JOVAN 佳源

Jiayuan International Group Limited
佳源國際控股有限公司
(Incorporated in the Cayman Islands with Limited Liability)
Stock Code : 2768

2021
Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors
Shum Tin Ching *(Chairman)*
Shen Xiaodong

Executive Directors
Zