon Talent Learning Report* (《梯隊人才學習報告》), which allows employees to evaluate management or professional skills improvement, personal comprehensive quality improvement, organizational management and business improvement suggestions on a quarterly, semi-annual and annual basis. The evaluation scope includes, but is not limited to, management planning, plan control, talent training and supply, team leadership, communication and coordination, execution and self-improvement. In addition, the talent advisor and the Human Resources Team will also complete the part of talent evaluation and give suggestions and opinions to the Human Resources Department.

During the reporting period, the Group organized a total of 1,775 sessions (2020: 2,219 sessions) of staff training with 2,691 staff attended. Internal and external training involved 2,509 hours (2020: 11,145 hours) and 51 hours (2020: 1,166 hours) respectively. Total training expenses amounted to approximately RMB100,000 (2020: RMB129,350).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B3. Development and training (continued)

General Disclosure and KPIs (continued)

Training course (continued)

As high turnover rate for property security guards will lead to high training hours incurred for property management sector, it is better to exclude the training hours for those property security guards in order to avoid distortion to the other analyzed figures. Excluding the training hours for property security guards, percentage of employees trained by gender and employee category are as follows:

	Male	Female	Senior management	Middle management	Other employees	Total
% of the employee trained	44%	35%	46%	40%	30%	33%
Average training hours completed per employee	2.12	1.83	1.39	1.45	2.23	1.16

The Group also attaches great importance to safety production training to protect employees' personal safety. Relevant policies are described in detail in the "Occupational Safety and Health" section of Aspect B2.

B4. Labour standards

General Disclosure and KPIs

Preventing engagement of child labour or force labour

The Group has complied with the *Convention concerning the Abolition of Forced Labour* (《廢止強迫勞動公約》), the *Employment Ordinance*(《僱傭條例》), the *Labour Law of the People's Republic of China* (《中華人民共和國勞動法》) on the employment of young people under the age of 16 and their legal rights and interests, and the *Provisions on the Prohibition of Using Child Labour* (《禁止使用童工規定》), which have been implemented. During the reporting period, the Group did not find any major violations of laws and regulations related to the prevention of child labour or forced labour.

The Group strictly prohibits the employment of any child labour and forced labour in its mainland business. It will review our employment practices from time to time and inspect the employment status of contractors to prevent potential violations. In addition, the recruitment prospectus makes clearly that only employees over the age of 16 are to be recruited, and requires employees to truthfully complete the entry report form and personal data (including personal resume, education-related certificates, career background investigation files, etc.). The Human Resources Department and the Project Office will review the recruitment before employment to ensure that the entire recruitment process is legal. The Group has established a complete recruitment procedure requiring examination of candidates' backgrounds and a formal reporting procedure for handling any exceptions. In addition, regular reviews and inspections are conducted to prevent any child labour or forced labour in all operations.

In addition, the Group's employees work overtime on a voluntary basis. Employees must apply for overtime in advance and submit it to the personnel supervisor for registration and filing after being approved by the person in charge of the subordinate unit or department. They will be given compensatory leave or overtime allowance during the corresponding holidays. No department member of the Group may detain the employee's identity card, deposit or salary for any reason.

Meanwhile, the Group will not appoint these sellers and contractors who are aware of employing child labour or forced labour in their operations to provide administrative supplies and services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B5. Supply chain management

General Disclosure and KPIs

Most of the Group's project engineering and professional technology provision are mostly built by contractors in the form of bidding, so the selection of suppliers and technology providers is very strict. As the Group attaches great importance to the management of potential environmental and social risks in the supply chain, we have established a strict and standardized bidding system and supplier selection procedure, and have put forward requirements for suppliers in terms of environmental and social risk control.

Environmental and social risk management of the supply chain

In order to maintain a long-term and stable cooperative relationship with suppliers, the Group is extremely strict in selecting suppliers and has a well-managed procurement system and a strict supplier selection procedure. We have formulated the *Supplier Management Program* (《供貨商管理程序》) to standardize supplier selection and cooperative management, improve the integration and effect of the Group's external resources, and promote the achievement of the objectives of various development projects and the Company's strategy.

The Group supports local procurement. Most of the construction materials are purchased locally in the project development. This will not only reduce the supply chain risk of suppliers failing to meet the requirements of the Group, but also support environmental protection and reduce carbon emissions from transporting construction materials.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B5. Supply chain management (continued)

General Disclosure and KPIs (continued)

Environmental and social risk management of the supply chain (continued)

We have formulated the *Operation Guideline on Management of Supplier Resources Pool* (《供應商資源庫管理作業指引》), the *Operation Guideline on Supplier Certification* (《供應商認證作業指引》) and the *Operation Guidelines on Supplier Assessment* (《供應商評估作業指引》) to build the information management platform for suppliers. After qualification or on-site review, suppliers will be classified and put into storage. Through the establishment and maintenance of the supplier database, the resource information of suppliers is systematically collected and processed to ensure that the Group can efficiently find the most suitable suppliers. As at the end of the year, the Group has 671 suppliers and all of which are located in China.

In order to standardize the Group's strategic procurement management (engineering) and improve the procurement efficiency and transparency, the Group has established a strategic procurement supplier receipt/issue review team, which is responsible for approving the receipt/issue of strategic procurement suppliers. We have a *Supplier Inspection Report* (《供方考察報告》) to record the basic situation of suppliers and the opinions of the review team. The report mainly inspects aspects of the supplier such as the size and ability of the company, management standardization, personnel mobility, allocation mode of contract funds and construction site management, and explains the conclusion of the inspection.

At the end of each year, the department of contract bidding management will jointly evaluate and screen suppliers with other management centres and project companies in order to reduce the environmental and social risks brought to the Group's operations by suppliers' non-achievement of the target performance, such as environmental pollution at construction sites or damage to our reputation caused by the employment of illegal workers. After the review report is approved by the leaders of the Group, the supplier level in the cooperative supplier database is updated in line with the review results, and unqualified suppliers are eliminated to ensure that the qualified suppliers remaining on the roster can provide quality assurance.

In addition to environmental risks, we will also take measures to inspect whether its major suppliers and contractors meet relevant laws and regulations and other standards to be met in terms of health, safety, forced labour and child labour, as well as the awareness of suppliers in the above aspects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B5. Supply chain management (continued)

General Disclosure and KPIs (continued)

Fair and open procurement

The Group attaches great importance to anti-corruption in processes such as procurement. We have formulated the *Integrity Agreement* (《廉潔協議書》) to prevent commercial bribery in the field of engineering construction, to define the responsibilities and obligations of the contracting parties, and to prevent all kinds of violations of law and discipline parties who seek illegitimate interests. The procurement procure of the Group is conducted in an open, fair and impartial manner in strict accordance with relevant regulations such as the *Law of the People's Republic of China on Tenders and Bids* (《中華人民共和國招標投標法》). It will not discriminate against any supplier, but employees and other individuals who have interests in relevant suppliers will not be allowed to participate in relevant procurement activities. The Group also pays attention to the integrity of suppliers and partners.

Commercial ethics

The Group also pays attention to the integrity of suppliers and partners. We will only select suppliers and partners who have a good business record in the past and have no serious violations of laws or business ethics. The Group adopts a zero-tolerance strategy against corruption and bribery and prohibits suppliers and partners from obtaining procurement contracts or cooperative relationships through any form of profit transmission. Further, priority will be given to those suppliers who have obtained any environmental assessment certifications and promoted environmental production.

B6. Product responsibility

General Disclosure and KPIs

The Group attaches great importance to product quality and corporate reputation. We actively ensure the quality of products and services through internal controls and actively develop high-quality real estate projects. We have also been maintaining communication with customers to ensure that we understand and meet customers' needs and expectations, and we hope to know customers' satisfaction so as to continuously improve the real estate projects and services of the Company.

During the reporting period, the Group did not find any major violations regarding the health and safety, advertising, labelling and privacy of the products and services provided, and strictly abided by relevant laws and regulations, including but not limited to the *Trade Descriptions Ordinance* (《商品說明條例》) of Hong Kong, the *Law of the People's Republic of China on Product Quality* (《中華人民共和國產品質量法》), the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* (《中華人民共和國消費者權益保護法》), the *Advertising Law of the People's Republic of China* (《中華人民共和國廣告法》), the *Copyright Law of the People's Republic of China* (《中華人民共和國著作權法》), the *Patent Law of the People's Republic of China* (《中華人民共和國專利法》), as well as the *Trademark Law of the People's Republic of China* (《中華人民共和國商標法》). There was no property sold subject to return for safety and health reasons.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B6. Product responsibility (continued)

General Disclosure and KPIs (continued)

The Group has complied with the development needs of cities and customers. From quality to scale, the Group has won praise from the industry and society. We carry out the Company's management policy of honesty and service as well as market and reputation in priority, and have won the recognition of customers in all regions by creating brand with high-quality products. The Group has won many awards for outstanding performance in 2021. Details of the major honours and awards in 2021 are set out under the section headed "Corporate Profile" on pages 6 to 8 of this annual report.

Quality control

The Group places high value in the importance to quality factors and corporate reputation and thoroughly understands the importance of quality control in production. In order to ensure that the Company's properties for sale complies with the relevant national standards, we have formulated the *Operation Guideline on Engineering Quality Control* (《工程質量控制作業指引》) to supervise the compliance of the projects with the relevant national standards, technical standards and the requirements of engineering and service contracts. The project companies review the construction plans submitted by contractors, quality control and assurance measures, and the enterprise qualifications of subcontractors and suppliers, and conduct on-site inspections and spot checks on the construction quality. The Engineering Management Center of the Group provides technical support to the project companies and reviews quality assurance measures.

In addition, the Group has also devised the *Operation Guidelines on Indoor Environmental Pollutions Control* (《室內環境污染控制作業指引》) to ensure that the construction materials used comply with the government's regulations and meet environmental indicators. Effective indoor environmental pollution controls are carried out at key stages during the course of construction in order to prevent the delivery of unqualified products to customers. The department responsible for procurement and tendering is required to comply with the Group's guidelines and the Government's relevant regulations when setting up procurement and out-source contracts. Project companies are responsible to monitor the radon concentration in soil and examine the delivered materials according to environmental protection indicators. The supervising contractors are responsible to perform tests on indoor environment contamination rates and emission rates of materials that may cause pollution before being put into use, and monitor the concentration of pollutants before acceptance of completed works.

According to the relevant policies or the contractors' *Regulation on the Maintenance of End-Product after Construction* (《建築成品保護規定》) monitored by the Group, the engineering departments of project companies procure the main contractors to set up working teams to maintain the quality of the end-products by coordinating independent sub-contractors in such respects to ensure that the end products are completed according to the requirements in the relevant contracts, so as to discharge all parties' responsibilities and imposing penalties.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B6. Product responsibility (continued)

General Disclosure and KPIs (continued)

Processing of Non-conforming Products

The Group has developed the *Procedure Document for Control of Non-conforming Products* (《不合格控制程序文件》) to identify and control the non-conformity arising during the work and service so as to meet the specified requirements and prevent unintended use or delivery. The definitions of non-conformity listed in the document are classified into general non-conformity and severe non-conformity according to their degree of influence and nature. The project company shall check and accept equipment materials and construction according to the specified requirements, immediately correct, identify and record the non-conformity of any items found to fail to meet the requirements, and directly or require the supervision company to issue a *Notification of Remediation* (《整改通知單》) as well as request the supplier to submit a quality report. For the non-conforming products, we will have the following treatment:

- The leader of the department in charge is responsible for identifying, reviewing, approving, correcting and tracking and verifying the general non-conformity;
- Regarding severe non-conformity, the department in charge shall formulate corrective measures, the Integrated Operation Management Center is responsible for reviewing the measures, and the management representatives and the Company leaders should take charge of approval. The Integrated Operation Management Center organizes the correction tracking, verification and recording of the severe non-conformity;
- For non-conforming service, resource allocation, training, punishment and compensation, and other treatment measures can be taken;
- The following four circumstances should be treated and adjusted and their verification records should be kept: the operation process and product are unqualified, and the materials and equipment supplied are unqualified; there is non-conforming products and control procedures appearing during the construction process; quality accidents; unqualified work during inspection and acceptance;
- All severe non-conformity should be handled with corrective and preventive measures in accordance with the *Control Procedures for Corrective and Preventive Measures* (《糾正和預防措施控制程序》); and
- The processing of all non-conformity will be verified and the complete records will be kept. Relevant records will be saved in the relevant departments. All departments and project companies set up non-conformity and corrective measures to tracking accounts and report to the Integrated Operation Management Center monthly. The Integrated Operation Management Center collects data about unqualified and corrective situations and analyses the unqualified information and data each month.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B6. Product responsibility (continued)

General Disclosure and KPIs (continued)

Processing of Non-conforming Products (continued)

Besides, we have made *Procedures of Corrective and Preventive Actions Control* (《糾正與預防措施控制程序》) to take corrective and preventive actions against potential or existing unqualified situations, eliminate the causes of potential or existing unqualified situations, and prevent them from occurring or recurring. In the procedures, we will list corresponding handling of certain situations, including the approaches of finding unqualified situations or potential unqualified situations, project approvals of preventive measures, analysis of causes of potential unqualified situations, development and approval of preventive proposals, implementation of preventive measures, review of results of preventive measures, and analysis and documentation of implementing results of preventive measures.

Customer service and privacy

The Group believes that customer satisfaction is one of the key factors for sustainable production and business development. Therefore, we have developed a *Monitoring Procedure for Customer Satisfaction Measurement* (《顧客滿意度測量監控程序》), and established a procedure to investigate and understand customers' satisfaction with the Group's work quality, engineering entity quality and services during the processes of real estate development, sales and after-sales services. We will propose corrective and preventive measures based on the measurement results and continuously make progress to maintain or improve customer satisfaction. Our Marketing Management Department and the District Office's Marketing Management Department develop annual plans of customer satisfaction survey in the department's annual work plan. The starting time of customer satisfaction survey of each building is at least once a year after moving in. Three years after moving in, the survey will be taken up by the property management company for implementation. The survey will be conducted through telephone interviews, home visits, online surveys, questionnaire distributions, etc. The survey includes but is not limited to planning and design, project quality, property management, sales management, and customer service, etc. The Marketing Management Department and the District Office's Marketing Management Department shall organize relevant departments and company executives to review the customer satisfaction surveys and customer opinions and suggestions, come up with advice and determine the projects that need to be corrected and prevented. Besides, the Marketing Management Department and the District Office's Marketing Management Department shall issue Reports on *Corrective and Preventive Measures* (《糾正和預防措施報告》) to the responsible departments with projects that the customers are not satisfied with, and ask them to improve or make progress.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B6. Product responsibility (continued)

General Disclosure and KPIs (continued)

Customer service and privacy (continued)

Besides, to elevate the standard of the Company's products, services, and management, to enhance product quality and service, to ensure customers' complaints are resolved in a timely, accurate and reasonable manner and to achieve the Company's target of refining the Company's products and service continuously, we shall set up special customer service hotlines and arrange special personnel to receive the calls in each project's Customer Service Department. The Group has also established *Code for Customers' Complaints Handling* (《顧客投訴處理程序》) to standardize the procedures of handling customer complaints to make them dealt with in time and effectively. We focus on three "roles" while handling customer complaints. Marketing is the first contact of customer services, the solutions to solve customers' problems, and the consultant to customers. Two latitudes include customer latitude, meaning that customer needs and complaints are both legitimate, and customer services latitude, which means all customer needs and complaints are where we should improve. Two tools refer to first-be-inquired responsibility system and highest working level. Careful complaints definition, complaints classification, complaint grading, and handling procedures are clearly documented, such as evidence obtaining and collections of sales information, acceptance of complaints, complaints handling, time limit of handling general complaints, complaints reply, closure of complaints, early warning of complaints upgrading, and statistical feedback of complaints, etc. During the year, the Group has received 271 complaints relating to noise and minor property defects during property hand over and the complaints were quickly followed by the appropriate departments.

Moreover, the Group carefully manages the customers' files to avoid disclosure of customer privacy. As part of the Group's resources, customer information and customer data shall not be sold, shared, or revealed for any purpose. Each employee must protect the customer information and data in accordance with the company's regulations to avoid disclosure of customer information.

Intellectual property

We have relevant management procedures to effectively manage the Group's intellectual property. When we find out that someone has infringed the Group's intellectual property, we will protect our rights with the guidance of relevant lawyers and experts. We will file a lawsuit against those having infringed our intellectual property rights based on Article 213 of *Criminal Law of the People's Republic of China* (《中華人民共和國刑法》) to safeguard the legitimate rights and interests of intellectual property held by the Group. Moreover, we also avoid infringement of intellectual property rights of others. When using words, graphics or their combinations similar to or identical to registered trademarks, we will conduct patent novelty searching to avoid infringement of intellectual property rights.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B6. Product responsibility (continued)

General Disclosure and KPIs (continued)

Advertisement and labels

The Group has formulated a *Sales Manual on Operation Guide*, which lists the procedures of the *Sales Manual* (《銷售手冊》) and standardizes the sales methods, including but not limited to advertising and labelling issues. The operating procedures are as follows.

1. The Marketing Management Department and the District Office's Marketing Management Department make an outline and consult relevant professional departments' opinions. The opinions of relevant departments shall be replied after being signed and confirmed by the person in charge.
2. The Marketing Management Department and the District Office's Marketing Management Department prepare the sales manual. Direct projects shall be approved by the person in charge of the Marketing Management Department. Projects of the city company shall be submitted to the general manager of design and development and the general manager of marketing for review, and approved by the president of the city company.
3. After being approved, the Marketing Management Department and the District Office's Marketing Management Department will train the sales staff on-site.
4. If there are any changes or supplement to the contents of the sales manual, it shall be updated by the Marketing Management Department and the District Office's Marketing Management Department and used after review and approval according to Step 2.

B7. Anti-corruption

General Disclosure and KPIs

Anti-corruption

The Group believes that corruption-free corporate culture is the key to our continued success, so the Group attaches great importance to anti-corruption policies and systems. The Group has been protecting all its business from any illicit behaviour in its operating environment. In addition, honesty, integrity and fairness are the core values of the Group which all employees are required to fulfil and safeguard. In order to manifest such values, the *Staff Manual* (《員工手冊》) of the Group sets out the measures against any offender of anti-corruption regulations. The provision or recipient of bribery or interests (including commissions, handling charges, rebates, rewards, vouchers, gifts, etc.) in any forms from business-related units are deemed as serious violations of the Group's regulations. The Company shall rescind the employment contract of the offender and may seek relevant economic and legal responsibilities from the offender. The Group also prescribes its contract management procedures, which strictly prohibit business institutions and its staffs from obtaining direct or indirect monetary benefits from contracted parties through illicit means such as bribery and rebate when performing contracts.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B7. Anti-corruption (continued)

General Disclosure and KPIs (continued)

Anti-corruption (continued)

During the reporting period, the Group strictly abides by the relevant laws and regulations to prevent bribery, extortion, fraud and money laundering, including but not limited to *Prevention of Bribery Ordinance* (《防止賄賂條例》), *Company Law of the People's Republic of China* (《中華人民共和國公司法》), *Law of the People's Republic of China on Tenders and Bids* (《中華人民共和國招標投標法》), *Criminal Law of the People's Republic of China* (《中華人民共和國刑法》), *Law of the People's Republic of China against Unfair Competition* (《中華人民共和國反不正當競爭法》), *Interim Provisions on Prohibiting Commercial Bribery* (《關於禁止商業賄賂行為的暫行規定》), etc.. Major violations had not been discovered.

The Group is highly concerned about potential bribery and corruption during the purchasing process. Thus, we have formulated rules and regulations to manage the bribery and corruption, which have been described in the section of "Supply Chain Management" in Aspect B5. Seminars or leaflets on anti-corruption topics are provided to the directors and employees from time to time to update their understanding of the latest regulations on anti-corruption.

Reporting System

The Group has established a clear reporting system to build and maintain our corruption-free and transparent culture. If an employee is found to have violated the code of integrity, the customers or business organisations are welcome to report the case voicing the customer complaints and suggestions through email (tousu@tianyudc.com, jiangyi@tianyudc.com), by phone ((86) 400-800-1910) or to the Company's website (www.skyfame.com.cn).

During the year, there was no concluded legal cases regarding corrupt practices brought against the Group or its employee.

B8. Community contribution

General Disclosure and KPIs

Corporate Social Responsibility

The Group believes that the success of an enterprise depends not only on its business development, but also its responsibility to repay the society. Therefore, as the Group is devoted to developing our business and achieving better returns for our shareholders, we also fulfil our corporate social responsibilities through our continued contribution to society.

The Group hopes to cultivate our employees' sense of social responsibility. Thus, we always encourage our staff to take part in public welfare activities during work time and private time to contribute more to the society. We believe that by encouraging the employees to participate in social charity and fundraising activities expressing their concerns for the society, we do not improve only the ideological quality of our employees, but also bring warmth to people in need. We believe that we can raise our employees' civic awareness and help them establish the correct value on repaying society by joining these activities.

During the year, the Group has made charitable and other donations amounted to RMB 1.2 million.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to enhance its corporate governance standards by emphasizing transparency, independence, accountability, responsibility and fairness. The Company exercises corporate governance through its Board of Directors (the “**Board**”) and various committees with designated functions.

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not, for any part of the accounting period covered by the 2021 financial statements, in compliance with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) except for the following deviation:

Code Provision C.2.1 – Chairman and Chief Executive

The roles of chairman and chief executive officer of the Company are not separated as required but are currently dually performed by Mr. YU Pan since 2004.

Explanation on the deviation is elaborated below under the heading of “Segregation of the Management of the Board and the Management of the Group’s Business”.

BOARD OF DIRECTORS

As at 31 December 2021, the Board comprised eight Directors as follows:

Executive Directors

Mr. YU Pan (*Chairman and Chief Executive Officer*)
Mr. WEN Xiaobing (*Deputy Chief Executive Officer*)
Mr. WANG Chenghua
Mr. JIN Zhifeng

Non-executive Director

Mr. WONG Lok

Independent Non-executive Directors

Mr. CHOY Shu Kwan
Mr. CHENG Wing Keung, Raymond
Ms. CHUNG Lai Fong

The terms of service of all the Independent Non-executive Directors are one year and are subject to automatic renewal and retirement provision under the amended and restated bye-laws of the Company (the “**Bye-laws**”).

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

The attendance record of Directors and Committee Members in 2021 is as follows:

	Attendance Record of Directors and Committee Members in 2021					
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee	Annual General Meeting
Number of meetings held during the year 2021	6	2	1	1	1	1
<i>Executive Directors</i>						
Mr. YU Pan (<i>Chairman and Chief Executive Officer</i>)	6/6		1/1	1/1		1/1
Mr. WEN Xiaobing (<i>Deputy Chief Executive Officer</i>)	6/6				1/1	1/1
Mr. WANG Chenghua	6/6					1/1
Mr. JIN Zhifeng	6/6					1/1
<i>Non-executive Director</i>						
Mr. WONG Lok	5/6					0/1
<i>Independent Non-executive Directors</i>						
Mr. CHOY Shu Kwan	6/6	2/2	1/1	1/1	1/1	0/1
Mr. CHENG Wing Keung, Raymond	6/6	2/2	1/1	1/1	1/1	1/1
Ms. CHUNG Lai Fong	6/6	2/2	1/1	1/1	1/1	1/1
Average Attendance Rate	97.9%	100%	100%	100%	100%	75%

The Board is responsible for formulating and reviewing the long-term business directions and strategies, monitoring the operating and financial performance of the Group, and performing the corporate governance functions. Management is delegated by the Board with the authority to make decisions on daily operations. Both the Directors and management interact frequently to ensure efficient communications between the parties.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

To the best knowledge of the Company, there is no financial, business and family relationship amongst the members of the Board, save as (i) Mr. WEN Xiaobing is the chairman and legal representative of 廣州市天譽控股集團有限公司 (Guangzhou Tianyu Holdings Group Company Limited*), a PRC incorporated company and is also a director of 綠景控股股份有限公司 (Lvjing Holding Co., Ltd.) (“Lvjing Holding”), a PRC company listed on the Shenzhen Stock Exchange; and (ii) Mr. JIN Zhifeng is the chairman and legal representative of Lvjing Holding. The Chairman of the Company, Mr. YU Pan, is the father of the controlling shareholder of the aforesaid two PRC companies.

The Company has arranged for appropriate liability insurance for the Directors for indemnifying their liabilities arising out of corporate activities of the Group.

BOARD DIVERSITY POLICY

The Board recognizes the contribution that diversification of the Board can enhance the quality of its performance. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’s business. All appointments of directors will be made on merit and individual basis. Board diversity has been considered from a wide range of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. The Board will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with the ultimate goal of bringing the Board to gender parity.

As at the date of this report, the Board’s composition under major diversified perspectives is summarized as follows:

Board Diversity

Designation	ED		NED		INED			
Gender	Male						Female	
Nationality	Chinese							
Age group	41-50	51-60			61-65			
Years of service	0-5		6-16					
Number of director	1	2	3	4	5	6	7	8

ED: Executive Director

NED: Non-executive Director

INED: Independent Non-executive Director

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY IN THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of consolidated financial statements on a going concern basis which give a true and fair view of the state of affairs of the Group in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own Code of Conduct for Securities Transactions by Directors and Relevant Employees of the Company (the "Code") on terms no less exact than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules and the Code is updated from time to time in accordance with the Listing Rules requirements. Following specific enquiry by the Company, all Directors of the Company confirmed that they have complied with the required standards as set out in the Code throughout the year under review.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

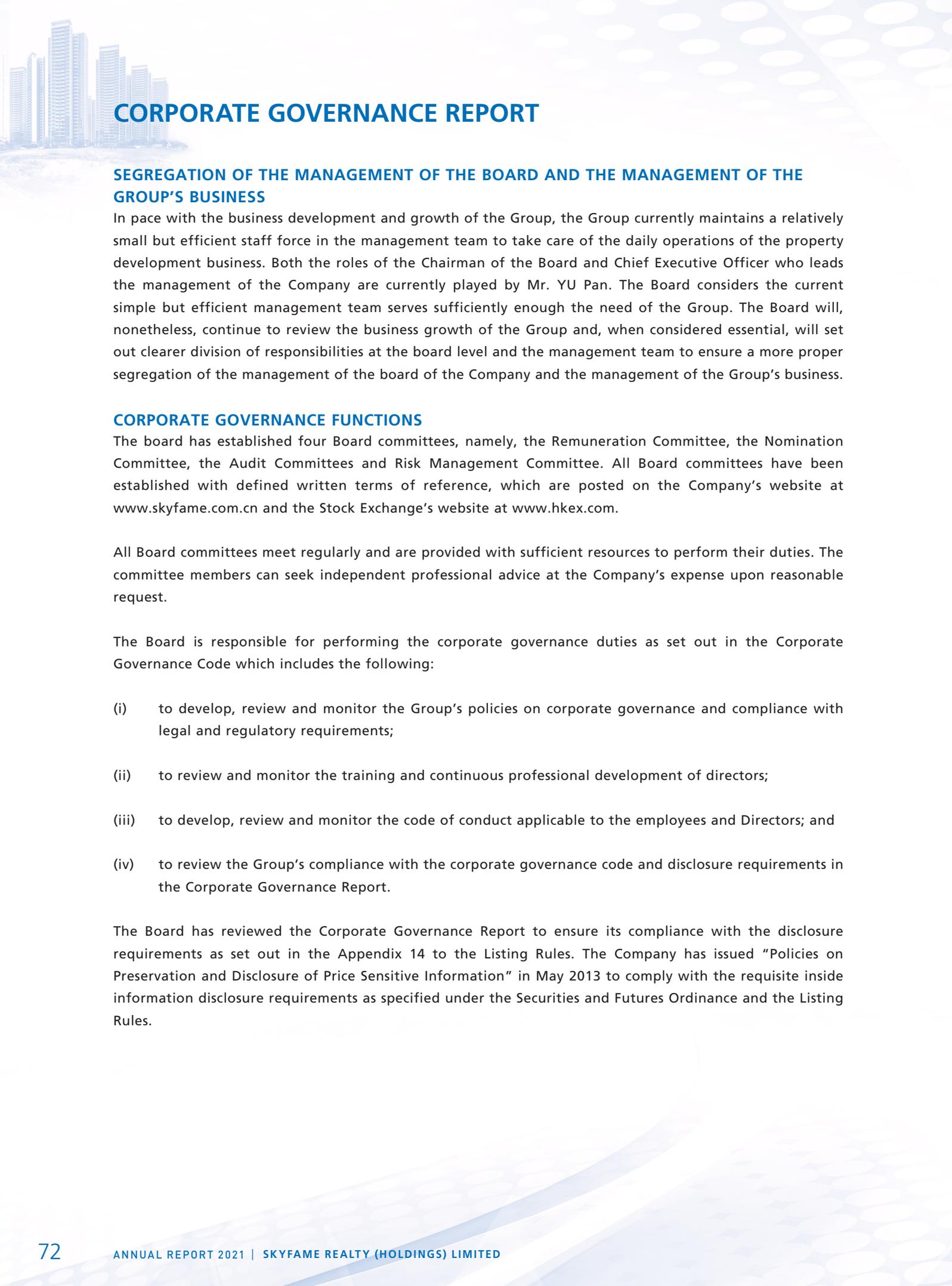
The Company has received from each Independent Non-executive Director an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

The Company has provided resources and supports to encourage the Directors to participate in professional development courses and seminars to develop and refresh their knowledge and skills. Besides, regulatory updates and relevant materials on amendment of Listing Rules were sent to the Directors for their awareness of the latest development on statutory requirements.

The training each Director received during the year ended 31 December 2021 is summarized as below:

Name of Director	Reading materials regarding regulatory update and corporate governance matters	Attending seminars/ in-house workshops relevant to the Company's business and Listing Rules compliance and directors' duties
<i>Executive Directors</i>		
Mr. YU Pan (Chairman and Chief Executive Officer)	✓	–
Mr. WEN Xiaobing (Deputy Chief Executive Officer)	✓	–
Mr. WANG Chenghua	✓	–
Mr. JIN Zhifeng	✓	–
<i>Non-executive Director</i>		
Mr. WONG Lok	✓	–
<i>Independent Non-executive Directors</i>		
Mr. CHOY Shu Kwan	✓	–
Mr. CHENG Wing Keung, Raymond	✓	✓
Ms. CHUNG Lai Fong	✓	✓



CORPORATE GOVERNANCE REPORT

SEGREGATION OF THE MANAGEMENT OF THE BOARD AND THE MANAGEMENT OF THE GROUP'S BUSINESS

In pace with the business development and growth of the Group, the Group currently maintains a relatively small but efficient staff force in the management team to take care of the daily operations of the property development business. Both the roles of the Chairman of the Board and Chief Executive Officer who leads the management of the Company are currently played by Mr. YU Pan. The Board considers the current simple but efficient management team serves sufficiently enough the need of the Group. The Board will, nonetheless, continue to review the business growth of the Group and, when considered essential, will set out clearer division of responsibilities at the board level and the management team to ensure a more proper segregation of the management of the board of the Company and the management of the Group's business.

CORPORATE GOVERNANCE FUNCTIONS

The board has established four Board committees, namely, the Remuneration Committee, the Nomination Committee, the Audit Committees and Risk Management Committee. All Board committees have been established with defined written terms of reference, which are posted on the Company's website at www.skyfame.com.cn and the Stock Exchange's website at www.hkex.com.

All Board committees meet regularly and are provided with sufficient resources to perform their duties. The committee members can seek independent professional advice at the Company's expense upon reasonable request.

The Board is responsible for performing the corporate governance duties as set out in the Corporate Governance Code which includes the following:

- (i) to develop, review and monitor the Group's policies on corporate governance and compliance with legal and regulatory requirements;
- (ii) to review and monitor the training and continuous professional development of directors;
- (iii) to develop, review and monitor the code of conduct applicable to the employees and Directors; and
- (iv) to review the Group's compliance with the corporate governance code and disclosure requirements in the Corporate Governance Report.

The Board has reviewed the Corporate Governance Report to ensure its compliance with the disclosure requirements as set out in the Appendix 14 to the Listing Rules. The Company has issued "Policies on Preservation and Disclosure of Price Sensitive Information" in May 2013 to comply with the requisite inside information disclosure requirements as specified under the Securities and Futures Ordinance and the Listing Rules.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

As at 31 December 2021, the Remuneration Committee comprises four Directors: Mr. YU Pan (the Chairman of the Board) and all three Independent Non-executive Directors, namely, Mr. CHOY Shu Kwan, Mr. CHENG Wing Keung, Raymond and Ms. CHUNG Lai Fong (Chairman of the Remuneration Committee).

The roles and functions of the Remuneration Committee are, amongst others, to make recommendations to the Board on the overall remuneration policy structured for all directors and senior management; and to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives achieved. The terms of reference of the Remuneration Committee are available at the Company's website at www.skyfame.com.cn and on the Stock Exchange's website at www.hkex.com.

The Remuneration Committee held one meeting in March 2021 to which all the members attended the meeting. The matters discussed included (i) the review of the remuneration policy of the Group's directors and senior management; (ii) the review of incentive bonus paid to directors and senior management for 2021 and (iii) the approval of the vesting of awarded shares to directors and employees.

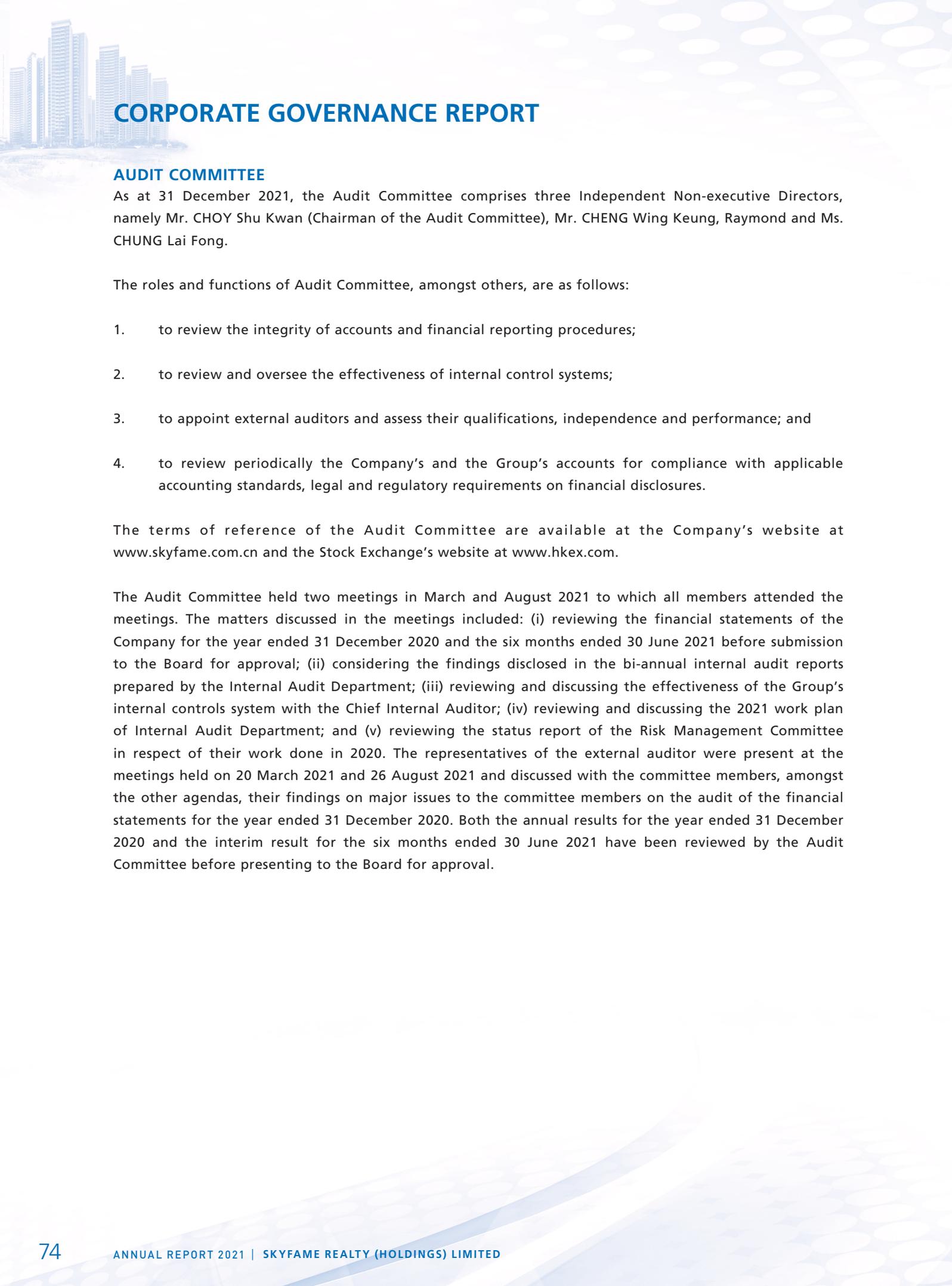
Details of the remuneration of each director are set out in the consolidated financial statements on pages 196 to 197 of this annual report.

NOMINATION COMMITTEE

As at 31 December 2021, the Nomination Committee comprises four Directors: Mr. YU Pan (the Chairman of the Board and Nomination Committee) and all three Independent Non-executive Directors, namely, Mr. CHOY Shu Kwan, Mr. CHENG Wing Keung, Raymond and Ms. CHUNG Lai Fong.

The roles and functions of the Nomination Committee, amongst others, are to make recommendations to the Board on the procedures of appointment of directors and the selection from individuals nominated for directorship; to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually; and to make recommendations on any proposed changes to the Board to complement the Group's corporate strategies. The terms of reference of the Nomination Committee are available at the Company's website at www.skyfame.com.cn and the Stock Exchange's website at www.hkex.com.

The Nomination Committee held one meeting in March 2021 and all member attended the meeting. The matters discussed included (i) the review of the size, structure and composition of the Board; (ii) the assessment of the independence of independent non-executive directors; and (iii) the recommendation of retiring Directors for re-election in 2021 annual general meeting.



CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

As at 31 December 2021, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. CHOY Shu Kwan (Chairman of the Audit Committee), Mr. CHENG Wing Keung, Raymond and Ms. CHUNG Lai Fong.

The roles and functions of Audit Committee, amongst others, are as follows:

1. to review the integrity of accounts and financial reporting procedures;
2. to review and oversee the effectiveness of internal control systems;
3. to appoint external auditors and assess their qualifications, independence and performance; and
4. to review periodically the Company's and the Group's accounts for compliance with applicable accounting standards, legal and regulatory requirements on financial disclosures.

The terms of reference of the Audit Committee are available at the Company's website at www.skyfame.com.cn and the Stock Exchange's website at www.hkex.com.

The Audit Committee held two meetings in March and August 2021 to which all members attended the meetings. The matters discussed in the meetings included: (i) reviewing the financial statements of the Company for the year ended 31 December 2020 and the six months ended 30 June 2021 before submission to the Board for approval; (ii) considering the findings disclosed in the bi-annual internal audit reports prepared by the Internal Audit Department; (iii) reviewing and discussing the effectiveness of the Group's internal controls system with the Chief Internal Auditor; (iv) reviewing and discussing the 2021 work plan of Internal Audit Department; and (v) reviewing the status report of the Risk Management Committee in respect of their work done in 2020. The representatives of the external auditor were present at the meetings held on 20 March 2021 and 26 August 2021 and discussed with the committee members, amongst the other agendas, their findings on major issues to the committee members on the audit of the financial statements for the year ended 31 December 2020. Both the annual results for the year ended 31 December 2020 and the interim result for the six months ended 30 June 2021 have been reviewed by the Audit Committee before presenting to the Board for approval.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditor is set out as follows:

Nature of service	Fees (Renminbi)
Audit services	4,870,000
Non-audit services (note)	50,000
TOTAL	4,920,000

Note: The services provided was for issuance of notes of the Company's subsidiary during the year.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognizes the importance of good communications with shareholders of the Company and understands that the Company's general meetings are a valuable forum for the Board to communicate directly with the shareholders. The members of the Board and committee members and the external auditor, where appropriate, are present to answer shareholders' questions in the meetings. Meeting circulars are distributed to all shareholders before the annual general meeting and special general meetings in accordance with the timeline requirement as laid down in the Listing Rules and the Bye-laws. All the resolutions proposed to be approved at the general meetings are taken by poll. The chairman of the meeting and/or the secretary of the Company explain the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll. Independent scrutineers are engaged to supervise the entire process of the voting. An announcement of the results of the poll will be published on the Company's websites at www.skyfame.com.cn and the Stock Exchange's at www.hkex.com.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has defined policy, namely the "Policies on Preservation and Disclosure of Price Sensitive Information", to govern the release of price sensitive information to the public in an equal, timely and effective manner to enable shareholders' easy appraisal of the Company's performance and business development, and senior staff who obtains sensitive information are refrained from dealing with shares of the Company. The Company has made prompt releases of information about the business and other affairs of the Group to the public and announced its annual and interim results in a timely manner within the time limits as laid down in the Listing Rules.

The 2022 annual general meeting is scheduled to be held at *Empire Room 1, 1st Floor, Empire Hotel Hong Kong•Wanchai, 33 Hennessy Road, Wanchai, Hong Kong on Wednesday, 8 June 2022 at 3:00 p.m.*

CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the year.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

To protect the rights of shareholders to have reasonable involvements in the Company's affairs, the Bye-laws and applicable laws in Bermuda (the place of incorporation of the Company) provide shareholders the following rights about the holding of general meetings of the Company:-

Rights to convene a special general meeting

Pursuant to the Bye-law 58 of the Bye-Laws, members of the Company, holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board to transact or discuss any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of each requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Procedures for putting forward proposals at shareholders' meeting

Subject to Section 79 of The Companies Act 1981 of Bermuda, it shall be the duty of the Company, on the requisition in writing of (i) either any number of members representing not less than one-twentieth of the total voting rights of all the members having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than one hundred members, at the expense of the requisitionists:

- (a) to give to members of the company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and
- (b) to circulate to members entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

Notice of any such intended resolution shall be deposited to the Company's registered office or principal place of business in Hong Kong not less than six weeks before the meeting (in the case of a requisition requiring notice of a resolution); and not less than one week before the meeting (in the case of any other requisition) together with a sum reasonably sufficient to meet the Company's expenses in sending the notice.

Upon receiving the requisition, the Company would take appropriate actions and make necessary arrangements in accordance with the requirements under the provision of the Bye-laws and Sections 79 and 80 of The Companies Act 1981 of Bermuda.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS (continued)

Company's contact details

For general enquires:

Enquiries, concerns and requisitions to the Board can be addressed to: (i) for shareholders and corporate investors, the secretary of the Company at the principal place of business in Hong Kong at Unit 1401, 14/F., Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong, or by fax to (852) 2890 4459, or by email to cs@sfr59.com or (ii) for other stakeholders, the customer officer at the head office in Guangzhou at 33/F., HNA Tower, 8 Linhe Zhong Road, Tianhe District, Guangzhou, the PRC (Postage code: 510610), or by telephone to (86 20) 2208 2888, or by fax to (86 20) 2208 2777.

For suggestions and complaints:

All the suggestions and complaints can be sent to our Hong Kong and Guangzhou offices as stated above or through the Company's website at www.skyfame.com.cn. The Company has set up separate mail box (tousu@tianyudc.com, jianyi@tianyudc.com) and telephone lines 86 (400-800-1910) to receive shareholders' and other stakeholders' suggestions and complaints which will be served by an officer designated for the relevant issues.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibilities for maintaining sound and effective risk management and internal control systems of the Group and reviewing their effectiveness annually. The management is responsible for designing a system of well-defined policies, controls and procedures which are executed from time to time. The Chief Internal Auditor and risk management team report to the Board regularly on the effectiveness of these control systems.

Internal Audit Department

The internal audit department is a designated operating unit set up in the Group which plays a dominating role to ensure the internal control and risk management systems are functioning. The Group's system of internal control includes a defined management structure with clear lines of reporting, limits of authority that are designed to help the management team to carry out the daily management functions for the accomplishment of the Group's business strategies. The internal audit department plays an important lead in the development of internal control systems of the Group that safeguard its assets against unauthorised use or disposition, to maintain proper accounting records of reliable financial information, and to comply with relevant laws and regulations. The internal control systems are designed to provide reasonable, though not absolute, assurance against material misstatement or loss, and to mitigate failure in material aspects in the Group's operations.

Risk Management Committee

The Risk Management Committee comprises one Executive Director, Mr. WEN Xiaobing and three Independent Non-executive Directors, namely Mr. CHOY Shu Kwan, Mr. CHENG Wing Keung, Raymond and Ms. CHUNG Lai Fong. The committee delegates its routine monitoring function to the risk management team which assists the management to develop systems to highlight risks and controls to alleviate risks. The risk management team consists of a risk management officer and the head of the internal audit department who report to the committee as to how the risk management work are carried out by the management and key risk factors highlighted by management are relieved and are addressed to the committee for review and recommendations.



CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS (continued)

Risk Management Committee (continued)

The Risk Management Committee held one meeting in March 2021 to review the works performed and difficulties encountered by the risk management team during the year 2020. Those highlighted high level risks factors, covering aspects on strategic, regulatory, operational, financial and liquidity, were discussed in the meeting in which control measures defined by operating units for alleviation of risks were focused.

The major roles and functions of risk management team are to monitor and review the risk management system and advise to the Board about the effectiveness of and improvements to be made to the existing system and to review the internal control policies associated with the management of risks to ensure adequate control procedures have been developed in daily management to identify and encounter the risks.

The terms of reference of the Risk Management Committee are available at the Company's website at www.skyfame.com.cn and the Stock Exchange's website at www.hkex.com.

Regular Review of the Risk Management and Internal Control Systems

Through regular interactions with the Risk Management Committee, the Chief Internal Auditor and the Audit Committee, the Board has assessed the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2021.

The risk management team reported to the Board through the Risk Management Committee on high level risk factors identified which may potentially affect the Group's business and operations. The Risk Management Committee will consider the impact on the business and the likelihood of their occurrence so as to determines the risk management strategies to prevent, avoid or mitigate the risks.

The Chief Internal Auditor reports to the Chairman of the Board regularly and periodically to the Board through the Audit Committee with findings on regular and ad hoc internal audits. He developed the work plan setting out the objectives and scopes of the audit work to be undertaken for the year 2021 which was approved by the Audit Committee in its meeting held in March 2021. The internal audit covers testing on controls over financial, operation and compliance aspects of the Group. In the internal audit reports issued by the internal audit department, the Chief Internal Auditor highlights deficiencies in controls and makes recommendations on the internal control systems to the responsible managers in the operating units under internal review. Interim and annual internal audit reports issued by the internal audit department during the year 2021, comprising the details of audit work, findings and recommendations of improvements in all audit assignments performed by the internal control department, have been reviewed and discussed by the Audit Committee during the two audit committee meetings held in August and March 2021. In the internal audits performed in the year, the Chief Internal Auditor identified no fundamental deficiencies with material adverse consequences, but pointed out potential risks and areas for improvements and recommended to the management the remedial actions to be taken by the management team. The internal audit department consistently follows up those highlighted issues with the departments covered by the audits to ensure proper improvement measures are executed by management and also the follow-up results are reported in its audit reports.

Based on the audit findings and management responses noted from the assignments, though enhancements are required in certain areas that need to be taken for further improvements, the Board considers that, overall, the existing internal control system is effective and adequate in managing rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss

The Directors herein present their annual report together with the audited consolidated financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are property development, property investment, property management and provision of commercial services at our youth community projects.

BUSINESS REVIEW

Details of the operation of the Company's principal business during the year, as required by Schedule 5 to the Companies Ordinance, including an indication of likely future development in the Group's business, an analysis of key performance indicators, a description of the principal risks and uncertainties facing the Group, and the Group's environmental policies and performance are set out under the section "Management Discussion and Analysis" on pages 9 to 28 and Environmental, Social and Governance Report on pages 33 to 67 of this annual report respectively.

There is no important event affecting the Group that has occurred after the year ended 31 December 2021. Details of the Company's relationships with its employees, suppliers and customers who have significant impacts on the Group and on which the Group's success depends are set out in Environmental, Social and Governance Report under the section headed "Social" in paragraphs B1 (Employment), B5 (Supply Chain Management) and B6 (Product Responsibility/Customers Service and Privacy).

The Group has strictly complied with relevant laws and regulations which have a significant impact on the operations of the Group during the year. In this regard, the Company has retained an in-house legal consultant and outsourced legal advisers in the PRC to provide advices on legal matters and, when necessary, will consult external lawyers of other territories in contemplated transactions.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the consolidated financial statements.

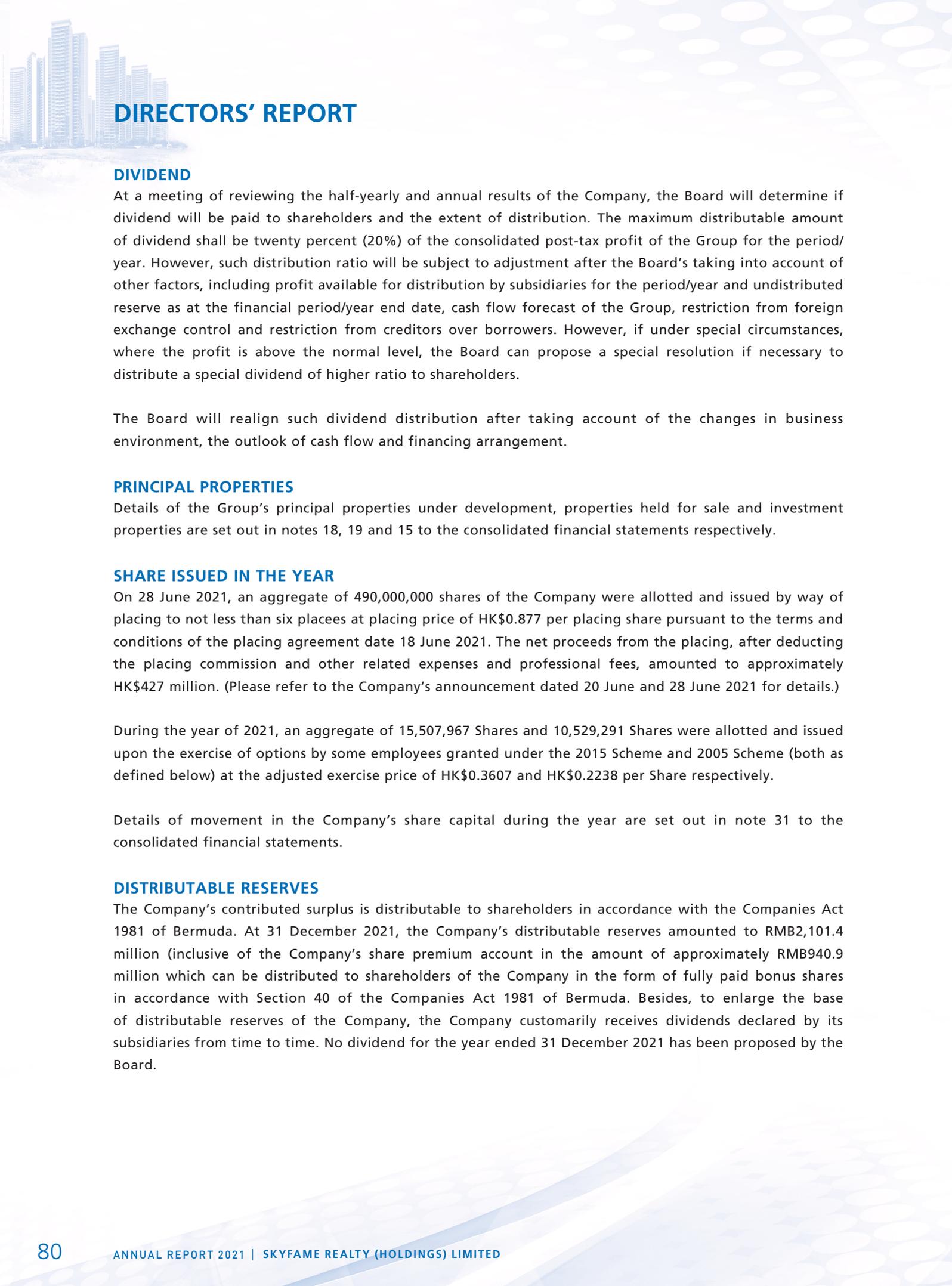
RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of comprehensive income on page 97 of this annual report.

No dividend for the year ended 31 December 2021 has been proposed by the board of directors of the Company (the "Board").

DONATIONS

Charitable and other donations made by the Group during the year amounted to RMB1.2 million.



DIRECTORS' REPORT

DIVIDEND

At a meeting of reviewing the half-yearly and annual results of the Company, the Board will determine if dividend will be paid to shareholders and the extent of distribution. The maximum distributable amount of dividend shall be twenty percent (20%) of the consolidated post-tax profit of the Group for the period/year. However, such distribution ratio will be subject to adjustment after the Board's taking into account of other factors, including profit available for distribution by subsidiaries for the period/year and undistributed reserve as at the financial period/year end date, cash flow forecast of the Group, restriction from foreign exchange control and restriction from creditors over borrowers. However, if under special circumstances, where the profit is above the normal level, the Board can propose a special resolution if necessary to distribute a special dividend of higher ratio to shareholders.

The Board will realign such dividend distribution after taking account of the changes in business environment, the outlook of cash flow and financing arrangement.

PRINCIPAL PROPERTIES

Details of the Group's principal properties under development, properties held for sale and investment properties are set out in notes 18, 19 and 15 to the consolidated financial statements respectively.

SHARE ISSUED IN THE YEAR

On 28 June 2021, an aggregate of 490,000,000 shares of the Company were allotted and issued by way of placing to not less than six places at placing price of HK\$0.877 per placing share pursuant to the terms and conditions of the placing agreement date 18 June 2021. The net proceeds from the placing, after deducting the placing commission and other related expenses and professional fees, amounted to approximately HK\$427 million. (Please refer to the Company's announcement dated 20 June and 28 June 2021 for details.)

During the year of 2021, an aggregate of 15,507,967 Shares and 10,529,291 Shares were allotted and issued upon the exercise of options by some employees granted under the 2015 Scheme and 2005 Scheme (both as defined below) at the adjusted exercise price of HK\$0.3607 and HK\$0.2238 per Share respectively.

Details of movement in the Company's share capital during the year are set out in note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Act 1981 of Bermuda. At 31 December 2021, the Company's distributable reserves amounted to RMB2,101.4 million (inclusive of the Company's share premium account in the amount of approximately RMB940.9 million which can be distributed to shareholders of the Company in the form of fully paid bonus shares in accordance with Section 40 of the Companies Act 1981 of Bermuda. Besides, to enlarge the base of distributable reserves of the Company, the Company customarily receives dividends declared by its subsidiaries from time to time. No dividend for the year ended 31 December 2021 has been proposed by the Board.

EQUITY LINKED AGREEMENTS

Other than the share options granted and shares awarded by the Company as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares were entered into by the Company during the year.

Share Options

The Company adopted another share option scheme on 9 June 2015 (the "2015 Scheme") upon the expiry of the old scheme adopted in 2005 (the "2005 Scheme") to provide incentives and rewards to eligible participants who are directors of the Company and employees of the Group.

During the year, no share option was granted to eligible participants and an aggregate of 855,000 share options were cancelled upon the resignation of employees. Pursuant to the 2005 Scheme and 2015 Scheme, 10,529,291 share options and 15,507,967 share options were exercised for subscription of 10,529,291 and 15,507,967 Shares at respective exercise prices of HK\$0.2238 and HK\$0.3607 per Share during the year. As at 31 December 2021, no share options granted under the 2005 Scheme was outstanding, while there was 82,001,033 share options outstanding under the 2015 Scheme.

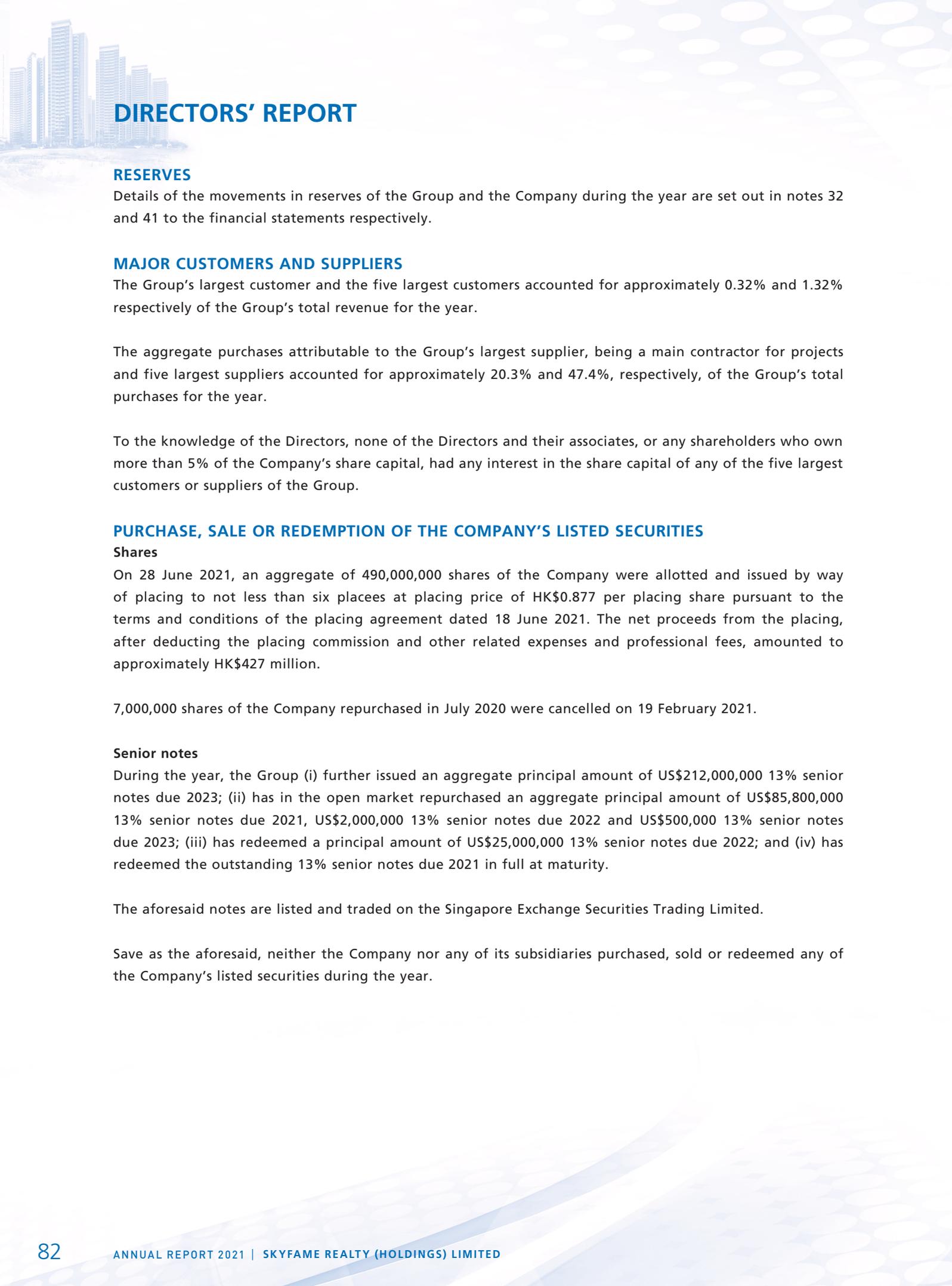
Details of the share options scheme are set out in note 33 to the consolidated financial statements.

Share Awards

On 3 July 2018, the Company adopted a share award scheme (the "Share Award Scheme") with objectives to recognise the contributions by certain employees and give incentives thereto in order to motivate them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. Unless terminated earlier pursuant to the terms of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a period of ten (10) years commencing on its adoption date. The maximum aggregate number of shares to be awarded by the Board under the Share Award Scheme shall not exceed 5% of the issued share capital of the Company from time to time. The maximum aggregate number of the awarded shares which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

During the year 2019, pursuant to the Share Award Scheme, an aggregate of 143,500,000 shares were conditionally awarded to directors of the Company and employees of the Group with vesting period of three years commencing from May 2020 to May 2022. In December 2020, 19,940,000 vested shares were transferred to the employees of the Group. In January and March 2021, an aggregate of 23,097,158 vested shares were transferred to the employees, the Group and the directors of the Company.

Details of the Share Award Scheme are set out in note 34 to the consolidated financial statements.



DIRECTORS' REPORT

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in notes 32 and 41 to the financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer and the five largest customers accounted for approximately 0.32% and 1.32% respectively of the Group's total revenue for the year.

The aggregate purchases attributable to the Group's largest supplier, being a main contractor for projects and five largest suppliers accounted for approximately 20.3% and 47.4%, respectively, of the Group's total purchases for the year.

To the knowledge of the Directors, none of the Directors and their associates, or any shareholders who own more than 5% of the Company's share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Shares

On 28 June 2021, an aggregate of 490,000,000 shares of the Company were allotted and issued by way of placing to not less than six places at placing price of HK\$0.877 per placing share pursuant to the terms and conditions of the placing agreement dated 18 June 2021. The net proceeds from the placing, after deducting the placing commission and other related expenses and professional fees, amounted to approximately HK\$427 million.

7,000,000 shares of the Company repurchased in July 2020 were cancelled on 19 February 2021.

Senior notes

During the year, the Group (i) further issued an aggregate principal amount of US\$212,000,000 13% senior notes due 2023; (ii) has in the open market repurchased an aggregate principal amount of US\$85,800,000 13% senior notes due 2021, US\$2,000,000 13% senior notes due 2022 and US\$500,000 13% senior notes due 2023; (iii) has redeemed a principal amount of US\$25,000,000 13% senior notes due 2022; and (iv) has redeemed the outstanding 13% senior notes due 2021 in full at maturity.

The aforesaid notes are listed and traded on the Singapore Exchange Securities Trading Limited.

Save as the aforesaid, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DIRECTORS AND THEIR SERVICE CONTRACTS

The Directors during the year and up to the date of this report were as follows:

Executive Directors

Mr. YU Pan (*Chairman and Chief Executive officer*)
Mr. WEN Xiaobing (*Deputy Chief Executive Officer*)
Mr. WANG Chenghua
Mr. JIN Zhifeng

Non-executive Director

Mr. WONG Lok

Independent Non-executive Directors

Mr. CHOY Shu Kwan
Mr. CHENG Wing Keung, Raymond
Ms. CHUNG Lai Fong

In accordance with Bye-law 84(1) of the Bye-laws, Mr. WANG Chenghua, Mr. CHENG Wing Keung, Raymond and Ms. CHUNG Lai Fong will retire from office by rotation at the forthcoming annual general meeting and being eligible, will offer themselves for re-election.

None of the Directors being proposed for re-election at the forthcoming general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Except as those disclosed in the section of "Connected Transactions" of this report hereinafter, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its holding company was a party and in which a director and/or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Specific Performance Obligations of the Controlling Shareholder

Pursuant to the terms of various bonds instruments and certain facility agreements entered into between the Company and various lenders, a change of control event (a "Change of Control Event") happens if Mr. YU Pan and his associates (as defined under the Listing Rules) cease to (i) collectively be the beneficial owners (directly or indirectly through wholly owned subsidiaries) of at least 30% or 50%, as applicable, of the issued share capital of the Company, or (ii) be the largest shareholder of the Company, or (iii) be employee of the Company or any Group company or any changes in the terms and conditions of employment of Mr. Yu has been made (other than any adjustment in the annual salary of Mr. Yu or any grant of discretionary bonus or any award of shares under the share award scheme to Mr. Yu duly approved by the remuneration committee and board of directors of the Company). Upon the occurrence of a Change of Control Event, the lenders will declare the outstanding loan together with accrued interest and all other amounts accrued to be immediately due and payable.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out in section headed "Brief biographical details of directors and senior management" on pages 29 to 32 of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into with directors or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2021, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required, (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii), pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, are as follows:

(a) Interests in the Shares or underlying Shares

Name of Director	Company/ Associated corporation	Capacity	Number of Shares or underlying Shares	Approximate shareholding percentage (note 4)
Mr. YU Pan ("Mr. Yu")	Company	Interest of controlled corporation and/or beneficial owner	5,842,633,721 (long) (note 1)	69.17%
Mr. WEN Xiaobing ("Mr. Wen")	Company	Beneficial owner	20,581,291 (long) (note 2)	0.24%
Mr. WANG Chenghua ("Mr. Wang")	Company	Beneficial owner	5,994,000 (long) (note 3)	0.07%
Mr. JIN Zhifeng ("Mr. Jin")	Company	Beneficial owner	5,994,000 (long) (note 3)	0.07%
Ms. CHUNG Lai Fong	Company	Beneficial owner	858,000 (long)	0.01%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

(a) Interests in the Shares or underlying Shares (continued)

Notes:

- These Shares comprised (i) 809,467,167 Shares directly held by Mr. Yu; (ii) 6,333,333 Shares granted by the Company pursuant to the Share Award Scheme were held by a trustee and shall be vested to Mr. Yu upon fulfillment of certain performance target set by the Company; and (iii) 5,026,833,221 existing Shares held directly by Cosmos Tianyu Holdings Limited ("Cosmos Tianyu"). The entire issued share capital of Cosmos Tianyu was held by Sharp Bright International Limited ("Sharp Bright"), the entire issued share capital of which was held by Mr. Yu. Amongst the 5,842,633,721 Shares, 3,000,000,000 Shares were charged by Cosmos Tianyu in favour of Haitong International Securities Company Limited pursuant to a security deed dated 1 February 2021 in relation to a term loan facility granted to Cosmos Tianyu.
- These Shares comprised (i) 16,581,291 Shares directly held by Mr. Wen; and (ii) 4,000,000 Shares granted by the Company pursuant to the Share Award Scheme were held by a trustee and shall be vested to Mr. Wen upon fulfillment of certain performance target set by the Company.
- These Shares comprised (i) 1,994,000 Shares directly held by Mr. Wang/Mr. Jin; and (ii) 4,000,000 Shares granted by the Company pursuant to the Share Award Scheme were held by a trustee and shall be vested to Mr. Wang and Mr. Jin upon fulfillment of certain performance target set by the Company.
- For the purposes of this section, the shareholding percentage in the Company was calculated on the basis of 8,446,331,365 Shares in issue as at 31 December 2021.

(b) Interests in underlying Shares arising from share options

As at 31 December 2021, the following Directors had interests as beneficial owners in options to subscribe for Shares granted under the 2015 Scheme:

Name of Director	Exercise price (adjusted) (HK\$)	Exercise period	Number of underlying Shares	Approximate shareholding percentage (note 2)
Mr. WEN Xiaobing	0.3607	26 June 2016 to 25 June 2025 (note 1)	24,000,000	0.28%
Mr. CHOY Shu Kwan	0.3607	26 June 2016 to 25 June 2025 (note 1)	3,000,000	0.04%
Mr. CHENG Wing Keung, Raymond	0.3607	26 June 2016 to 25 June 2025 (note 1)	3,000,000	0.04%
Ms. CHUNG Lai Fong	0.3607	26 June 2016 to 25 June 2025 (note 1)	1,284,000	0.02%

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

(b) Interests in underlying Shares arising from share options (continued)

Notes:

1.
 - (i) First tranche (14.3% of the Options granted) is exercisable from 26 June 2016 to 25 June 2025;
 - (ii) Second tranche (14.3% of the Options granted) is exercisable from 26 June 2017 to 25 June 2025;
 - (iii) Third tranche (14.3% of the Options granted) is exercisable from 26 June 2018 to 25 June 2025;
 - (iv) Fourth tranche (14.3% of the Options granted) is exercisable from 26 June 2019 to 25 June 2025;
 - (v) Fifth tranche (14.3% of the Options granted) is exercisable from 26 June 2020 to 25 June 2025;
 - (vi) Sixth tranche (14.3% of the Options granted) is exercisable from 26 June 2021 to 25 June 2025; and
 - (vii) Seventh tranche (14.2% of the Options granted) is exercisable from 26 June 2022 to 25 June 2025.
2. For the purpose of this section, the percentage of shareholding in the Company was calculated on the basis of 8,446,331,365 Shares in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company, its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors and his/her respective close associates had any other interests in any business, which competes or is likely to compete, either directly or indirectly, with the Company's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules).

SUBSTANTIAL SHAREHOLDERS

At 31 December 2021, so far as known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Interests in the Shares or underlying Shares

Name of Shareholder	Capacity	Number of Shares and underlying Shares	Approximate shareholding percentage (note 2)
Sharp Bright	Interest of controlled corporation	5,026,833,221 (long) (note 1)	59.51%
Cosmos Tianyu	Beneficial owner	5,026,833,221 (long) (note 1)	59.51%

Notes:

- The 5,026,833,221 existing Shares were held directly by Cosmos Tianyu. As the entire issued share capital of Cosmos Tianyu was held by Sharp Bright, Sharp Bright was deemed to be interested in the Shares in which Cosmos Tianyu was interested by virtue of the SFO. As the entire issued share capital of Sharp Bright was held by Mr. Yu, Mr. Yu was deemed to be interested in the Shares in which Sharp Bright was interested by virtue of SFO. Amongst 5,026,833,221 Shares, 3,000,000,000 Shares were charged by Cosmos Tianyu in favour of Haitong International Securities Company Limited pursuant to a security deed dated 1 February 2021 in relation to a term loan facility granted to Cosmos Tianyu.
- For the purpose of this section, the shareholdings percentage in the Company was calculated on the basis of 8,446,331,365 Shares in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, the Company had not been notified by any persons or corporations who had long or short position in the Shares and/or underlying Shares, which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

On July 8, 2021, 南寧天譽譽浚投資有限公司 (Nanning Tianyu Yujun Investment Co., Ltd.* (“**Tianyu Yujun**”), an indirect wholly-owned subsidiary of the Company which holds 100% equity interests of 南寧天譽巨榮置業有限公司 (Nanning Tianyu Jurong Realty Company Limited* (“**Tianyu Jurong**”), an indirectly wholly-owned subsidiary of the Company before the following capital increase)), 漳州唐林房地產開發有限公司 (Zhangzhou Tanglin Real Estate Development Co., Ltd.* (“**Zhangzhou Tanglin Real Estate**”), an indirect subsidiary of Datang Group Holding Co., Ltd. (“**Datang Group**”, a company listed on the main board of the Stock Exchange, stock code: 02117 and is a connected person of the Company at the subsidiary level)) and Tianyu Jurong entered into a capital increase agreement and pursuant to which Zhangzhou Tanglin Real Estate agreed to make a capital contribution in an aggregate amount of RMB605,930,000 in cash for 20% equity interests in Tianyu Jurong’s equity. Upon completion of aforesaid capital contribution, the registered capital of Tianyu Jurong will be increased to RMB3,029,650,000 and Tianyu Jurong will be owned as to 80% by Tianyu Yujun and 20% by Zhangzhou Tanglin Real Estate. Tianyu Jurong will remain a subsidiary of the Company. (Please refer the Company’s announcement date 8 July 2021 for details.)

On 30 September 2021, Tianyu Jurong, 重慶核盛房地產開發有限公司 (Chongqing Hesheng Property Development Co., Ltd.* (“**Chongqing Hesheng**”), an indirectly wholly-owned subsidiary of the Company), 重慶唐承房地產開發有限公司 (Chongqing Tangcheng Property Development Co., Ltd.* (“**Chongqing Tangcheng**”), an indirect subsidiary of Datang Group and is a connected person of the Company at the subsidiary level) and 重慶之遠地產有限公司 (Chongqing Zhiyuan Property Co., Ltd.* (“**Chongqing Zhiyuan**”), effectively an indirect 90.2% owned subsidiary of the Company before the Capital Increase) entered into a co-operative development agreement and pursuant to which Chongqing Hesheng agreed to increase its capital contribution in Chongqing Zhiyuan from RMB20,820,000 to RMB60,000,000 and Chongqing Tangcheng agreed to make a capital contribution of RMB20,000,000 in Chongqing Zhiyuan (the “**Capital Increase**”) and pay to Tianyu Jurong an amount of RMB84,778,000, being consideration for the acquisition of 20% equity interest in the Chongqing Zhiyuan. Before the Capital Increase, the registered capital of Chongqing Zhiyuan is RMB40,820,000 and Chongqing Zhiyuan is owned as to 49% by Tianyu Jurong and 51% by Chongqing Hesheng. Upon completion of the Capital Increase, the registered capital of Chongqing Zhiyuan will be increased to RMB100,000,000 and Chongqing Zhiyuan will be owned as to 20% by Tianyu Jurong, 60% by Chongqing Hesheng, and 20% by Chongqing Tangcheng. Chongqing Zhiyuan will remain a subsidiary of the Company. (Please refer the Company’s announcement dated 30 September 2021 for details.)

Save as disclosed above and the transactions stated in note 38 to the consolidated financial statements which amounts separately did not meet the disclosure requirements under the Listing Rules, none of the Directors, substantial shareholders or controlling shareholders of the Company and their respective associates was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at 31 December 2021 which was significant in relation to the business of either the Group or has any material personal interest.

RETIREMENT BENEFIT SCHEMES

Particular of the retirement benefits schemes of the Group are set out in note 9 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 206 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirmed that the Company has maintained the prescribed amount of public float as required under the Listing Rules during the year and up to the date of this annual report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, the Director(s) shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation to any affairs of the Company.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

AUDITOR

BDO Limited has resigned as auditor of the Company with effect from 27 September 2019. The Board has appointed PricewaterhouseCooper as new auditor of the Company to fill the vacancy following BDO's resignation. PricewaterhouseCooper was re-appointed as the auditor of the Company at the annual general meetings of the Company held on 16 June 2020 and 8 June 2021.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board

YU Pan

Chairman

Hong Kong, 31 March 2022

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Skyfame Realty (Holdings) Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Skyfame Realty (Holdings) Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 97 to 205, comprise:

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

Our opinion

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

BASIS FOR OPINION

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

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

Independence

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

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

INDEPENDENT AUDITOR'S REPORT

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 to the consolidated financial statements, which states that the Group recorded a profit of RMB109 million, a loss attributable to owners of the Company of RMB284 million and a net cash outflow from operation of RMB1,463 million for the year ended 31 December 2021. As at that date, the Group had total bank and other borrowings of RMB11,476 million, of which RMB6,777 million were current bank and other borrowings repayable within 12 months (including certain senior notes issued by the Group with a total amount of RMB3,306 million), while the Group's cash and cash equivalents amounted to RMB1,331 million and restricted cash was RMB2,880 million. These conditions, along with other events and conditions that set out in Note 2.1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

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

- Net realisable value (“NRV”) assessment of properties under development (“PUD”) and properties held for sale (“PHS”)
- Valuation of investment properties

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters

NRV Assessment of PUD and PHS

Refer to notes 2.11, 4(a), 18 and 19 to the consolidated financial statements.

PUD and PHS amounted to RMB14,272 million and RMB1,693 million, respectively, as at 31 December 2021. PUD and PHS are stated at the lower of cost and the NRV. The NRV are assessed by taking into account of the selling prices, variable selling expenses and estimated costs to completion of PUD based on prevailing market conditions.

Provision of impairment of RMB90 million was made for PUD and PHS based on management's assessment as at 31 December 2021.

Determination of NRV involved significant judgements and estimates on the selling prices, variable selling expenses and estimated costs to completion of PUD. The judgements and estimations are subject to high degree of estimation uncertainty. The inherent risk in relation to the assessment of net realisable value of properties under development and completed properties held for sales is considered relatively higher due to uncertainty of significant assumptions used.

We focus on this area because of the significant balance of PUD and PHS and significant judgements involved in determining the critical estimates and assumptions used in assessment of NRV of these properties.

How our audit addressed the Key Audit Matters

We have performed the following procedures to address this key audit matter:

- (i) We understood, evaluated and validated the key internal control over management determination of NRV including the selling prices, variable selling expenses and costs to completion of PUD and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors;
- (ii) We assessed the Group's estimates of the anticipated costs to completion for PUD by comparing them to the budgets approved by management, examining the signed construction contracts on a sample basis, or comparing the anticipated completion costs to the actual costs of comparable properties with similar sizes, usages and locations of the Group in recent years;
- (iii) We assessed whether the variable selling expenses were reasonable with reference to historical selling expenses to selling price ratio;
- (iv) We checked selling prices to most recent selling price of the PUD and PHS or the prevailing market price of the similar type of properties in the same location.

We found that management's judgements and estimates used in the NRV assessment of PUD and PHS were supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters

Valuation of investment properties

Refer to notes 2.7, 4(b) and 15 to the consolidated financial statements.

The Group's investment properties are stated at fair values. As at 31 December 2021, the Group's investment properties amounted to RMB3,658 million and the fair value losses on investment properties for the year ended 31 December 2021 amounted to RMB5 million.

Management has engaged independent external valuers to assist them to perform valuations of all the investment properties. The valuations of completed investment properties are dependent on certain key assumptions that require significant judgements, including term yields and reversionary yields, fair market rents and fair market prices. The valuations of investment properties under construction are also dependent upon the estimated costs to complete and anticipated developer's profit margin.

We focus on this area because of the significance of the balance and fair value gain or loss of investment properties to the Group's consolidated financial statements and significant judgements involved in determining the critical estimates and assumptions used in the valuations.

How our audit addressed the Key Audit Matters

We have performed the following procedures to address this key audit matter:

- (i) We understood, evaluated and validated the key internal control over the valuation of investment properties including the determination of appropriate valuation models and assumptions used in determining the fair values of investment properties;
- (ii) We evaluated the competence, capabilities and objectivity of the independent external valuers;
- (iii) We checked, on a sample basis, accuracy and relevance of the input data used in the valuations, to the recent external market data;
- (iv) We assessed the appropriateness of methodologies used and the reasonableness of the key assumptions applied in the valuations with the involvement of our internal valuation specialist. We assessed the term yields, reversionary yields, fair market rents and fair market prices used in the valuations to recent comparable transactions and market research of similar comparable data in the similar locations of the Group's investment properties; and
- (v) In addition to the above, for investment properties under construction, we assessed the reasonableness of management's estimates of costs to complete by checking, on a sample basis, the total budgeted construction costs against the signed contracts with vendors and actual construction costs of similar properties and the actual costs incurred up to date of balance sheet. For the anticipated developer's profit margin, we compared against the historical developer's profit margin of similar properties of the Group.
- (vi) We assessed the adequacy of the disclosure relating to the valuation of investment properties in the content of HKFRS disclosure requirements.

We found the key estimates and assumptions used in the valuation of investment properties were supported by the available evidence.



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



INDEPENDENT AUDITOR'S REPORT

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

The engagement partner on the audit resulting in this independent auditor's report is Yeung Chor Ho.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 31 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Revenue	5	7,662,876	7,702,150
Cost of sales and services	8	(5,965,692)	(5,534,120)
Gross profit		1,697,184	2,168,030
Other income		7,372	21,855
Other (losses)/gains – net	6	(282,562)	220,618
Sales and marketing expenses	8	(290,656)	(285,377)
Administrative and other expenses	8	(400,788)	(443,067)
Impairment loss of trade and other receivables	20, 21	(43,087)	(25,961)
Impairment loss of properties under development and properties held for sale	18, 19	(90,038)	–
Fair value changes in investment properties	15	(5,335)	41,452
Operating profit		592,090	1,697,550
Share of profit/(loss) of a joint venture, net of tax	17	414	(3,177)
Finance income - net	7	90,943	225,494
Profit before income tax		683,447	1,919,867
Income tax expense	10	(573,979)	(916,855)
Profit for the year		109,468	1,003,012
Other comprehensive income, items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		5,899	643
Total comprehensive income for the year		115,367	1,003,655
(Loss)/profit for the year attributable to:			
– Owners of the Company		(284,209)	950,900
– Non-controlling interests		393,677	52,112
		109,468	1,003,012
Total comprehensive (loss)/income for the year attributable to:			
– Owners of the Company		(278,310)	951,543
– Non-controlling interests		393,677	52,112
		115,367	1,003,655
(Loss)/earnings per share			
– Basic (expressed in RMB)	11	(0.035)	0.122
– Diluted (expressed in RMB)	11	(0.035)	0.121

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

	Note	31 December	
		2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	13	538,580	435,740
Right-of-use assets	14	362,425	376,656
Investment properties	15	3,658,458	3,584,405
Interest in a joint venture	17	44,311	43,897
Deferred tax assets	23	286,170	189,110
		4,889,944	4,629,808
Current assets			
Properties under development	18	14,272,226	14,051,893
Properties held for sale	19	1,692,505	2,080,204
Financial assets at fair value through profit or loss	16	226,956	774,220
Trade receivables	20	198,106	400,899
Other receivables and prepayments	21	4,987,771	4,633,717
Contract costs	24	298,342	187,798
Restricted cash	26	2,879,579	334,489
Cash and cash equivalents	27	1,331,042	1,968,713
		25,886,527	24,431,933
Total assets		30,776,471	29,061,741
Equity			
Share capital	31	26,092	24,680
Other reserves	31, 32	1,693,396	1,327,058
Retained earnings	32	2,507,856	2,995,966
		4,227,344	4,347,704
Equity attributable to owners of the Company		4,227,344	4,347,704
Non-controlling interests		1,392,364	447,054
		5,619,708	4,794,758
Total equity		5,619,708	4,794,758

CONSOLIDATED BALANCE SHEET

		31 December	
		2021	2020
	Note	RMB'000	RMB'000
Non-current liabilities			
Lease liabilities	14	172,354	162,772
Bank and other borrowings	22	4,698,797	6,037,941
Deferred tax liabilities	23	429,635	542,298
		<u>5,300,786</u>	<u>6,743,011</u>
Current liabilities			
Lease liabilities	14	17,507	8,753
Bank and other borrowings	22	6,777,010	2,653,495
Trade and other payables	28	6,005,184	4,102,800
Contract liabilities	29	5,387,594	9,429,225
Income tax payable		1,668,682	1,329,699
		<u>19,855,977</u>	<u>17,523,972</u>
Total liabilities		<u>25,156,763</u>	<u>24,266,983</u>
Total equity and liabilities		<u>30,776,471</u>	<u>29,061,741</u>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 97 to 205 were approved by the Board of Directors on 31 March 2022 and were signed on its behalf.

Jin Zhifeng
Director

Wang Chenghua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Share-based payment reserve RMB'000	Share held for share award scheme reserve RMB'000	Foreign exchange reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021	24,680	579,406	44,382	(123,242)	197	826,315	2,995,966	4,347,704	447,054	4,794,758
(Loss)/profit for the year	-	-	-	-	-	-	(284,209)	(284,209)	393,677	109,468
Other comprehensive income	-	-	-	-	5,899	-	-	5,899	-	5,899
Total comprehensive income/(loss) for the year	-	-	-	-	5,899	-	(284,209)	(278,310)	393,677	115,367
Transaction with owners:										
Issue of shares: share placing	31	1,340	351,211	-	-	-	-	352,551	-	352,551
Issue of shares: exercise of share options issue	31, 33	72	10,281	(3,623)	-	-	-	6,730	-	6,730
Employee share option and share award schemes	33, 34	-	-	6,640	-	-	-	6,640	-	6,640
Reallocation of lapsed options from share-based payment reserve to retained profits	33	-	-	(372)	-	-	372	-	-	-
Shares transferred to employee under share award schemes	34	-	-	(24,023)	20,325	-	3,698	-	-	-
Capital injections from non-controlling interests		-	-	-	-	-	-	-	549,790	549,790
Purchase of shares from non-controlling interest		-	-	-	-	-	-	-	2,843	2,843
Final dividend for 2020	12	-	-	-	-	-	(210,824)	(210,824)	-	(210,824)
Dividends received under the share award scheme		-	-	-	-	-	2,853	2,853	-	2,853
Distributions to non-controlling interests		-	-	-	-	-	-	-	(1,000)	(1,000)
At 31 December 2021	26,092	940,898	23,004	(102,917)	6,096	826,315	2,507,856	4,227,344	1,392,364	5,619,708
At 1 January 2020	24,670	1,684,671	42,786	(143,914)	(446)	(269,765)	2,201,171	3,539,173	210,873	3,750,046
Profit for the year	-	-	-	-	-	-	950,900	950,900	52,112	1,003,012
Other comprehensive income	-	-	-	-	643	-	-	643	-	643
Total comprehensive income for the year	-	-	-	-	643	-	950,900	951,543	52,112	1,003,655
Transaction with owners:										
Repurchase of shares	31	(68)	(20,737)	-	-	-	-	(20,805)	-	(20,805)
Issue of shares: exercise of share options issue	31, 33	78	11,552	(3,732)	-	-	-	7,898	-	7,898
Employee share option and share award schemes	33, 34	-	-	33,408	-	-	-	33,408	-	33,408
Reallocation of lapsed options from share-based payment reserve to retained profits	33	-	-	(7,342)	-	-	7,342	-	-	-
Shares transferred to employee under share award schemes	34	-	-	(20,738)	20,672	-	66	-	-	-
Change from a joint venture to a subsidiary		-	-	-	-	-	-	-	179,498	179,498
Arising on acquisition of subsidiaries		-	-	-	-	-	-	-	4,571	4,571
Final dividend for 2019	12	-	-	-	-	-	(166,564)	(166,564)	-	(166,564)
Dividends received under share award scheme		-	-	-	-	-	3,051	3,051	-	3,051
Capital reorganisation	31	-	(1,096,080)	-	-	1,096,080	-	-	-	-
At 31 December 2020	24,680	579,406	44,382	(123,242)	197	826,315	2,995,966	4,347,704	447,054	4,794,758

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash used in operations		(1,018,139)	(686,225)
PRC corporate income tax paid		(316,641)	(204,446)
PRC land appreciation tax paid		(128,078)	(127,527)
Net Cash used in operating activities	35(a)	(1,462,858)	(1,018,198)
Cash flows from investing activities			
Interest received		69,760	28,765
Change from a joint venture to a subsidiary, net of cash		–	99,471
Acquisition of a subsidiary, net of cash acquired		–	4,365
Addition to assets under construction		(27,969)	(5,499)
Purchases of property, plant and equipment	13	(3,818)	(1,895)
Disposal/(addition) of financial assets		254,449	(393,084)
Purchase of short-term investments		–	(300)
Proceeds from short-term investments		–	300
Advance to non-controlling interests of subsidiaries		–	(6,737)
Repayments from non-controlling interests of subsidiaries		108,273	–
Net cash generated from/(used in) investing activities		400,695	(274,614)
Cash flows from financing activities			
Repurchase of ordinary shares		–	(20,805)
Proceeds from share placing		352,551	–
Proceeds from issue of ordinary shares for share option schemes		6,730	7,898
Purchase of shares from non-controlling interests		(2,100)	–
Proceeds from bank and other borrowings	35(b)	6,288,462	3,919,945
Repayments of bank and other borrowings	35(b)	(3,493,788)	(1,317,815)
Interest and other borrowing costs paid	35(b)	(952,630)	(694,059)
Capital injections from non-controlling interests		549,790	–
Increase in restricted cash		(2,119,871)	–
Dividend paid to owners of the Company		(210,824)	(166,564)
Distribution paid to non-controlling interests		(1,000)	–
Net cash generated from financing activities		417,320	1,728,600
Net (decrease)/increase in cash and cash equivalents		(644,843)	435,788
Effect of exchange rate changes on cash and cash equivalents		7,172	(39,693)
Cash and cash equivalents at beginning of year		1,968,713	1,572,618
Cash and cash equivalents at end of year	27	1,331,042	1,968,713

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1 GENERAL

Skyfame Realty (Holdings) Limited (the “**Company**”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its (a) registered office, (b) head office and principal place of business in the People’s Republic of China (“**PRC**”), and (c) principal place of business in Hong Kong are at (a) Clarendon House, 2 Church Street, Hamilton HM11, Bermuda; (b) 32nd to 33rd floors of HNA Tower, 8 Linhe Zhong Road, Tianhe District, Guangzhou, Guangdong Province, PRC and (c) Unit 1401, 14th Floor, Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong, respectively.

The Company and its subsidiaries are hereinafter collectively referred to as the “**Group**”. The principal activity of the Company continues to be investment holding. Other than the operations in our youth community developments which currently do not bear operating results, assets or liabilities of significance to the Group, the principal activities of its subsidiaries are property development, property investment and property management.

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

The Group will closely monitor the development of the COVID-19 outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

These financial statements have been approved for issue by the board of directors (the “**Board**”) of the Company on 31 March 2022.

These financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(a) *Compliance with HKFRSs and HKCO*

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

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

(b) *Historical cost convention*

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

(c) *Going concern basis*

For the year ended 31 December 2021, the Group recorded a profit of RMB109 million, a loss attributable to owners of the Company of RMB284 million and a net cash outflow from operation of RMB1,463 million. As at 31 December 2021, the Group had total bank and other borrowings of RMB11,476 million, of which RMB6,777 million were current bank and other borrowings repayable within 12 months (including certain senior notes issued by the Group with a total amount of RMB3,306 million), while the Group’s cash and cash equivalents amounted to RMB1,331 million and restricted cash was RMB2,880 million. Out of the above current bank and other borrowings, RMB2,300 million were secured by restricted deposits of RMB2,300 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(c) *Going concern basis (continued)*

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

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

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

- (i) The Group will closely monitor the repayment of its bank and other borrowings. In particular, the Group will negotiate with the lenders to secure their agreement to exchange the Group's senior notes of RMB1,469 million maturing in July 2022 with new senior notes with extended maturity beyond 2022; and not to exercise the early redemption put options in December 2022 for the senior note of RMB1,837 million with contractual maturity in December 2023. The Group will seek for extension and renewal of its other bank and other borrowings upon maturity as well as obtaining new financing from financial institutions.
- (ii) The Group is in active negotiations with certain potential buyers for disposal of certain commercial properties of the Group, including commercial office buildings and shops, with aggregate carrying value of approximately RMB2,831 million. The Group will also consider to further dispose of other commercial properties and investment properties to generate more cash inflows if needed.
- (iii) The Group will continue to implement plans and measures to accelerate the pre-sales and sales of its properties under development and completed properties held for sale, and to speed up the collection of sales proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(c) *Going concern basis (continued)*

- (iv) The Group has uncommitted project loan facilities and other general facilities of RMB6,251 million, and will also secure new facilities to provide sufficient funding for the Group's project construction payments or other project related payments such as compensation for residential demolition of urban redevelopment projects. The Group will closely monitor the process of construction of its property development projects to ensure that construction and related payments are fulfilled, the relevant properties sold under pre-sale arrangement are completed and delivered to the customers on schedule as planned, such that the Group is able to release restricted pre-sale proceeds from the designated bank accounts to meet its other financial obligations.
- (v) The Group will also continue to seek for other alternative financing, such as equity financing to finance the settlement of its existing financial obligations and future operating expenditures.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from 31 December 2021. In the opinion of the Directors, in light of the above and taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2021. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

- (i) Successful and timely extension and renewal of its bank and other borrowings upon maturity as well as obtaining new financing from financial institutions; in particular the successful negotiation with the lenders to secure their agreement to exchange the Group's senior notes of RMB1,469 million maturing in July 2022 with new senior notes with extended maturity beyond 2022, and not to exercise the early redemption put options in December 2022 for the senior note of RMB1,837 million with contractual maturity in December 2023. The Group's ability to obtain these financing depends on (1) current and ongoing regulatory environments and how the relevant policies and measures might affect the Group and/or the relevant financial institutions; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions for such extension or renewal; and (3) the Group's ability to continuously comply with the relevant terms and conditions of its bank and other borrowings including the senior notes;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(c) *Going concern basis (continued)*

- (ii) Successful disposals of certain commercial properties and investment properties at a reasonable price, and collection of sales proceeds according to the timeline as planned;
- (iii) Successful implementation of the plans and measures to accelerate the pre-sales and sales of properties under developments and completed properties held for sale, and timely collection of the relevant sales proceeds;
- (iv) Successful in securing new project loans and general loans facilitates from financial institutes and draw down of project loans from the Group's existing or new loan facilities to fulfil its project construction and related payment obligations and successful completion and delivery of properties to the customers on schedule as planned; and
- (v) Successful in obtaining other additional sources of financing other than those mentioned above, such as equity financing, as and when needed.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(e) *New standards, amendments and interpretation not yet adopted*

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

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	Originally 1 January 2021, but extended to 1 January 2023 by the HKICPA
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	Originally 1 January 2022, but extended to 1 January 2023 by the HKICPA
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
Revised Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combination	1 January 2022
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies “Classification of Liabilities as Current or Non-current – Amendments to HKAS 1”
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

These new and amended standards and revised framework are not expected to have a material impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limit exceptions, measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

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

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

Business combinations (continued)

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

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

2.2.2 Separate financial statements

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

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

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

2.4 Segment reporting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within 'finance costs – net'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'Other(losses)/gains – net'.

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

(c) *Group entities*

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

- assets and liabilities for each balance sheet of the Group's entities are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated statement of comprehensive income of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. Depreciation on Property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values over their estimated useful lives as follows:

Buildings	12-30 years
Furniture, fixtures and equipment	2-10 years
Motor vehicles	3-10 years

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the consolidated statement of comprehensive income.

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

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Investment property

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Investment property (continued)

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

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

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

Changes in fair values of investment property are recognised as 'Fair value changes in investment properties' in the consolidated statement of comprehensive income.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

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

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

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

2.9.2 Recognition and measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

2.9.2 Recognition and measurement (continued)

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group categorises its debt instruments as amortised cost, which are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(b) Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss accounts. Dividends from such investments continue to be recognised in profit or loss accounts as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognised as 'Other (losses)/gains – net' in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. The Group held no equity investments measured at FVOCI during the year ended 31 December 2021.

2.9.3 Impairment

The Group assesses on a forward looking basis the expected credit losses ("ECLs") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 20 for further details.

Impairment on other financial assets at amortised cost is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Offsetting financial instruments

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

2.11 Properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of property comprises cost of land use rights, construction costs, borrowing costs on qualifying assets, and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

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

2.12 Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Contract costs and liabilities and costs for obtaining contracts

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

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

2.14 Cash and cash equivalents and restricted cash

Cash and cash equivalents includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

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

2.15 Share capital

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

Where any entity of the Group purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to owners of the Company.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Borrowings and borrowing costs

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

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

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

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

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

Outside basis differences

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Current and deferred income tax (continued)

(c) *Offsetting*

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

2.19 Employee benefits

(a) *Retirement benefits*

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("**MPF Scheme**"), which is a defined contribution retirement scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

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

(b) *Employee leave entitlements*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Share-based payments

Equity-settled share-based payment transactions

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options or shares) of the Group. The fair value of the employee services received in exchange for the grant of the options or shares is recognised as expense. The total amounts to be expensed is determined by reference to the fair value of the options or shares granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options or shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstance employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

2.21 Provisions and contingent liabilities

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Provisions and contingent liabilities (continued)

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

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

2.22 Revenue recognition

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

(a) Sales of properties

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

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

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

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Revenue recognition (continued)

(a) *Sales of properties (continued)*

For property development and sales contract for which the control of the property is transferred at a point in time and there is no enforceable right to payment from the customers for performance completed to date, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(b) *Property investment*

Rental income from properties letting under operating leases is recognised on a straight line basis over the term of the lease.

(c) *Property management*

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

(d) *Commercial operation*

Revenues from commercial operations are recognised in the accounting period in which the related services are rendered.

Financial components

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price and the amount of revenue from the sales of completed properties is adjusted for the effects of a financing component, if significant. For the year ended 31 December 2021 and 2020, the Group has assessed and considered that the financing component effect is insignificant.

2.23 Interest income

Interest income from financial assets at FVTPL is included in the 'Other (losses)/gains – net' on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the consolidated statement of comprehensive income within 'Other income'.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Dividend income

Dividends are received from financial assets measured at FVTPL and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established.

2.25 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Leases (continued)

To determine the incremental borrowing rate, the group:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Leases (continued)

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. The Group do not forecast future changes of the index/rate; these changes are taken into account when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liability, but they are recognised in profit or loss when the events or conditions that triggers those payments occurs.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 5). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Dividend distribution

Dividend distribution to the owners of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the owners of the Company.

2.27 Financial guarantee contracts

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

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

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

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

2.28 Earnings per share

(a) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

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

(b) *Diluted earnings per share*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

3.1 Financial risk factor

(a) Market risk

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. The Group has transactional currency exposures. Such exposures arise from financing and operating activities of the Group's entities conducted in currencies other than the functional currency. As at 31 December 2021, major non-RMB assets and liabilities are cash and restricted cash, FVTPL, and bank and other borrowings, which are denominated in Hong Kong dollar ("HK\$") or United States dollar ("US\$"). Fluctuation of the exchange rate of RMB against HK\$ or US\$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The carrying amounts of the Group's monetary assets/(liabilities) which are denominated in currencies other than the functional currencies of the respective Group's entities at the end of the reporting period are as follows:

	31 December	
	2021	2020
	RMB'000	RMB'000
Financial assets at FVTPL		
– US\$	215,956	763,220
Cash and restricted cash		
– US\$	24,831	256,188
– HK\$	22,226	11,428
Bank and other borrowings		
– US\$	(3,435,182)	(2,993,730)
– HK\$	(1,899,226)	(2,183,666)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factor (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table demonstrates the effect of sensitivity to reasonably possible changes in US\$ and HK\$ exchange rates, with all other variables held constant, on the Group's profit after income tax in the next accounting period:

	Year ended 31 December			
	2021		2020	
	Change in exchange rate %	Increase (decrease) in profit after income tax RMB'000	Change in exchange rate %	Increase (decrease) in profit after income tax RMB'000
If US\$ weakens against RMB	4%	127,776	4%	78,973
If US\$ strengthens against RMB	4%	(127,776)	4%	(78,973)
If HK\$ weakens against RMB	4%	75,080	4%	86,890
If HK\$ strengthens against RMB	4%	(75,080)	4%	(86,890)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. As at 31 December 2021, long-term borrowings of the Group bearing floating interest rates amounted to approximately RMB2,838,428,000 (2020: RMB1,124,968,000). If interest rates on borrowings at floating rates as at 31 December 2021 had been 50 basis point higher/lower with all other variables held constant, interest charges for the year would increase/decrease by RMB14,192,000 (2020: RMB5,624,800), most of which would have been capitalised in qualified assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factor (continued)

(b) Credit risk

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

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

For the trade receivables arising from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Detailed disclosure of these guarantees is made in Note 30. The Group managed the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loans financing procedures before delivery of properties unless strong credit records of the customers could be established. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

For other receivable, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors of the Company are of the opinion that the risk of default by counter parties is low.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

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

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

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data. The loss allowance provision for the Group's financial assets were immaterial as at 31 December 2021 and 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(i) Trade receivables

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

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

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2021 and 31 December 2020:

Trade receivables	As at 31 December 2021		
	Expected credit loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 30 days	0.70%	27,140	(190)
Over 30 days and within 90 days	4.84%	4,404	(213)
Over 90 days and within 365 days	6.58%	8,121	(534)
Over 365 days	13.91%	185,125	(25,747)
		224,790	(26,684)
Trade receivables	As at 31 December 2020		
	Expected credit loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 30 days	0.10%	62,756	(63)
Over 30 days and within 90 days	2.00%	8,444	(169)
Over 90 days and within 365 days	5.00%	145,552	(7,278)
Over 365 days	10.00%	212,952	(21,295)
		429,704	(28,805)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(ii) Other receivables

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

The other receivables are mainly amounts due from non-controlling interest, guarantee deposit of an urban redevelopment project kept by a monitoring governmental authority, sale proceeds kept by a monitoring governmental authority and others. Management considered these receivables to be low credit risk as they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Besides, management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

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

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

Category	Group definition of category	Basis for recognition of expectation credit loss provision	Expected credit loss rate
Stage one	Other receivables that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date	12 months expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime	0.09%-1.65%
Stage two	Other receivables that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment	Lifetime expected credit losses	10%-100%
Stage three	Other receivables that have objective evidence of impairment at the reporting date	Lifetime expected credit losses	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(ii) Other receivables (continued)

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

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

Other receivables	As at 31 December 2021		
	Expected credit loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Other receivables from non-controlling interest	0.37%	1,076,846	(3,945)
Other receivables from other third parties	2.97%	2,147,111	(63,692)
		3,223,957	(67,637)

Other receivables	As at 31 December 2020		
	Expected credit loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Other receivables from non-controlling interest	0.22%	1,185,119	(2,607)
Other receivables from other third parties	1.14%	1,740,811	(19,822)
		2,925,930	(22,429)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

- (iii) The loss allowance provision for trade receivables and other receivables from third parties as at 31 December 2021 and 2020 reconcile to the opening loss allowance for that provision as follows:

Year ended 31 December 2021	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
At 1 January 2021	28,805	22,429	51,234
(Reversal)/provision of impairment during the year	(2,121)	45,208	43,087
At 31 December 2021	26,684	67,637	94,321
Year ended 31 December 2020	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
At 1 January 2020	18,363	6,910	25,273
Provision of impairment during the year	10,442	15,519	25,961
At 31 December 2020	28,805	22,429	51,234

For the years ended 31 December 2021 and 2020, the provision for loss allowance were recognised in profit or loss in "Impairment loss of trade and other receivables" in relation to the impaired other receivables.

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

- (iv) Credit risk on other financial assets other than trade receivables and other receivables

The Group expects that there is no significant credit risk associated with cash and cash equivalents (excluding cash on hand), restricted cash, contract costs and financial assets at FVTPL, management does not expect that there will be any significant losses from non-performance by these counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factor (continued)

(c) Liquidity risk

Management of the Group aims to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

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

		Total undiscounted cash flow						
		Less than 3 months and on demand	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2021								
	Trade and other payables, excluding accrued taxes and surcharges and salaries payable	427,134	4,474,357	13,797	-	-	4,915,288	4,915,288
(i)	Bank and other borrowings	2,594,388	5,034,495	1,925,038	3,176,447	6,614,872	19,345,240	11,475,807
	Lease liabilities	-	17,507	24,963	75,251	312,163	429,884	189,861
	Guarantee for property mortgage	3,805,704	-	-	-	-	3,805,704	-
		6,827,226	9,526,359	1,963,798	3,251,698	6,927,035	28,496,116	16,580,956
As at 31 December 2020								
	Trade and other payables, excluding accrued taxes and surcharges and salaries payable	294,447	3,225,941	-	-	-	3,520,388	3,520,388
(i)	Bank and other borrowings	755,262	1,990,770	2,776,590	2,791,435	4,537,780	12,851,837	8,691,436
	Lease liabilities	-	8,753	8,753	74,890	337,488	429,884	171,525
	Guarantee for property mortgage	5,176,668	-	-	-	-	5,176,668	-
		6,226,377	5,225,464	2,785,343	2,866,325	4,875,268	21,978,777	12,383,349

(i) Interest on bank and other borrowings is calculated on borrowings held as at 31 December 2021 and 2020 respectively. Floating-rate interest is estimated using the current interest rate as at 31 December 2021 and 2020 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents (Note 27) and less guarantee deposits for borrowings included in restricted cash (Note 26). Total borrowings comprise corporate notes/bonds, bank borrowings and other borrowings (Note 22). Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2021 and 2020 are as follows:

	31 December	
	2021	2020
	RMB'000	RMB'000
Total borrowings (Note 22)	11,475,807	8,691,436
Less: cash and cash equivalents (Note 27)	(1,331,042)	(1,968,713)
Less: guarantee deposits for borrowings (Note 26)	(2,312,000)	(192,129)
Net debt	7,832,765	6,530,594
Total equity	5,619,708	4,794,758
Total capital	13,452,473	11,325,352
Gearing ratio	58.2%	57.7%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follow:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

See Note 15 for disclosures of the investment properties that are measured at fair value.

The following table presents the Group's financial assets and liability that are measured at fair value as at 31 December 2021 and 2020 by level of the inputs to valuation techniques used to measure fair value:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021				
Financial assets:				
Financial assets at FVTPL (Note 16)	–	226,956	–	226,956
At 31 December 2020				
Financial assets:				
Financial assets at FVTPL (Note 16)	–	774,220	–	774,220

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The fair value of financial assets at FVTPL in level 2 were determined mainly based on valuation report provided by managing companies, which making reference to quoted market price.

For the year ended 31 December 2021, if the fair values of the financial assets at FVTPL held by the Group had been 10% higher/lower, the profit before income tax would have been approximately RMB22,696,000 higher/lower. For the year ended 31 December 2020, if the fair values of the financial assets at FVTPL held by the Group had been 10% higher/lower, the profit before income tax would have been approximately RMB77,422,000 higher/lower.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements used in preparing these consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

The Group assesses the carrying amounts of properties under development and properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for properties held for sale is determined by reference, to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, the impairment of properties under development and properties held for sale are disclosed in Note 18 and Note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(b) Fair value of investment properties

The Group assesses the fair value of its completed investment properties and investment properties under construction based on assessments determined by independent and professional qualified valuers.

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

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

Investment properties under construction are carried at fair value when is considered to be reliably measurable. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers certain factors, please refer to Note 2.7.

Management, after consulting independent qualified valuers, considers that the fair value of investment properties under construction as at 31 December 2021 can be measured at a reasonable accurate level. Therefore, these investment properties under construction as at 31 December 2021 were measured at fair value.

The fair value (losses)/gains from completed investment properties and investment properties under construction are disclosed in Note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(c) Impairment of financial assets

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

(d) Income taxes and deferred taxation

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

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(e) PRC land appreciation taxes

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5 SEGMENT REPORTING

The executive directors, as the chief operating decision-makers (“CODM”) of the Group, review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management and commercial operation. As the CODM considers most of the Group’s consolidated revenue and results are attributable to the market in the PRC and the Group’s consolidated assets are substantially located in the PRC, no geographical information is presented.

Revenue consists of sales of properties, income of property management services, rental income of investment properties and commercial operation. Revenue of the year consists of the following:

	Year ended 31 December	
	2021	2020
	RMB’000	RMB’000
Sale of properties	7,484,208	7,572,595
Property management services	148,826	97,840
Rental income	25,546	25,128
Commercial operation	4,296	6,587
	7,662,876	7,702,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5 SEGMENT REPORTING (continued)

Segment results represent the profit earned by each segment without fair value gains/losses on financial assets, gains/losses on disposal of financial assets, interest income and dividend income of financial assets, unallocated operating costs, finance income – net and income tax expense. Property management services comprise mainly of provision of property management services and rental assistance services. Commercial operation services are mainly operations in youth community projects. The segment results and other segment items for the year ended 31 December 2021 and 2020 are as follows:

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Commercial operation RMB'000	Elimination RMB'000	Total RMB'000
Year ended 31 December 2021						
Segment revenue						
External revenue	7,484,208	148,826	25,546	4,296	–	7,662,876
Inter-segment revenue	–	110,221	12,077	93,315	(215,613)	–
	<u>7,484,208</u>	<u>259,047</u>	<u>37,623</u>	<u>97,611</u>	<u>(215,613)</u>	<u>7,662,876</u>
Timing of revenue recognition						
At a point in time	7,484,208	–	–	–	–	7,484,208
Transferred over time	–	259,047	–	97,611	(203,536)	153,122
Revenue from other sources	–	–	37,623	–	(12,077)	25,546
Total	<u>7,484,208</u>	<u>259,047</u>	<u>37,623</u>	<u>97,611</u>	<u>(215,613)</u>	<u>7,662,876</u>
Segment results	1,172,707	22,885	8,416	747	–	1,204,755
<i>Reconciliation:</i>						
Unallocated corporate net expenses						<u>(229,609)</u>
						975,146
Impairment loss of trade and other receivables						(43,087)
Impairment loss of properties under development and properties held for sale	(90,038)	–	–	–	–	(90,038)
Fair value changes in investment properties	–	–	(5,335)	–	–	(5,335)
Interest income from financial assets at FVTPL						26,787
Fair value loss on financial assets						(271,383)
Share of profit of a joint venture, net of tax						414
Finance income – net						<u>90,943</u>
Consolidated profit before income tax						<u>683,447</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5 SEGMENT REPORTING (continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Commercial operation RMB'000	Elimination RMB'000	Total RMB'000
Other segment information:						
Depreciation and amortisation	(24,702)	(393)	(6,946)	(6)	-	(32,047)
Additions to properties under development	5,650,653	-	-	-	-	5,650,653
Capital expenditure						121,795
As at 31 December 2021						
Assets and liabilities						
<u>Assets</u>						
Reportable segment assets	20,944,787	49,881	4,334,950	17,235	-	25,346,853
Reconciliation:						
Interest in a joint venture						44,311
Financial assets at FVTPL						226,956
Deferred tax assets						286,170
Cash and cash equivalents						1,331,042
Unallocated corporate assets						
- Property, plant and equipment						413,992
- Other receivables and prepayments						361,204
- Restricted cash						2,449,555
- Other corporate assets						316,388
Consolidated total assets						30,776,471
<u>Liabilities</u>						
Reportable segment liabilities	17,200,687	91,063	505,334	4,541	-	17,801,625
Reconciliation:						
Deferred tax liabilities						429,635
Income tax payable						1,668,682
Unallocated corporate liabilities						
- Bank and other borrowings						5,157,142
- Other corporate liabilities						99,679
Consolidated total liabilities						25,156,763

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5 SEGMENT REPORTING (continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Commercial operation RMB'000	Elimination RMB'000	Total RMB'000
Year ended 31 December 2020						
Segment revenue						
External revenue	7,572,595	97,840	25,128	6,587	-	7,702,150
Inter-segment revenue	-	101,300	15,537	1,188	(118,025)	-
	<u>7,572,595</u>	<u>199,140</u>	<u>40,665</u>	<u>7,775</u>	<u>(118,025)</u>	<u>7,702,150</u>
Timing of revenue recognition						
At a point in time	7,572,595	-	-	-	-	7,572,595
Transferred over time	-	199,140	-	7,775	(102,488)	104,427
Revenue from other sources	-	-	40,665	-	(15,537)	25,128
	<u>7,572,595</u>	<u>199,140</u>	<u>40,665</u>	<u>7,775</u>	<u>(118,025)</u>	<u>7,702,150</u>
Total	7,572,595	199,140	40,665	7,775	(118,025)	7,702,150
Segment results	1,525,223	27,967	8,153	939	-	1,562,282
<i>Reconciliation:</i>						
Unallocated corporate net expenses						<u>(90,771)</u>
						1,471,511
Impairment loss of trade and other receivables						(25,961)
Fair value changes in investment properties	-	-	41,452	-	-	41,452
Remeasurement gain resulting from a joint venture transferred to a subsidiary						123,674
Interest income from financial assets at FVTPL						35,566
Fair value gain on financial assets						51,308
Share of losses of joint ventures, net of tax						(3,177)
Finance income – net						<u>225,494</u>
Consolidated profit before income tax						<u>1,919,867</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5 SEGMENT REPORTING (continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Commercial operation RMB'000	Elimination RMB'000	Total RMB'000
Other segment information:						
Depreciation and amortisation	(18,766)	(368)	(6,116)	(45)	-	(25,295)
Additions to properties under development	8,522,357	-	-	-	-	8,522,357
Capital expenditure						7,340
As at 31 December 2020						
Assets and liabilities						
<u>Assets</u>						
Reportable segment assets	20,738,044	57,991	3,965,221	18,282	-	24,779,538
Reconciliation:						
Interest in a joint venture						43,897
Financial assets at FVTPL						774,220
Deferred tax assets						189,110
Cash and cash equivalents						1,968,713
Unallocated corporate assets						
- Property, plant and equipment						294,931
- Other receivables and prepayments						361,204
- Restricted cash						192,129
- Other corporate assets						457,999
Consolidated total assets						29,061,741
<u>Liabilities</u>						
Reportable segment liabilities	16,673,490	137,251	418,204	2,897	-	17,231,842
Reconciliation:						
Deferred tax liabilities						542,298
Income tax payable						1,329,699
Unallocated corporate liabilities						
- Bank and other borrowings						5,096,577
- Other corporate liabilities						66,567
Consolidated total liabilities						24,266,983

The Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue for the year ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Remeasurement gain resulting from a joint venture transferred to a subsidiary	–	123,674
Interest income from financial assets at FVTPL	26,787	35,566
Fair value (loss)/gain from financial assets at FVTPL (Note 16)	(271,383)	51,308
Others	(37,966)	10,070
	(282,562)	220,618

7 FINANCE INCOME – NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest expense for bank and other borrowings	1,064,650	868,645
Interest on lease liabilities (Note 14)	18,336	33,985
Less: amount capitalised	(1,060,179)	(866,203)
	22,807	36,427
Foreign exchange gain on financing activities – net	(97,847)	(246,176)
	(75,040)	(209,749)
Finance income:		
Bank interest income	15,903	15,745
Finance income – net	(90,943)	(225,494)

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 12.0% (2020: 11.3%), which is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

8 EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of properties sold – including construction cost, land cost and interest cost	5,818,020	5,388,861
Staff costs (including directors' emoluments) (Note 9)	232,601	277,161
Advertising costs	261,458	256,740
Taxes and levies	55,422	75,405
Other direct costs	89,747	65,068
Depreciation and amortisation (Note 13 and Note 14)	32,047	40,689
Auditor's remunerations	4,920	6,680
– audit services	4,870	5,080
– non-audit services	50	1,600

The short-term leases fees of RMB2,267,000 are recognised as expenses for the year ended 31 December 2021 (2020: RMB2,674,000).

9 STAFF COSTS

	Note	Year ended 31 December	
		2021	2020
		RMB'000	RMB'000
Staff costs (including directors' emoluments) comprise:			
Basic salaries		216,422	199,850
Equity-settled share-based payment expenses	33, 34	6,640	33,408
Bonuses and other benefits		29,033	76,190
Contributions to defined contribution pension plans	(a)	18,599	1,417
		270,694	310,865
Less: Amount capitalised as properties under development		(38,093)	(33,704)
Staff costs charged to profit or loss		232,601	277,161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

9 STAFF COSTS (continued)

(a) Defined contribution pension plans

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

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of certain percentage of eligible employees' relevant aggregate income, with a maximum cap per employee per month.

(b) Five highest paid individuals

The five individuals with the highest emoluments in the Group during the year, three (2020: four) are directors whose emoluments are included in Note 39. The emoluments of the remaining two (2020: one) are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Basic salaries and other benefits	3,747	1,513
Bonuses	–	289
Equity-settled share-based payment expenses	601	1,548
Contributions to defined contribution pension plans	157	16
	<u>4,505</u>	<u>3,366</u>

Their emoluments are within the following bands:

	Number of individuals	
	Year ended 31 December	
	2021	2020
HK\$2,500,001 to HK\$3,000,000	2	–
HK\$3,500,001 to HK\$4,000,000	–	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

10 INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of comprehensive income represents:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
PRC corporate income tax	595,825	685,720
PRC land appreciation tax	187,877	480,977
	<u>783,702</u>	<u>1,166,697</u>
Deferred tax		
– PRC corporate income tax	(209,723)	(249,842)
	<u>(209,723)</u>	<u>(249,842)</u>
Total income tax expenses	<u>573,979</u>	<u>916,855</u>

PRC corporate income tax

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

PRC withholding income tax ("WHT")

Under the Enterprise Income Tax ("EIT") Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. The relevant overseas holding companies have successfully obtained endorsement from the PRC tax bureau to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group.

PRC land appreciation tax ("LAT")

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

10 INCOME TAX EXPENSE (continued)

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the Group's entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

The income tax expense for the year can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	683,447	1,919,867
Calculated at applicable corporate income tax rate	371,965	535,662
Tax effect of tax losses not recognised as deferred income tax asset	34,229	47,747
Tax effect of expenses not deductible/(revenues not assessable) for tax purposes	20,162	(26,917)
Adjustments for current tax of prior periods	–	(370)
PRC land appreciation tax deductible for PRC corporate income tax purposes	(46,969)	(120,244)
	379,387	435,878
PRC withholding income tax	6,715	–
PRC land appreciation tax	187,877	480,977
	573,979	916,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

11 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share amounts for the years ended 31 December 2021 and 2020 is based on the (loss)/profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issued and participating equity instruments resulting to new shares issued due to the exercises of share options during the years.

The calculation of the diluted (loss)/earnings per share amounts for the years ended 31 December 2021 and 2020 is based on the (loss)/profit for the year attributable to equity holders of the Company and the weighted average number of ordinary shares after adjustment for the effect of the exercise of the Company's outstanding share option and share award scheme. As the Group incurred loss attributable to owners of the Company for the year ended 31 December 2021, the potential ordinary shares were not included in the calculation of dilutive (loss)/earnings per share, as their inclusion would be anti-dilutive.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
(Loss)/profit for the purposes of basic and diluted (loss)/earnings per share	(284,209)	950,900
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	8,099,032	7,795,114
Effect of dilutive potential ordinary shares in respect of the Company's share options schemes and share award scheme	–	87,042
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	8,099,032	7,882,156
Basic (expressed in RMB)	(0.035)	0.122
Diluted (expressed in RMB)	(0.035)	0.121

12 DIVIDENDS

The dividend paid in 2021 was the payment of the 2020 final cash dividend of HK\$0.030 per ordinary share totaling HK\$253,390,000 (equivalent to RMB210,824,000) (The dividend paid in 2020 was the payment of the 2019 final cash dividend of HK\$0.023 per ordinary share totaling HK\$182,356,000 (equivalent to RMB166,564,000)).

No dividend for the year ended 31 December 2021 (2020: HK\$0.030 (approximately RMB0.025) per ordinary share) has been proposed by the Board of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Assets under construction <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2021					
Opening net book amount	130,152	7,755	3,470	294,363	435,740
Additions	–	2,021	1,797	117,977	121,795
Depreciation	(14,579)	(2,359)	(899)	–	(17,837)
Exchange differences	(402)	(391)	(325)	–	(1,118)
Closing net book amount	115,171	7,026	4,043	412,340	538,580
At 31 December 2021					
Cost	203,901	31,736	14,674	412,340	662,651
Accumulated depreciation	(88,730)	(24,710)	(10,631)	–	(124,071)
Net book amount	115,171	7,026	4,043	412,340	538,580
Year ended 31 December 2020					
Opening net book amount	148,867	11,406	4,971	288,864	454,108
Additions	–	1,880	15	5,499	7,394
Acquisitions of subsidiaries	–	128	–	–	128
Disposals	–	(2,921)	–	–	(2,921)
Depreciation	(14,480)	(2,732)	(1,492)	–	(18,704)
Exchange differences	(4,235)	(6)	(24)	–	(4,265)
Closing net book amount	130,152	7,755	3,470	294,363	435,740
At 31 December 2020					
Cost	205,611	27,305	15,813	294,363	543,092
Accumulated depreciation	(75,459)	(19,550)	(12,343)	–	(107,352)
Net book amount	130,152	7,755	3,470	294,363	435,740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation charges were included in the following categories:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Property under development	21	22
Administrative and other expenses	17,816	18,682
	<u>17,837</u>	<u>18,704</u>

As at 31 December 2021, property and equipment with a net book amount of RMB82,161,000 (2020: RMB96,374,000) were pledged as collateral for the Group's borrowings (Note 22(h)).

Borrowing costs of RMB33,988,000 (2020: Nil) have been capitalised in assets under construction for the year ended 31 December 2021.

14 LEASES

	31 December	
	2021	2020
	RMB'000	RMB'000
Right-of-use assets		
At 1 January	376,656	243,593
Addition	–	155,047
Depreciation	(14,231)	(21,984)
At 31 December	<u>362,425</u>	<u>376,656</u>

Right-of-use assets comprise cost of acquiring rights to use certain land, which are all located in the PRC, mainly for self-use buildings over fixed periods and the contracting fee on commercial land.

As at 31 December 2021, right-of-use asset with a net book amount of RMB87,183,000 (2020: RMB90,138,000) were pledged as collateral for the Group's borrowings (Note 22(h)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

14 LEASES (continued)

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December	
	2021	2020
	RMB'000	RMB'000
Right-of-use assets		
Land	230,635	237,114
Building	131,790	139,542
	362,425	376,656
Lease liabilities		
Current	17,507	8,753
Non-current	172,354	162,772
	189,861	171,525

(b) Amounts recognised in the consolidated statement of comprehensive income

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land	6,479	6,479
Building	7,752	15,505
	14,231	21,984
Interest expense (included in finance costs) (note 7)	18,336	33,985
Expense relating to short-term leases (included in administrative expenses) (Note 8)	2,267	2,674
	20,603	36,659

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15 INVESTMENT PROPERTIES

	Note	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Year ended 31 December 2021				
At 1 January 2021		1,681,405	1,903,000	3,584,405
Additions		–	82,588	82,588
Transfer from investment properties under construction	(a)	672,588	(672,588)	–
Fair value losses – net		(335)	(5,000)	(5,335)
Exchange differences		(3,200)	–	(3,200)
At 31 December 2021		2,350,458	1,308,000	3,658,458
Year ended 31 December 2020				
At 1 January 2020		1,688,291	1,824,000	3,512,291
Additions		–	38,237	38,237
Fair value gains – net		689	40,763	41,452
Exchange differences		(7,575)	–	(7,575)
At 31 December 2020		1,681,405	1,903,000	3,584,405

- (a) In December 2021, a commercial unit under construction was completed, amounting to RMB672,588,000 was completed and transferred to completed investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15 INVESTMENT PROPERTIES (continued)

The following amounts have been recognised in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Rental income (Note 5)	25,546	25,128
Direct operating expenses arising from investment properties that generate rental income	(5,514)	(2,631)
Direct operating expenses arising from investment properties that do not generate rental income	(624)	(666)

Investment properties as at 31 December 2021 are held in the PRC on leases between 10 to 50 years (2020: 10 to 50 years).

As at 31 December 2021, investment properties of RMB2,972,458,000 (2020: RMB3,148,295,000) were pledged as collateral for the Group's borrowings (Note 22(h)).

The fair value of the investment properties are expected to be realised through rental income. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

(i) Fair value hierarchy

Independent valuations of the Group's completed investment properties and investment properties under construction was performed by the independent and professionally qualified valuers, to determine the fair value of the investment properties as at 31 December 2021 and 2020. The revaluation gains or losses are included in "Fair value changes in investment properties" in the consolidated statement of comprehensive income.

As at 31 December 2021 and 2020, as certain significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers in or out of fair value hierarchy levels during the year.

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2021 and 2020 by independent professionally qualified valuers who hold recognised relevant professional qualifications and have recent experiences in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15 INVESTMENT PROPERTIES (continued)

(ii) Valuation processes of the Group (continued)

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuers.

(iii) Valuation techniques

Completed investment properties comprise of commercial properties and carparks.

For commercial properties, fair values are generally derived using the term and reversionary method and direct comparison method. The term and reversionary method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

For carparks, valuations are determined using the direct comparison methods. The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. Given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the selling price such as property size, locations.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15 INVESTMENT PROPERTIES (continued)

(iii) Valuation techniques (continued)

There were no changes to the valuation techniques during the year.

	Property Category	Fair value at 31 December 2021 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties in Hong Kong	Commercial properties	111,458	Direct comparison method	Market Unit Price (RMB/square meter)	238,504 – 256,339	The higher the unit price, the higher the fair value
Completed investment properties in PRC	Commercial properties	1,701,000	Term and reversionary method	Term yields	2.00% – 4.50%	The higher the term yields rate, the lower the fair value
				Reversionary yields	3.00% – 4.50%	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/square meter/month)	31 – 262	The higher the market rent, the higher the fair value
				Direct comparison method	Market price (RMB/square meter)	18,271 – 58,544
Car parks	538,000	Direct comparison method	Market price (RMB/lot)	727,500	The higher the market price, the higher the fair value	
			Term and reversionary method	Term yields	1.00%	The higher the term yields, the lower the fair value
			Reversionary yields	1.50%	The higher the reversionary yields, the lower the fair value	
			Market rents (RMB/lot/month)	1,820	The higher the market rent, the higher the fair value	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15 INVESTMENT PROPERTIES (continued)

(iii) Valuation techniques (continued)

Property Category	Fair value at 31 December 2021 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties under construction in PRC	Commercial properties	Residual method	Market rents (RMB/square meter/month)	65	The higher the market rent, the higher the fair value
			Reversionary yields	3.50%	The higher the reversionary yields, the lower the fair value
			Budgeted construction costs to be incurred (RMB/square meter)	4,291	The higher the budgeted construction costs to be incurred, the lower the fair value
			Developer's profit (%)	25.00%	The higher the developer's profit, the lower the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15 INVESTMENT PROPERTIES (continued)

(iii) Valuation techniques (continued)

	Property Category	Fair value at 31 December 2020 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value	
Completed investment properties in Hong Kong	Commercial properties	112,205	Direct comparison method	Market Unit Price (RMB/square meter)	240,104 – 258,059	The higher the unit price, the higher the fair value	
Completed investment properties in PRC	Commercial properties	1,031,200	Term and reversionary method	Term yields	2.00%-4.25%	The higher the term yields rate, the lower the fair value	
				Reversionary yields	3.00%-4.75%	The higher the reversionary yields, the lower the fair value	
				Market rents (RMB/square meter/month)	126-262	The higher the market rent, the higher the fair value	
	Car parks	538,000	Direct comparison method	Direct comparison method	Market price (RMB/square meter)	18,802-57,200	The higher the market price, the higher the fair value
				Term and reversionary method	Term yields	1.00%	The higher the term yields, the lower the fair value
				Reversionary yields	1.50%	The higher the reversionary yields, the lower the fair value	
			Market rents (RMB/lot/month)	1,820	The higher the market rent, the higher the fair value		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15 INVESTMENT PROPERTIES (continued)

(iii) Valuation techniques (continued)

Property Category	Fair value at 31 December 2020 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties under construction in PRC	1,903,000	Residual method	Market rents (RMB/square meter/month)	54-180	The higher the market rent, the higher the fair value
			Reversionary yields	3.50%-4.50%	The higher the reversionary yields, the lower the fair value
			Budgeted construction costs to be incurred (RMB/square meter)	211-4,291	The higher the budgeted construction costs to be incurred, the lower the fair value
			Developer's profit (%)	1.00%-25.00%	The higher the developer's profit, the lower the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	31 December	
		2021 RMB'000	2020 RMB'000
Financial assets at FVTPL			
At 1 January		774,220	329,828
(Disposals)/additions		(254,449)	393,084
Fair value changes		(271,383)	51,308
Exchange differences		(21,432)	–
At 31 December		226,956	774,220
Includes unrealised (loss)/gains recognised in profit or loss attributable to balances held at the end of the year		(264,795)	51,308
Classification:			
– Related parties		–	10,000
– Investment funds	(a)	226,956	764,220
		226,956	774,220

Note:

- (a) The investments mainly represent investments in various funds managed by HK fund managing companies. The fair values of these investments were determined mainly based on valuation report provided by managing companies, making reference to quoted market price. The fair value measurement is categorised within level 2 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

17 INTEREST IN A JOINT VENTURE

The Group's interest in a joint venture is accounted for using equity method, amounts recognised as below:

	31 December	
	2021	2020
	RMB'000	RMB'000
At 1 January	43,897	46,295
Transfer to a subsidiary	–	779
Share of profit/(loss) – net	414	(3,177)
At 31 December	44,311	43,897

There is no contingent liabilities nor commitment relating to the Group's interests in the joint venture.

Details of the Group's joint venture as at 31 December, is as follows:

Name of joint ventures	Place of incorporation/ establishment/ operation	Percentage of equity interest held by the Company		Principal activities
		2021	2020	
		貴陽海洋房地產開發有限公司 (i) (Guiyang Haiyang Property Development Company Limited)*	PRC	

* English name is for identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

17 INTEREST IN A JOINT VENTURE (continued)

(i) Guiyang Haiyang Property Development Company Limited

	31 December	
	2021 RMB'000	2020 RMB'000
Non-current assets	347	731
Cash and cash equivalents	2,123	4,724
Properties under development	1,097,292	1,348,660
Other current assets	92,705	106,901
Total assets	1,192,467	1,461,016
Non-current liabilities	132,718	132,718
Bank borrowings	8,650	8,650
Other current liabilities	964,215	1,233,575
Total liabilities	1,105,583	1,374,943
Net assets	86,884	86,073
The Group's share in %	51%	51%
Share of net assets	44,311	43,897
	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue	266,513	–
Cost of sales	(261,047)	–
Gross profit	5,466	–
Expenses	(4,386)	(4,624)
Others	(269)	(1,606)
Profit/(loss) for the year	811	(6,230)
Total comprehensive income/(loss) for the year	811	(6,230)
The Group's share in %	51%	51%
Share of profit/(loss)	414	(3,177)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18 PROPERTIES UNDER DEVELOPMENT

Properties under development in the PRC are as follows:

	31 December	
	2021	2020
	RMB'000	RMB'000
Properties under development include:		
– Land use rights	7,057,396	5,590,153
– Construction costs	5,909,399	7,576,613
– Interests capitalised	1,392,837	885,127
	14,359,632	14,051,893
Less: loss allowance	(87,406)	–
	14,272,226	14,051,893

The properties under development are all located in the PRC and expected to be completed within an operating cycle. The relevant land use rights in the PRC are on leases of 40 to 70 years.

During the year ended 31 December 2021, a provision of RMB87,406,000 (2020: nil) was made to write down the properties under development.

As at 31 December 2021, properties under development of approximately RMB10,458,231,000 (2020: RMB6,492,858,000) were pledged as collateral for the Group's borrowings (Note 22(h)).

The capitalisation rate of borrowings for the year ended 31 December 2021 was 12.0% (2020: 11.3%).

19 PROPERTIES HELD FOR SALE

	31 December	
	2021	2020
	RMB'000	RMB'000
Properties held for sale	1,695,137	2,080,204
Less: loss allowance	(2,632)	–
	1,692,505	2,080,204

All properties held for sale as at 31 December 2021 and 2020 were located in the PRC.

During the year ended 31 December 2021, a provision of RMB2,632,000 (2020: nil) was made to write down the properties held for sale.

As at 31 December 2021, properties held for sale of approximately RMB567,738,000 (2020: RMB212,267,000) were pledged as collateral for the Group's borrowings (Note 22(h)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

20 TRADE RECEIVABLES

	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	224,790	429,704
Less: loss allowance	(26,684)	(28,805)
	198,106	400,899

- (a) The majority of the Group's sales are derived from sales of properties, property management services and rental income. Proceeds in respect of sales of properties, property management services and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts. All trade receivables are due from independent third parties.
- (b) The ageing analysis of trade receivables as at the respective balance sheet date is as follows:

	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	27,140	62,756
Over 30 days and within 90 days	4,404	8,444
Over 90 days and within 365 days	8,121	145,552
Over 365 days	185,125	212,952
	224,790	429,704

- (c) As at 31 December 2021 and 2020, the fair value of trade receivables approximated their carrying amounts. Note 3.1(b)(i) provides details about the exposure to credit risk of trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

21 OTHER RECEIVABLES AND PREPAYMENTS

	Note	31 December	
		2021	2020
		RMB'000	RMB'000
Other receivables:			
Amounts due from non-controlling interests	(a)	1,076,846	1,185,119
Guarantee deposit of an urban redevelopment project kept by a monitoring governmental authority	(b)	596,850	–
Sale proceeds kept by a monitoring governmental authority	(c)	574,901	516,333
Loan receivables	(d)	361,204	361,204
Maintenance funds paid on behalf of properties owners		64,022	79,450
Tender deposit in development project		45,510	401,510
Unpaid up capital to be contributed by a non-controlling shareholder of a subsidiary		24,900	24,900
Accruals of interests from FVTPL		–	27,070
Others		479,724	330,344
		3,223,957	2,925,930
Less: loss allowance		(67,637)	(22,429)
Subtotal		3,156,320	2,903,501
Prepayments:			
Prepaid construction costs		1,025,126	796,192
Prepaid taxes and surcharges		417,112	530,442
Prepayment for proposed projects	(e)	389,213	403,582
		1,831,451	1,730,216
Total		4,987,771	4,633,717

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

21 OTHER RECEIVABLES AND PREPAYMENTS (continued)

Notes:

- (a) Amounts due from non-controlling interests represent cash advances made to non-controlling interests, which are unsecured, interest free and repayable on demand.
- (b) As at 31 December 2021, the balance represents guarantee deposit of RMB596,850,000 of an urban redevelopment project kept by a monitoring governmental authority in accordance with the municipal regulations in Guangzhou, and is released in line with certain development progress milestones.
- (c) As at 31 December 2021, the balance represents pre-sales proceeds of three (2020: three) projects held by a governmental authority in Xuzhou. This governmental authority is responsible for the monitoring of the usage of funds which were deposited in a regulated bank account in the name of the government authority when the sales and purchase agreements have been entered into between the Group and the customers and sale proceeds received. The Group has a right to use the pre-sale proceeds kept in the bank account to pay construction costs of the related development project and the pre-sales proceeds will be put for free use by the Group upon completion of the relevant project.
- (d) As at 31 December 2021 and 2020, the balance is a loan to an independent third party. In the opinion of the management of the Company, a provision of RMB36,120,000 was provided as at 31 December 2021 (2020: RMB12,204,000).
- (e) Prepayment costs were made for start-off costs on four urban redevelopment projects in Guangzhou and Xuzhou and one proposed project in Kunming. The management is currently conducting works as customarily required in the preliminary stage of the urban redevelopment projects. In view of the steady progress since project start-off, the management anticipates that the demolition contract will be entered into by the project company in the near future and the district government will put the land for auction with pre-requisite conditions made exclusively to the benefit of the project company.
- (f) All balances of other receivables and prepayments are from independent third parties. The carrying amounts of other receivables approximate their fair values. Note 3.1(b)(ii) provides details about the exposure of credit risk of other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

22 BANK AND OTHER BORROWINGS

	Note	31 December	
		2021	2020
		RMB'000	RMB'000
Borrowings included in non-current liabilities:			
Bank borrowings	(a)	2,838,428	1,124,968
– Secured		2,838,428	883,330
– Unsecured		–	241,638
Notes/bonds	(b)	4,742,179	3,745,023
– Secured		1,469,479	1,885,872
– Unsecured		3,272,700	1,859,151
Other borrowings		1,336,033	1,455,368
– Secured		1,336,033	1,455,368
Less: current portion of non-current borrowings		(4,217,843)	(287,418)
		4,698,797	6,037,941
Borrowings included in current liabilities:			
Current portion of long-term borrowings		4,217,843	287,418
– Current portion of long-term bank and other borrowings		890,691	123,312
– Current portion of long-term notes/bonds		3,327,152	164,106
Bank borrowings	(a)	130,872	641,007
– Secured		130,872	641,007
Notes/bonds	(b)	128,295	803,380
– Secured		128,295	–
– Unsecured		–	803,380
Other borrowings		2,300,000	921,690
– Secured		2,300,000	921,690
		6,777,010	2,653,495
Total borrowings		11,475,807	8,691,436

- (a) As at 31 December 2021, the bank borrowings carry interest at variable rates ranging from 2.63% to 7.22% per annum (2020: 2.50% to 6.70% per annum). The bank borrowings are secured by mortgages of ownership titles of properties held of self-use, properties under development and investment properties with or without corporate guarantee provided by the Company and/or personal guarantee provided by Mr. Yu or together with his spouse.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

22 BANK AND OTHER BORROWINGS (continued)

(b) The details of the notes/bonds are as follows:

	2021/2022 Bonds HK\$'000	2022 Bonds US\$'000	2022 Notes US\$'000	2023 Notes US\$'000	2023/2024 Bonds HK\$'000	2024 Bonds HK\$'000	2025 Bonds HK\$'000	2026 Bonds HK\$'000	2027 Bonds HK\$'000	2031 Bonds HK\$'000	2032 Bonds HK\$'000	2033 Bonds HK\$'000	2034 Bonds HK\$'000
Nominal value	21,300	20,000	217,000	291,500	158,800	290,000	80,000	100,000	10,000	570,000	950,000	1,300,000	1,880,000
Nominal value	RMB'000 17,415	RMB'000 127,514	RMB'000 1,383,527	RMB'000 1,858,517	RMB'000 129,835	RMB'000 237,104	RMB'000 65,408	RMB'000 81,760	RMB'000 8,176	RMB'000 466,032	RMB'000 776,720	RMB'000 1,062,880	RMB'000 1,537,088
Issue date	2019-2020	2021	2019	2020-2021	2020	2014-2015	2016	2016-2017	2017	2014-2015	2015-2016	2016-2017	2017-2018
Coupon rate	9.00%	14.50%	13.00%	13.00%	7.00%- 12.50%	7.60%	7.60%	7.60%	7.60%	8.10%	8.10%	8.10%	8.07%- 8.10%
Maturity date	2021/2022	2022	2022	2023(i)	2023	2024	2025	2026	2027	2031	2032	2033	2034
Effective interest rates	14.05%	15.37%	13.15%- 13.26%	14.05%	13.00%	11.62%- 12.38%	11.66%- 11.99%	11.94%- 12.08%	12.19%	11.55%- 11.78%	11.55%- 11.71%	11.67%- 12.19%	11.27%- 11.81%
Outstanding balance as at 31 December 2021	17,602	128,295	1,469,479	1,837,408	122,812	173,045	42,841	47,475	4,409	152,680	228,258	276,010	370,160
Secured or unsecured	Unsecured	Secured by certain properties held for sale of a subsidiary of the Group	Secured by pledge of the entire equity interest of a subsidiary of the Group	Unsecured	Unsecured	Unsecured	Unsecured	Unsecured	Unsecured	Unsecured	Unsecured	Unsecured	Unsecured

(i) The note is with the investors' option to sell back the portion of the notes and the option settlement date is on 16 December 2022. Under such clauses in the arrangement, the balance of RMB1,837,408,000 is classified as current liability.

(c) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	1 year or less RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:				
At 31 December 2021	2,439,971	1,231,717	1,027,109	4,698,797
At 31 December 2020	867,630	4,175,680	994,631	6,037,941
Borrowings included in current liabilities:				
At 31 December 2021	6,777,010	–	–	6,777,010
At 31 December 2020	2,653,495	–	–	2,653,495

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

22 BANK AND OTHER BORROWINGS (continued)

(d) The carrying amount and fair value of the borrowings are as follows:

	Note	31 December 2021		31 December 2020	
		Carrying amount RMB'000	Fair Value RMB'000	Carrying amount RMB'000	Fair Value RMB'000
Bank borrowings	(i)	2,969,300	2,969,300	1,765,975	1,765,975
Secured notes/bonds	(ii)	1,597,774	1,490,599	1,885,872	1,741,446
Unsecured notes/bonds	(ii)	3,272,700	2,968,568	2,662,531	2,620,983
Other borrowings	(i)	3,636,033	3,636,033	2,377,058	2,377,058
		11,475,807	11,064,500	8,691,436	8,505,462

(i) The fair values were estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date.

(ii) Inputs for the liability that are not based on observable market data (unobservable inputs).

(e) The effective interest rates of borrowings are as follows:

	31 December	
	2021	2020
Bank borrowings	2.63%-7.22%	2.50%-6.70%
Secured notes/bonds	13.15%-15.37%	13.15%-13.26%
Unsecured notes/bonds	11.27%-14.05%	11.27%-15.48%
Other borrowings	4.80%-14.00%	6.00%-14.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

22 BANK AND OTHER BORROWINGS (continued)

(f) The maturity of the borrowings is as follows:

	Secured bank borrowings <i>RMB'000</i>	Unsecured bank borrowings <i>RMB'000</i>	Secured notes/bonds <i>RMB'000</i>	Unsecured notes/bonds <i>RMB'000</i>	Other borrowings <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2021						
Within 1 year	529,330	–	1,597,774	1,857,673	2,792,233	6,777,010
1–2 years	544,510	–	–	16,207	843,800	1,404,517
2–5 years	1,387,037	–	–	371,711	–	1,758,748
Over 5 years	508,423	–	–	1,027,109	–	1,535,532
	2,969,300	–	1,597,774	3,272,700	3,636,033	11,475,807
As at 31 December 2020						
Within 1 year	656,707	1,888	–	926,692	1,068,208	2,653,495
1–2 years	65,255	500	1,885,872	17,557	460,100	2,429,284
2–5 years	514,028	239,250	–	723,651	848,750	2,325,679
Over 5 years	288,347	–	–	994,631	–	1,282,978
	1,524,337	241,638	1,885,872	2,662,531	2,377,058	8,691,436

(g) As at 31 December 2021 and 2020, the Group had the following undrawn borrowing facilities:

	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Floating rate:		
– expiring within 1 year	1,173	105,193
– expiring beyond 1 year	6,250,000	–
	6,251,173	105,193

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

22 BANK AND OTHER BORROWINGS (continued)

(h) Pledge of assets

As at 31 December 2021 and 2020, the Group's assets with carrying amounts included in the following categories in the consolidated balance sheet were pledged to secure credit facilities granted to the Group:

	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Buildings	82,161	96,374
Right-of-use assets	87,183	90,138
Investment properties	2,972,458	3,148,295
Properties under development	10,458,231	6,492,858
Properties held for sale	567,738	212,267
Deposits	2,312,000	192,129
	16,479,771	10,232,061

In addition, as at 31 December 2021 and 2020, the Group's certain loan facilities were secured by:

- Shares in certain subsidiaries of the Company;
- Corporate guarantee provided by the Company;
- Personal guarantee provided by Mr. Yu Pan or together with his spouse.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

23 DEFERRED TAX ASSETS/LIABILITIES

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

	31 December	
	2021	2020
	RMB'000	RMB'000
Deferred income tax assets		
To be realised after more than 12 months	251,198	178,914
To be realised within 12 months	34,972	10,196
	<u>286,170</u>	<u>189,110</u>
Deferred income tax liabilities		
To be realised after more than 12 months	(407,653)	(453,552)
To be realised within 12 months	(21,982)	(88,746)
	<u>(429,635)</u>	<u>(542,298)</u>
	<u>(143,465)</u>	<u>(353,188)</u>

The net movements on the deferred income tax are as follows:

	31 December	
	2021	2020
	RMB'000	RMB'000
Beginning of the year	(353,188)	(500,740)
Consolidation of entities previously held as a joint venture	–	(102,290)
Tax credit to consolidated income statement (<i>note 10</i>)	209,723	249,842
Ending of the year	<u>(143,465)</u>	<u>(353,188)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

23 DEFERRED TAX ASSETS/LIABILITIES (continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(a) Deferred income tax assets

	Tax losses <i>RMB'000</i>	Temporary difference on unrealised profit of intercompany transactions <i>RMB'000</i>	Temporary difference on land appreciation tax <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2021	53,891	11,820	214,883	19,493	300,087
Charged to profit or loss	38,694	1,861	14,899	37,553	93,007
As at 31 December 2021	92,585	13,681	229,782	57,046	393,094
As at 1 January 2020	17,539	8,788	124,744	–	151,071
Charged to profit or loss	36,352	3,032	90,139	19,493	149,016
As at 31 December 2020	53,891	11,820	214,883	19,493	300,087

(b) Deferred income tax liabilities

	Building <i>RMB'000</i>	Investment properties <i>RMB'000</i>	Properties under development <i>RMB'000</i>	Properties held for sales <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2021	(15,175)	(392,559)	(154,527)	(91,014)	(653,275)
Credit to profit or loss	259	1,947	106,806	7,704	116,716
At 31 December 2021	(14,916)	(390,612)	(47,721)	(83,310)	(536,559)
As at 1 January 2020	(15,175)	(381,102)	(77,826)	(177,708)	(651,811)
Change from a joint venture to a subsidiary	–	–	(102,291)	–	(102,291)
(Charged)/credit to profit or loss	–	(11,457)	25,590	86,694	100,827
At 31 December 2020	(15,175)	(392,559)	(154,527)	(91,014)	(653,275)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

23 DEFERRED TAX ASSETS/LIABILITIES (continued)

(b) Deferred income tax liabilities (continued)

As at 31 December 2021, the Group has estimated unutilised tax losses of approximately RMB2,007,934,000 (2020: RMB1,082,619,000) for offsetting against future assessable profits. RMB370,340,000 out of the tax losses has been recognised as deferred tax assets as at 31 December 2021 (2020: RMB201,565,000). The unrecognised tax losses include a balance of RMB1,321,113,000 (2020: RMB600,640,000) which may be carried forward indefinitely, and the remaining balance of RMB316,481,000 (2020: RMB280,414,000) will expire in five years.

Year	RMB'000
2022	26,657
2023	28,608
2024	64,744
2025	155,422
2026	41,050
Indefinite	1,321,113
	<u>1,637,594</u>

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries. The relevant overseas holding companies have successfully obtained endorsement from the PRC tax bureau to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group. As at 31 December 2021, the Group does not have a plan to distribute earnings out of the Mainland China in the foreseeable future.

24 CONTRACT COSTS

	31 December	
	2021	2020
	RMB'000	RMB'000
Contract costs	<u>298,342</u>	<u>187,798</u>

The following table set out the expenses of sales recognised in the current reporting period relating to carried-forward contract costs:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Expenses recognised that was included in contract costs balance at the beginning of the year	<u>140,820</u>	<u>92,828</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

25 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

Financial assets

	31 December	
	2021	2020
	RMB'000	RMB'000
Financial assets at amortised cost:		
– Trade receivables	198,106	400,899
– Other receivables	3,156,320	2,903,501
– Restricted cash	2,879,579	334,489
– Cash and cash equivalents	1,331,042	1,968,713
Financial assets at FVTPL	226,956	774,220
	7,792,003	6,381,822

Financial liabilities

	31 December	
	2021	2020
	RMB'000	RMB'000
Financial liabilities at amortised cost:		
– Bank and other borrowings	11,475,807	8,691,436
– Trade and other payables (excluding accrued taxes and surcharges and salaries payable)	4,915,288	3,520,388
– Lease liabilities	189,861	171,525
	16,580,956	12,383,349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

26 RESTRICTED CASH

	Note	31 December	
		2021 RMB'000	2020 RMB'000
To secure for:			
– guarantee deposits for borrowings	(a)	2,312,000	192,129
– the payment of construction cost of development projects	(b)	430,024	142,360
– others		137,555	–
		2,879,579	334,489
Denominated in:			
– RMB		2,878,640	333,390
– US\$		939	965
– HK\$		–	134
		2,879,579	334,489

(a) As at 31 December 2021, to secure certain subsidiaries' repayment of borrowings of RMB2,586,160,000 (2020: RMB1,176,325,000), the bank deposits of RMB2,312,000,000 (2020: RMB192,129,000) was placed in local banks in the PRC.

(b) In accordance with relevant documents, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for the constructions of related properties. The deposits can only be used for payments of construction costs of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

27 CASH AND CASH EQUIVALENTS

	31 December	
	2021	2020
	RMB'000	RMB'000
Short-term bank deposits	2,312,000	192,129
Cash at bank and in hand	1,898,621	2,111,073
	4,210,621	2,303,202
Less: Restricted cash (Note 26)	(2,879,579)	(334,489)
	1,331,042	1,968,713
Denominated in:		
– RMB	1,284,924	1,702,196
– US\$	23,892	255,223
– HK\$	22,226	11,294
	1,331,042	1,968,713

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

28 TRADE AND OTHER PAYABLES

	Note	31 December	
		2021	2020
		RMB'000	RMB'000
Trade payables	(a)	43,275	43,774
Construction costs payable	(b)	3,818,059	2,852,229
Accrued taxes and surcharges		1,061,330	523,941
Other payables and accruals	(c)	927,241	432,862
– Related parties	38(e)	4,006	–
– Third parties		923,235	432,862
Tender payable to the suppliers		66,225	161,540
Receipt in advance, rental and other deposits from residents and tenants		60,488	29,983
– Related parties	38(e)	213	213
– Third parties		60,275	29,770
Salaries and bonuses accruals		28,566	58,471
		6,005,184	4,102,800

(a) The ageing analysis of trade payables as at 31 December 2021 and 2020 is as follows:

	31 December	
	2021	2020
	RMB'000	RMB'000
Within 30 days	8,368	24,097
Over 30 days and within 90 days	4,000	11,773
Over 90 days and within 365 days	17,110	7,882
Over 365 days	13,797	22
Total trade payables	43,275	43,774

(b) Construction costs payable comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis is presented.

(c) Other payables and accruals are unsecured, interest-free, repayable on demand and non-trade item.

(d) The Group's trade and other payables are mainly denominated in RMB.

(e) The fair value of trade and other payables approximate their carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

29 CONTRACT LIABILITIES

	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities	5,387,594	9,429,225

(a) Revenue recognised in relation to contract liabilities

The following table set out the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in contract liabilities balance at the beginning of the year	7,282,152	7,755,961

(b) Unsatisfied performance obligations

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

30 FINANCIAL GUARANTEE CONTRACT

	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	3,805,704	5,176,668

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

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company consider that the likelihood of default in payments by purchasers is minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore the ECL of these financial guarantees is immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31 SHARE CAPITAL AND SHARE PREMIUM

Note	Number of shares of ordinary share capital '000	Nominal value of ordinary share capital HK\$'000	Equivalent nominal value of ordinary share capital RMB'000	Share premium RMB'000	Total RMB'000
Authorised:					
At 31 December 2020, 1 January 2021 and 31 December 2021	90,000,000	300,000	311,316		
Issued and fully paid:					
At 1 January 2020	7,926,732	26,497	24,670	1,684,671	1,709,341
Shares issued under share option scheme	26,038	87	78	11,552	11,630
Shares repurchased	(22,476)	(75)	(68)	(20,737)	(20,805)
Capital reorganisation (iii)	-	-	-	(1,096,080)	(1,096,080)
At 31 December 2020 and 1 January 2021	7,930,294	26,509	24,680	579,406	604,086
Shares issued under share option scheme (i)	26,037	87	72	10,281	10,353
Issue of shares: share placing (ii)	490,000	1,638	1,340	351,211	352,551
At 31 December 2021	8,446,331	28,234	26,092	940,898	966,990

Notes:

- (i) During the year ended 31 December 2021, total of 10,529,291 share options with adjusted exercise price of HK\$0.2238 granted under the 2005 Scheme and 15,507,967 share options with exercise price of HK\$0.3607 granted under the 2015 Scheme to subscribe for aggregate 26,037,258 ordinary shares in the Company were exercised at a total consideration of HK\$7,950,000, equivalent to approximately RMB6,730,000. Accordingly the Company recognised RMB72,000 and RMB10,281,000 as share capital and share premium respectively. The amount of RMB3,623,000 was transferred from the share-based payment reserve to the share premium which was recognised in previous years in accordance with policy set out in Note 2.20.
- (ii) On 28 June 2021, the Company had completed share placing with net consideration of RMB352,551,000. A total of 490,000,000 placing shares had been placed at the placing price of HK\$0.877 per placing share, representing approximately 5.80% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares immediately upon completion of the placing.
- (iii) On 16 June 2020, a special resolution was passed by the shareholders of the Company at its Annual General Meeting approving the reduction of an amount of HK\$1,200,000,000 standing to the credit of the share premium account of the Company with the credit arising therefrom transferred to the contributed surplus account of the Company and applied in such manner as permitted under the laws of Bermuda and the Company's bye-laws (the "Capital Reorganisation").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

32 RESERVES

	Note	Share-based payment reserve RMB'000	Shares held for share award scheme reserve RMB'000	Foreign exchange reserves RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2020		42,786	(143,914)	(446)	(269,765)	2,201,171	1,829,832
Exchange differences arising on foreign operations		-	-	643	-	-	643
Issue of shares: exercise of share options issue	31,33	(3,732)	-	-	-	-	(3,732)
Employee share option and share award schemes	33,34	33,408	-	-	-	-	33,408
Reallocation of lapsed options from share- based payment reserve to retained profits	33	(7,342)	-	-	-	7,342	-
Share transferred to employee under share award schemes	34	(20,738)	20,672	-	-	66	-
Final dividend for 2019		-	-	-	-	(166,564)	(166,564)
Dividends received under the share award scheme		-	-	-	-	3,051	3,051
Capital reorganisation	31	-	-	-	1,096,080	-	1,096,080
Profit for the year		-	-	-	-	950,900	950,900
As at 31 December 2020 and at 1 January 2021		44,382	(123,242)	197	826,315	2,995,966	3,743,618
Exchange differences arising on foreign operations		-	-	5,899	-	-	5,899
Issue of shares: exercise of options issue	31,33	(3,623)	-	-	-	-	(3,623)
Employee share option and share award schemes	33,34	6,640	-	-	-	-	6,640
Reallocation of lapsed options from share- based payment reserve to retained profits	33	(372)	-	-	-	372	-
Shares transferred to employee under share award schemes	34	(24,023)	20,325	-	-	3,698	-
Final dividend for 2020		-	-	-	-	(210,824)	(210,824)
Dividends received under the share award scheme		-	-	-	-	2,853	2,853
Loss for the year		-	-	-	-	(284,209)	(284,209)
At 31 December 2021		23,004	(102,917)	6,096	826,315	2,507,856	3,260,354

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

32 RESERVES (continued)

(a) The following describes the nature and purpose of each reserve within owners' equity:

Share-based payment reserve	The reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in Note 2.20.
Shares held for share award scheme reserve	The shares held for share award scheme is the consideration paid, including any directly attributable incremental costs for purchase of shares under the share award scheme.
Foreign exchange reserve	The amount represents gains/losses arising from the translation of the financial statements of foreign operations.

33 SHARE OPTION SCHEME

(a) **2005 Scheme**

Pursuant to a resolution passed on 4 August 2005, a share option scheme was adopted (the "2005 Scheme").

The Company operates the 2005 Scheme for the purposes of providing incentives and rewards to eligible participants. The 2005 Scheme became effective on 5 August 2005 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Under the 2005 Scheme, the Directors are authorised, at their absolute discretion, to invite any employee of the Group or of any entity in which the Group holds equity interest and any supplier, consultant, adviser or customer of the Group or of any entity in which the Group holds equity interest to participate in the 2005 Scheme. Each option gives the holder the right to subscribe for ordinary share in the Company.

The exercise price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be less than the highest of (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the offer date; (ii) the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the offer date; and (iii) the nominal value of the shares in the Company.

As at 31 December 2021, no share options granted under 2005 scheme was outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

33 SHARE OPTION SCHEME (continued)

(b) 2015 Scheme

Pursuant to a resolution passed on 9 June 2015, a new share option scheme was adopted (the "2015 Scheme").

The Company operates the 2015 Scheme for the purposes of continuing the provision of incentives or rewards to eligible participants. The Board may at its discretion, grant share options to any of the eligible participants. Eligible participants of the 2015 Scheme include (i) any employee or proposed employee; and (ii) any directors of any member of the Group or any invested entity, and for the purpose of the 2015 Scheme, share options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. The 2015 Scheme became effective on 9 June 2015 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The exercise price in respect of any particular option shall be such price as determined by the Board in its absolute discretion but in any case the exercise price shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange on the date of grant; (ii) the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares of the Company.

As at 31 December 2021, share options of 82,001,033 granted under 2015 scheme were outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

33 SHARE OPTION SCHEME (continued)

(c) 2005 and 2015 Scheme

Details of the movement of the share options are as follows:

Date of grant	Exercise period	Exercise price per share before the completion of share sub-division		Number of options outstanding at 31 December 2019 and 1 January 2020	During the year ended 31 December 2020		During the year ended 31 December 2021		Number of options outstanding at 31 December 2021
					Options exercised	Options lapsed/cancelled	Options exercised	Options lapsed/cancelled	
11 August 2011	11 August 2015 to 10 August 2021	HK\$0.6714	HK\$0.2238	7,980,346	(3,664,155)	-	4,316,191	(4,316,191)	-
11 August 2011	11 August 2018 to 10 August 2021	HK\$0.6714	HK\$0.2238	10,279,315	(4,066,215)	-	6,213,100	(6,213,100)	-
				18,259,661	(7,730,370)	-	10,529,291	(10,529,291)	-
26 June 2015	26 June 2016 to 25 June 2025	HK\$1.0820	HK\$0.3607	8,452,500	-	-	8,452,500	(3,432,000)	-
26 June 2015	26 June 2017 to 25 June 2025	HK\$1.0820	HK\$0.3607	9,670,900	(3,422,300)	-	6,248,600	(3,432,000)	-
26 June 2015	26 June 2018 to 25 June 2025	HK\$1.0820	HK\$0.3607	15,421,800	(4,835,800)	-	10,586,000	(1,022,667)	-
26 June 2015	26 June 2019 to 25 June 2025	HK\$1.0820	HK\$0.3607	19,433,700	(1,126,300)	-	18,307,400	(5,619,900)	-
26 June 2015	26 June 2020 to 25 June 2025	HK\$1.0820	HK\$0.3607	23,509,200	(8,923,200)	(429,000)	14,157,000	(2,001,400)	-
26 June 2015	26 June 2021 to 25 June 2025	HK\$1.0820	HK\$0.3607	23,509,200	-	(3,131,700)	20,377,500	-	(429,000)
26 June 2015	26 June 2022 to 25 June 2025	HK\$1.0820	HK\$0.3607	23,344,800	-	(3,109,800)	20,235,000	-	(426,000)
				123,342,100	(18,307,600)	(6,670,500)	98,364,000	(15,507,967)	(855,000)
				141,601,761	(26,037,970)	(6,670,500)	108,893,291	(26,037,258)	(855,000)
Weighted average exercise price				HK\$0.3430	HK\$0.3201	HK\$0.3607	HK\$0.3475	HK\$0.3053	HK\$0.3607
<i>Analysis by category:</i>									
Directors				41,671,291	-	-	41,671,291	(858,000)	-
Other employees				99,930,470	(26,037,970)	(6,670,500)	67,222,000	(25,179,258)	(855,000)
				141,601,761	(26,037,970)	(6,670,500)	108,893,291	(26,037,258)	(855,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

33 SHARE OPTION SCHEME (continued)

- (d) The fair value of each option granted on 11 August 2011 and 26 June 2015 were HK\$0.42 and HK\$0.58 respectively which was determined using Binomial Model by an independent valuer.

The share options granted on 11 August 2011 and 26 June 2015 are subject to the following vesting schedules and the vesting condition is that the individual remains a director or an employee of the Group at the time of exercise the options:

Option Exercise Period	2005 Scheme Number of share options exercisable
From 11/8/2012 to 10/8/2021	33%
From 11/8/2015 to 10/8/2021	33%
From 11/8/2018 to 10/8/2021	34%
	100%
Option Exercise Period	2015 Scheme Number of share options exercisable
From 26/6/2016 to 25/6/2025	14.30%
From 26/6/2017 to 25/6/2025	14.30%
From 26/6/2018 to 25/6/2025	14.30%
From 26/6/2019 to 25/6/2025	14.30%
From 26/6/2020 to 25/6/2025	14.30%
From 26/6/2021 to 25/6/2025	14.30%
From 26/6/2022 to 25/6/2025	14.20%
	100.00%

The fair value of share options granted is recognised as employee costs with a corresponding increase in share-based payment reserve within equity over the relevant vesting periods. The Group recognised RMB707,000 (2020: RMB1,398,000), as equity-settled share-based payment expenses for the year ended 31 December 2021 in relation to share options granted by the Company.

During the year, 26,037,258 share options were exercised, the weighted average share price at the date of exercise of option is HK\$0.3053.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

34 SHARE AWARD SCHEME BY THE COMPANY

On 3 July 2018 (the "Adoption Date"), the Board adopted a share award scheme (the "Share Award Scheme") which has taken effect on the same day to provide individual employees ("Selected Participants") of the Group proposed by the Board with an opportunity to acquire a proprietary interest in the Company for the purpose of (i) recognising the contributions by certain employees and give incentives thereto in order to retain them for the continual operation and development of the Group; and (ii) attracting suitable personnel for further development of the Group.

On the Adoption Date, The Company appointed a trustee, an independent third party, for the administration of the Share Award Scheme. The award shares may be satisfied by (i) existing shares to be acquired by the trustee from the market; or (ii) new shares to be allotted and issued to the trustee by the Company under the mandate sought from the shareholders in its general meeting, in both case the costs of which will be borne by the Company. The trustee shall hold such shares in trust until they are vested to the beneficiaries in accordance to the rules of the Share Award Scheme.

The Share Award Scheme came into effect on the Adoption Date, and shall terminate on the earlier of (i) the tenth anniversary date; and (ii) such date of early termination as determined by the directors of the Company.

Approved by Remuneration Committee, a total of 39,833,333 shares were awarded to Selected Participant with no consideration. The vesting period covers from 1 May 2019 to 30 April 2020. The Company resolved to amend for the purpose of supplementary awarding 8,000,000 shares. The fair value of the shares HK\$1.21 was estimated by taking reference to the market price of the Company's shares on grant date.

Approved by Remuneration Committee, a total of 22,250,011 shares were awarded to Selected Participant with no consideration. The vesting period covers from 1 May 2020 to 30 April 2021. The fair value of the shares HK\$0.95 was estimated by taking reference to the market price of the Company's shares on grant date.

The fair value of shares granted is recognised as employee costs with a corresponding increase in share award scheme reserve within equity over the relevant vesting periods. The Group recognised RMB5,933,000 (2020: RMB32,010,000), as share award scheme expenses for the year ended 31 December 2021 in relation to share award scheme granted by the Company.

During the year ended 31 December 2021, the Group has no plan to award additional batch of shares.

During the year ended 31 December 2021, a total number of 23,097,158 shares (2020: 19,940,000 shares) were transferred to employee. Relevant amounts of share held for share award scheme were accounted to share-based payment reserve and retain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

34 SHARE AWARD SCHEME BY THE COMPANY (continued)

All the shares held by the trustee for the purpose of the Share Award Scheme are listed below:

	Number of shares	
	2021	2020
At 31 December	115,240,842	138,338,000
% of the issued share capital	1.22%	1.74%

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash from operating activities

	Note	Year ended 31 December	
		2021	2020
		RMB'000	RMB'000
Profit before income tax		683,447	1,919,867
<i>Adjustments for:</i>			
Finance income – net	7	(90,943)	(225,494)
Other gains not recognized in operating activities		(21,844)	(169,310)
Equity-settled share-based payment expenses	33, 34	6,640	33,408
Depreciation of property, plant and equipment	13	17,816	18,704
Depreciation of right-of-use assets	14	14,231	21,984
Fair value changes in financial assets	6	271,383	(51,308)
Share of (profit)/loss in a joint venture, net of tax	17	(414)	3,177
Impairment loss of trade and other receivables	20, 21	43,087	25,961
Impairment loss of properties under development and properties held for sale	18, 19	90,038	–
Loss on disposal of property, plant and equipment	13	–	2,921
Fair value changes in investment properties	15	5,335	(41,452)
Operating profit before working capital changes		1,018,776	1,538,458
Decrease in properties under development		1,402,203	428,144
Decrease in properties held for sale		385,067	226,853
Increase in investment properties under construction		(82,588)	(38,237)
(Increase)/decrease in trade and other receivables		(100,757)	393,739
Increase in trade and other payables		936,554	257,038
Increase in contract costs		(110,544)	(17,172)
Increase in restricted cash		(425,219)	–
Decrease in contract liabilities		(4,041,631)	(3,475,048)
Cash used in operations		(1,018,139)	(686,225)
PRC corporate income tax paid		(316,641)	(204,446)
PRC land appreciation tax paid		(128,078)	(127,527)
Net cash used in operating activities		(1,462,858)	(1,018,198)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Reconciliation of liabilities arising from financing activities

	Note	Bank and other borrowings RMB'000	Amounts due to related party RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2021		8,691,436	–	171,525	8,862,961
Inflow from financing activities		6,288,462	4,006	–	6,292,468
Outflow from financing activities		(3,493,788)	–	–	(3,493,788)
Interest paid		(952,630)	–	–	(952,630)
Other changes	(i)	942,327	–	18,336	960,663
As at 31 December 2021		11,475,807	4,006	189,861	11,669,674

	Note	Bank and other borrowings RMB'000	Amounts due to related parties RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2020		6,260,348	885,715	–	7,146,063
Inflow from financing activities		3,919,945	–	–	3,919,945
Outflow from financing activities		(1,317,815)	–	–	(1,317,815)
Interest paid		(694,059)	–	–	(694,059)
Other changes	(i)	523,017	(885,715)	171,525	(191,173)
As at 31 December 2020		8,691,436	–	171,525	8,862,961

(i) Other non-cash movements mainly comprise: i) accrued lease liabilities, ii) amortisation of issuance costs, prepaid interest of bank and other borrowings, and iii) foreign exchange adjustment.

36 COMMITMENTS

(a) Operating leases commitments

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and staff quarters which fall due as follows:

	31 December	
	2021	2020
	RMB'000	RMB'000
Within one year	4,808	3,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

36 COMMITMENTS (continued)

(b) Other commitments

	31 December	
	2021	2020
	RMB'000	RMB'000
Expenditure contracted but not provided for in respect of		
– Property construction and development costs	8,293,205	5,029,047

37 CONTINGENT LIABILITIES

The Group has been involved in several lawsuits arising in the ordinary course of business. As at 31 December 2021 and 2020, provision has been made for the probable losses to the Group based on management's assessment on the outcome of the lawsuits taking into account the legal advice and none of these is expected to have a significant effect on the consolidated financial statements of the Group.

38 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Mr. Yu Pan	The ultimate controlling shareholder and also the director of the Company
Mr. Yu Feng	Close family member of the ultimate controlling shareholder
廣州市豐嘉企業發展有限公司 (Guangzhou Fengjia Enterprise Development Company Limited)*	Controlled by close family member of the ultimate controlling shareholder
綠景控股股份有限公司 (Lvjing Holding Company Limited)* ("Lvjing Holding")	Controlled by close family member of the ultimate controlling shareholder
廣州市明安醫療投資有限公司 (Guangzhou Mingan Medical Investment Company Limited)*("Guangzhou Mingan")	Controlled by close family member of the ultimate controlling shareholder
深圳前海易通基金管理有限公司 Shenzhen Qianhai Yitong Fund Management Company Limited* ("Qianhai Yitong")	Controlled by close family member of the ultimate controlling shareholder
宏宇天譽控股有限公司 Cosmos Tianyu Holdings Limited ("Cosmos Tianyu")	Controlled by the ultimate controlling shareholder

* English name is for identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

During the years ended 31 December 2021 and 2020, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Nature of transactions		
Rental income received from office leasing	1,388	1,388
Management fee paid to a related company	–	(200)

(c) Personal guarantee by the ultimate controlling shareholder

As at 31 December 2021 and 2020, Mr. Yu Pan and his spouse have provided guarantee to banks in respect of the loan facilities extended to some Company's subsidiaries as disclosed in Note 22(h).

(d) Compensation of key management personnel

The remuneration of members of senior management, including Directors' emoluments as disclosed in Note 39, incurred during the year is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Short-term benefits	24,262	25,057
Other long-term benefits	785	468
Equity-settled share-based payment expenses	4,457	23,307
	29,504	48,832

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38 RELATED PARTY TRANSACTIONS (continued)

(e) Balances with related parties

Save as disclosed above, as at 31 December 2021 and 2020, the Group has the following significant balances with related parties:

	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<hr/>		
Financial assets at FVTPL:		
Qianhai Yitong	–	10,000
<hr/>		
Amounts due to related parties included in other payables:		
Lvjing Holding and Guangzhou Mingan	213	213
Cosmos Tianyu	4,006	–
	<hr/>	<hr/>
	4,219	213
	<hr/>	<hr/>

Amounts due to related parties mainly represent the cash advances which is unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

39 BENEFITS OF DIRECTORS

The remuneration of each director for the year ended 31 December 2021 and 2020 are set out below: Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

	Fees <i>RMB'000</i>	Salaries and other benefits <i>RMB'000</i> <i>(Note (a))</i>	Bonuses <i>RMB'000</i> <i>(Note (b))</i>	Equity-settled share-based payment and share awards expenses <i>RMB'000</i> <i>(Note (c))</i>	Contributions to defined contribution pension plan <i>RMB'000</i>	Total <i>RMB'000</i>
2021						
Executive directors						
Yu Pan	-	2,109	-	422	15	2,546
Wen Xiaobing	91	1,842	-	403	15	2,351
Wang Chenghua	-	1,842	-	267	15	2,124
Jin Zhifeng	-	1,950	-	267	15	2,232
Non-executive director						
Wong Lok	216	-	-	-	-	216
Independent non-executive directors						
Choy Shu Kwan	200	-	-	17	-	217
Cheng Wing Keung, Raymond	200	-	-	17	-	217
Chung Lai Fong	200	-	-	7	-	207
	907	7,743	-	1,400	60	10,110
2020						
Executive directors						
Yu Pan	-	2,265	2,546	1,786	16	6,613
Wen Xiaobing	116	1,978	305	1,366	16	3,781
Wang Chenghua	-	1,978	790	1,128	16	3,912
Jin Zhifeng	-	2,095	458	1,128	16	3,697
Non-executive director						
Wong Lok	232	-	-	-	-	232
Independent non-executive directors						
Choy Shu Kwan	214	-	-	30	-	244
Cheng Wing Keung, Raymond	214	-	-	30	-	244
Chung Lai Fong	214	-	-	21	-	235
	990	8,316	4,099	5,489	64	18,958

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

39 BENEFITS OF DIRECTORS (continued)

- (a) Salaries and other benefits included basic salaries, housing and other allowances and benefits-in-kind.
- (b) Bonuses were not contractual but were discretionarily provided based on the Directors' performance. The amount of entitlement were subject to approval by the Remuneration Committee of the Company.
- (c) The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of vesting periods (the "**Expected Retention Rate**") of the shares option scheme and share award scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2021, the Expected Retention Rate was assessed to be 100% (2020: 100%).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

40 BALANCE SHEET OF THE COMPANY

		31 December	
		2021	2020
	Note	RMB'000	RMB'000
Non-current assets			
Interests in subsidiaries	42	101,470	90,332
Amounts due from subsidiaries	42	934,269	1,496,942
		<u>1,035,739</u>	<u>1,587,274</u>
Current assets			
Amounts due from subsidiaries	42	4,258,172	4,025,557
Other receivables and prepayments		20,871	18,559
Restricted cash		–	38
Cash and cash equivalents		11,623	95,271
		<u>4,290,666</u>	<u>4,139,425</u>
Current liabilities			
Accruals and other payables		31,580	14,573
Bank and other borrowings		286,668	548,174
Income tax payable		55,830	55,830
		<u>374,078</u>	<u>618,577</u>
Net current assets		<u>3,916,588</u>	<u>3,520,848</u>
Total assets less current liabilities		<u>4,952,327</u>	<u>5,108,122</u>
Non-current liabilities			
Bank and other borrowings		2,904,772	3,440,545
		<u>2,904,772</u>	<u>3,440,545</u>
Net assets		<u>2,047,555</u>	<u>1,667,577</u>
Capital and reserves			
Share capital	31	26,092	24,680
Other reserves	41	1,973,181	1,612,742
Retained earnings	41	48,282	30,155
Total equity		<u>2,047,555</u>	<u>1,667,577</u>

On behalf of the Board

Jin Zhifeng
Director

Wang Chenghua
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

41 RESERVES OF THE COMPANY

	Share premium	Contributed surplus reserve	Share-based payment reserve	Shares held for share award scheme reserve	(Accumulated losses)/retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	1,684,671	16,116	42,786	(143,914)	(17,312)	1,582,347
Issue of shares: exercise of share options issue	11,552	-	(3,732)	-	-	7,820
Repurchase of shares	(20,737)	-	-	-	-	(20,737)
Employee share option and share award schemes	-	-	33,408	-	-	33,408
Reallocation of lapsed options from share-based payment reserve to accumulated losses	-	-	(7,342)	-	7,342	-
Shares transferred to employee under share award schemes	-	-	(20,738)	20,672	66	-
Dividends received under the share award scheme	-	-	-	-	3,051	3,051
Final dividend for 2019	-	-	-	-	(166,564)	(166,564)
Capital reorganisation	(1,096,080)	1,096,080	-	-	-	-
Profit for the year	-	-	-	-	203,572	203,572
As at 31 December 2020 and at 1 January 2021	579,406	1,112,196	44,382	(123,242)	30,155	1,642,897
Issue of shares: exercise of share options	10,281	-	(3,623)	-	-	6,658
Issue of shares: share placing	351,211	-	-	-	-	351,211
Employee share option and share award schemes	-	-	6,640	-	-	6,640
Reallocation of lapsed options from share-based payment reserve to accumulated losses	-	-	(372)	-	372	-
Shares transferred to employee under share award schemes	-	-	(24,023)	20,325	3,698	-
Dividends received under the share award scheme	-	-	-	-	2,853	2,853
Final dividend for 2020	-	-	-	-	(210,824)	(210,824)
Profit for the year	-	-	-	-	222,028	222,028
At 31 December 2021	940,898	1,112,196	23,004	(102,917)	48,282	2,021,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

42 PRINCIPAL SUBSIDIARIES

		31 December	
		2021	2020
	Note	RMB'000	RMB'000
Interests in subsidiaries – non-current portion			
Unlisted investments, at cost	(a)	<u>101,470</u>	<u>90,332</u>
Amounts due from subsidiaries			
Amounts due from subsidiaries	(b)	5,221,045	5,551,103
Less: Provision for impairment loss		<u>(28,604)</u>	<u>(28,604)</u>
		<u>5,192,441</u>	<u>5,522,499</u>
		<u>5,293,911</u>	<u>5,612,831</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

42 PRINCIPAL SUBSIDIARIES (continued)

Notes:

(a) Details of the Company's principal operating subsidiaries as at 31 December 2021 and 2020 are as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operation	Particulars of issued ordinary shares/paid-up capital		Percentage of equity interest held by the Company				Principal activities
		2021	2020	2021		2020		
				Directly	Indirectly	Directly	Indirectly	
重慶核盛房地產開發有限公司 (Chongqing Hesheng Real Estate Development Company Limited)*	PRC	RMB50,000,000	RMB50,000,000	-	100%	-	100%	Property development in the PRC
重慶之遠地產有限公司 (Chongqing Zhiyuan Property Company Limited)*	PRC	RMB40,820,000	RMB20,000,000	-	76%	-	100%	Property development in the PRC
Fine Luck Group Limited	BVI	US\$1	US\$1	100%	-	100%	-	Investment holding
廣西翠擊易學投資有限公司 (Note(f)) (Guangxi Zhongqing Yiju Investment Company Limited)* ("Zhongqing Yiju")	PRC	RMB60,000,000	RMB60,000,000	-	40%	-	40%	Property development in the PRC
廣州市創家譽置業有限公司 (Guangzhou Chuanghaoyu Realty Company Limited)*	PRC	US\$6,000,000	US\$6,000,000	-	100%	-	100%	Investment holding and property leasing
廣州海涌房地產有限公司 (Guangzhou Haiyong Property Limited)*	PRC	RMB100,000,000	RMB100,000,000	-	88%	-	88%	Property development in the PRC
廣州天鳳有限責任公司 (Guangzhou Tianfeng Company Limited)*	PRC	RMB50,000,000	-	-	80%	-	-	Property development in the PRC
廣州市天譽物業管理有限公司 (Guangzhou Tianyu Property Management Company Limited)*	PRC	RMB53,000,000	RMB53,000,000	-	100%	-	100%	Property management services
廣州市天譽科技創新投資有限公司 (Guangzhou Tianyu Technology Innovative Company Limited)*	PRC	RMB800,000	RMB800,000	-	100%	-	70%	Provision of innovative technology operating services
廣州市譽城房地產開發有限公司 (Guangzhou Yucheng Real Estate Development Company Limited)*	PRC	US\$100,000,000	US\$100,000,000	-	100%	-	100%	Property development in the PRC
廣州譽浚諮詢服務有限公司 (Guangzhou Yu Jun Consulting Service Company Limited)*	PRC	HK\$154,239,363	HK\$755,000,000	-	100%	-	100%	Investment holding and provision of property development project management services in the PRC
廣州粵威環保實業有限公司 (Guangzhou Yuewei Environmental Enterprise Company Limited)*	PRC	US\$11,327,455	US\$11,327,445	-	100%	-	100%	Property development in the PRC
Guangzhou Zhoutouzui Development Limited	Hong Kong	HK\$100	HK\$100	-	100%	-	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

42 PRINCIPAL SUBSIDIARIES (continued)

Notes: (continued)

- (a) Details of the Company's principal operating subsidiaries as at 31 December 2021 and 2020 are as follows:
(continued)

Name of subsidiaries	Place of incorporation/ establishment/ operation	Particulars of issued ordinary shares/paid-up capital		Percentage of equity interest held by the Company				Principal activities
		2021	2020	2021 Directly	2021 Indirectly	2020 Directly	2020 Indirectly	
桂林荔蒲天譽文旅投資有限公司 (Guilin Lipu Tianyu Wenu Investment Company Limited)*	PRC	-	-	-	100%	-	100%	Property development in the PRC
江西新好景實業發展有限公司 (Jiangxi Xinhaojing Industrial Development Company Limited)*	PRC	RMB30,000,000	RMB30,000,000	-	65.5%	-	65.5%	Property development in the PRC
昆明創澳置業有限公司 (Kunming Chuangao Realty Company Limited)*	PRC	RMB88,000,000	RMB88,000,000	-	90%	-	90%	Property development in the PRC
南寧市明安醫院管理有限公司 (Nanning Mingan Hospital Management Company Limited)*	PRC	RMB450,000,000	RMB210,000,000	-	70%	-	70%	Hospital operation in the PRC
南寧天譽巨成置業有限公司 (Nanning Tianyu Jucheng Realty Company Limited)*	PRC	RMB50,000,000	RMB50,000,000	-	80%	-	80%	Property development in the PRC
南寧天譽巨榮置業有限公司 (Nanning Tianyu Jurong Realty Company Limited)* ("Tianyu Jurong")	PRC	RMB1,177,625,000	RMB777,625,000	-	80%	-	100%	Property development in the PRC
南寧天譽新景置業有限公司 (Nanning Tianyu Xinjing Realty Company Limited)*	PRC	-	-	-	80%	-	80%	Property development in the PRC
深圳市新圍房地產開發有限公司 (Shenzhen Xinwei Property Development Company Limited)*	PRC	RMB50,000,000	RMB50,000,000	-	100%	-	100%	Property development in the PRC
Skyfame International Holdings Limited	BVI	US\$100	US\$100	-	100%	-	100%	Provision of financing
Skyfame Investments Management Limited	Hong Kong	HK\$100,000,000	HK\$100,000,000	100%	-	100%	-	Provision of management services to group entities and investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

42 PRINCIPAL SUBSIDIARIES (continued)

Notes: (continued)

- (a) Details of the Company's principal operating subsidiaries as at 31 December 2021 and 2020 are as follows:
(continued)

Name of subsidiaries	Place of incorporation/ establishment/ operation	Particulars of issued ordinary shares/paid-up capital		Percentage of equity interest held by the Company				Principal activities
		2021	2020	2021 Directly	2021 Indirectly	2020 Directly	2020 Indirectly	
Waymax Investments Limited	Hong Kong	HK\$1	HK\$1	-	100%	-	100%	Property investments
Winprofit Investment Enterprises Limited	BVI	US\$100	US\$100	100%	-	100%	-	Investment holding
徐州嘉譽置業有限公司 (Xuzhou Jiayu Realty Company Limited)*	PRC	US\$35,000,000	US\$35,000,000	-	89.8%	-	100%	Property development in the PRC
徐州譽城置業有限公司 (Xuzhou Yucheng Realty Company Limited)*	PRC	RMB55,000,000	RMB55,000,000	-	70%	-	70%	Property development in the PRC
徐州建譽置業有限公司 (Xuzhou Jianyu Realty Company Limited)*	PRC	RMB113,500,000	RMB113,500,000	-	78%	-	78%	Property development in the PRC
中山市天譽萬利房地產開發有限公司 (Zhongshan Tianyu Wanli Property Development Company Limited)*	PRC	RMB1,000,000	RMB1,000,000	-	51%	-	51%	Property development in the PRC
珠海市豪濠房地產開發有限公司 (Zhuhai Haojun Property Development Company Limited)*	PRC	RMB10,000,000	RMB10,000,000	-	80%	-	100%	Property development in the PRC

* English name is for identification purpose only

- (i) Zhongqing Yiju is accounted for as in accordance with the memorandum and articles of the entity and shareholders' agreement to acting in concert with each other. The Group is able to exercise control of the entity and thus it is regarded as a subsidiary of the Group.
- (b) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

42 PRINCIPAL SUBSIDIARIES (continued)

Notes: (continued)

(c) Non-wholly owned subsidiaries with material non-controlling interests

- (i) Zhongqing Yiju and Tianyu Jurong have non-controlling interests that are material to the Group as at 31 December 2021. The non-controlling interests in respect of the remaining subsidiaries are not material to the Group individually.

The financial information of Zhongqing Yiju and Tianyu Jurong before inter-company eliminations set out below.

Summarised balance sheets

	Zhongqing Yiju 2021 RMB'000	Tianyu Jurong (Note) 2021 RMB'000
Current assets	1,364,027	12,193,128
Current liabilities	(591,123)	(6,207,435)
Current net assets	772,904	5,985,693
Non-current assets	167,152	1,042,940
Non-current liabilities	(172,354)	(4,483,710)
Non-current net assets	(5,202)	(3,440,770)
Net assets	767,702	2,544,923
Accumulated non-controlling interests of the Group	460,621	440,106

Summarised statements of comprehensive income

	Zhongqing Yiju 2021 RMB'000	Tianyu Jurong 2021 RMB'000
Revenue	3,339,178	1,356,846
Profit for the year	468,496	219,758
Total comprehensive income	468,496	219,758
Profit allocated to non-controlling interests of the Group	281,098	40,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

42 PRINCIPAL SUBSIDIARIES (continued)

Notes: (continued)

(c) Non-wholly owned subsidiaries with material non-controlling interests (continued)

(i) (continued)

Summarised statements of cash flows

	Zhongqing Yiju	Tianyu Jurong
	2021	(Note)
	RMB'000	2021
		RMB'000
Cash flows from operating activities	(357,270)	41,625
Cash flows from investing activities	276,242	12,450
Cash flows from financing activities	–	186,825
Net increase in cash and cash equivalents	(81,028)	240,900

Note: On 8 July 2021, the Group entered into a capital increase agreement and pursuant to which Zhangzhou Tanglin Real Estate agreed to make a capital contribution for 20% equity interest of Tianyu Jurong. Upon completion of capital contribution, Tianyu Jurong would be owned as to 80% by the Group and 20% by the non-controlling shareholders. Tianyu Jurong remained a subsidiary of the Company.

(ii) No individual non-controlling interest is considered material to the Group as at 31 December 2020.

FIVE YEAR FINANCIAL SUMMARY

The following table summarises the results, assets and liabilities of the Group:

	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
RESULTS					
<i>For the year ended 31 December</i>					
Revenue	7,662,876	7,702,150	6,591,043	6,191,763	4,080,514
Profit before income tax	683,447	1,919,867	1,579,850	1,644,102	1,038,504
Income tax expense	(573,979)	(916,855)	(747,868)	(823,346)	(491,232)
Profit for the year	109,468	1,003,012	831,982	820,756	547,272
Attributable to					
– Owners of the Company	(284,209)	950,900	792,258	751,315	550,460
– Non-controlling interests	393,677	52,112	39,724	69,441	(3,188)
	109,468	1,003,012	831,982	820,756	547,272
FINANCIAL POSITION					
<i>At 31 December</i>					
Total assets	30,776,471	29,061,741	22,851,765	21,236,989	16,252,454
Total liabilities	(25,156,763)	(24,266,983)	(19,101,719)	(17,933,430)	(13,873,827)
Net assets	5,619,708	4,794,758	3,750,046	3,303,559	2,378,627
Non-controlling interests	(1,392,364)	(447,054)	(210,873)	(390,134)	(52,598)
Equity attributable to owners of the Company	4,227,344	4,347,704	3,539,173	2,913,425	2,326,029

PARTICULARS OF PROPERTIES UNDER DEVELOPMENT, PROPERTIES HELD FOR SALE AND INVESTMENT PROPERTIES

Location	Project type	Status	Actual/ Expected completion year	Estimated project gross floor area ("GFA") (sq.m.)	Estimated undelivered saleable GFA at 31.12.2021 (sq.m.)	Effective equity interest % held	Market value in existing state RMB'000	Market value attributable to the Group RMB'000	Carrying book value RMB'000	Carrying book value attributable to the Group RMB'000	
(A) Details of the Group's properties under development and properties held for sale at 31 December 2021 are as follows:											
In Guangdong-Hong Kong-Macao Greater Bay Area:											
1.	Guangzhou Skyfame Byland, Haizhu District, Guangzhou	Residential & commercial	Completed	2017	315,000	14,000	100%	993,000 (Note 1)	993,000	271,950	271,950
2.	Shenzhen Skyfame Health Smart City, Guangming District, Shenzhen	Serviced apartment & commercial	Construction in progress	2024	183,000	129,000	100%	1,842,000 (Note 1)	1,842,000	1,838,642	1,838,642
3.	Zhongshan Skyfame Rainbow, West District, Zhongshan	Residential & ancillary commercial	Completed	2020	105,000	7,000	51%	176,000 (Note 1)	89,800	77,236	39,390
4.	Skyfame Zhuhai Bay, Pingshan New Town, Zhuhai	Residential & ancillary commercial	Construction in progress	2022 - 2023	295,000	209,000	80%	1,552,000 (Note 1)	1,241,600	1,551,402	1,241,122
In Southern Region:											
5.	Nanning Skyfame Garden, Wuxiang New District, Liangqing District, Nanning	Residential & ancillary commercial	Completed	2016 - 2018	1,202,000	24,000	80%	541,000 (Note 1)	432,800	94,340	75,472
6.	Nanning Skyfame ASEAN Maker Town, Wuxiang New District, Liangqing District, Nanning	Composite development	Completed/ Construction in progress	2018 - 2024	1,305,000	248,000	80%	2,448,000 (Note 1)	1,958,400	473,608	378,886
								89,000 (Note 4)	71,200		
7.	Nanning Spiritual Mansions, Wuxiang New District, Liangqing District, Nanning	Residential & ancillary commercial	Completed	2020 - 2021	749,000	23,000	40%	249,000 (Note 1)	99,600	327,172	130,869
								208,000 (Note 4)	83,200		
8.	Guilin Lipu Skyfame Jade Valley, Licheng Town, Lipu City, Guilin	Villas, residential & serviced apartments	Construction in progress	2022 - 2024	236,000	230,000	100%	416,000 (Note 1)	416,000	415,288	415,288
In Eastern Region:											
9.	Xuzhou Skyfame Time City, Quanshan District, Xuzhou	Residential & ancillary commercial	Completed	2019 - 2021	468,000	24,000	70%	66,000 (Note 1)	46,200	63,847	44,693
10.	Xuzhou Skyfame Elegance Garden, Quanshan District, Xuzhou	Residential & ancillary commercial	Completed/ Construction in progress	2021 - 2022	205,000	22,000	78%	102,000 (Note 1)	79,600	98,481	76,815
11.	Xuzhou Skyfame Smart City, Quanshan District, Xuzhou	Residential & ancillary commercial	Construction in progress	2022 - 2024	542,000	416,000	89.8%	1,537,000 (Note 1)	1,380,200	1,536,180	1,379,490
12.	Nanchang Skyfame Fenghuangyue, Anyi County, Nanchang	Residential & ancillary commercial	Completed	2013	119,000	35,000	65.5%	150,000 (Note 1)	98,300	114,586	75,054
In Southwestern Region:											
13.	Chongqing Skyfame • Smart City, Danzishi, Nanan District, Chongqing	Composite development	Completed/ construction in progress	2017 - 2024	1,195,000	288,000	100%	3,152,000 (Note 1)	3,152,000	3,151,631	3,151,631
14.	Chongqing Skyfame Linxifu, Bishan District, Chongqing	Residential & ancillary commercial	Construction in progress	2022 - 2023	448,000	360,000	76%	1,119,000 (Note 1)	850,400	1,107,362	841,595
15.	Kunming Anning Linxi Valley, Anning, Kunming	Residential & ancillary commercial	Construction in progress	2022	297,000	255,000	40%	1,444,000 (Note 1)	577,600	1,438,912	575,565
16.	Kunming Skyfame City, Anning, Kunming	Residential & ancillary commercial	Construction in progress	2022 - 2025	502,000	384,000	90%	1,051,000 (Note 1)	945,900	1,044,807	940,326
					8,166,000	2,668,000		17,135,000	14,357,800	13,605,444	11,476,788
In Guangdong-Hong Kong-Macao Greater Bay Area, project will be completed over 3 years:											
17.	Guangzhou Fengwei Village Project, Huangpu District, Guangzhou	Residential & ancillary commercial	Construction in progress	2024 - 2027	1,939,000	742,000	80%	N/A	N/A	2,359,287 (Note 3)	1,887,430 (Note 3)
					10,105,000	3,410,000		17,135,000	14,357,800	15,964,731	13,364,218

PARTICULARS OF PROPERTIES UNDER DEVELOPMENT, PROPERTIES HELD FOR SALE AND INVESTMENT PROPERTIES

Location	Usage	Status	Actual/ Expected completion year	Saleable GFA (sq.m.)	Effective equity interest % held	Market value in existing state RMB'000	Market value attributable to the Group RMB'000
(B) Details of the Group's investment properties at 31 December 2021 are as follows:							
1. Apartments in Chongqing Skyfame Smart City, Danzishi, Nanan District, Chongqing	Serviced apartment	Construction in progress	2024	248,800	100%	1,308,000 (Note 1)	1,308,000
2. 495 retail units in Skyfame Vitality Centre, Nanning Skyfame ASEAN Maker Town, Wuxiang New District, Liangqing District, Nanning	Retail	Completed	2021	50,092	80%	686,000 (Note 1)	548,800
3. Hotel (block A1), Skyfame Byland, Haizhu District, Guangzhou	Hotel	Completed	2019	9,890	100%	532,000 (Note 1)	532,000
4. 800 Car parking spaces, Skyfame Byland, Haizhu District, Guangzhou	Car parking	Completed	2017	10,414	100%	538,000 (Note 1)	538,000
5. Commercial podium, Tianyu Garden Phase 2, Tianhe District, Guangzhou	Office/Retail	Completed	2001	17,343	100%	429,000 (Note 1)	429,000
6. Office premises, Huancheng HNA Plaza, Tianhe District, Guangzhou	Office	Completed	2016	1,498	100%	54,000 (Note 1)	54,000
7. Office premises, Capital Centre, Wan Chai, Hong Kong	Office	Completed	1982	577 (6,216 sq.ft.)	100%	111,458 (Note 2)	111,458
				338,614		3,658,458	3,521,258

Notes:

- The properties under development/held for sales and investment properties were revalued on an open market value basis by an independent firm of professional valuers, Cushman & Wakefield International Properties Advisers (Guangzhou) Co., Ltd., Chartered Surveyors, as at 31 December 2021. Valuation of properties under development is based on the assumptions that the properties will be developed and completed in accordance with the Group's latest development plans, and that all consents, approvals and licences from relevant government authorities have been obtained without onerous condition or delay.
- The properties were revalued on an open market value basis by an independent firm of professional valuers, CBRE Limited, Chartered Surveyors, as at 31 December 2021.
- We had not completed the necessary procedures in acquisition of the lands of these projects and had not yet obtained the land use rights certificates as at 31 December 2021.
- The properties completed/under development will be delivered to buyers in 2022 with completed renovations and are valued on an open market value basis by reference to recent market price as at 31 December 2021.
- Projects which the Group had not obtained direct rights in development but participated in the projects as joint venture partners or project manager are not included in the above listing.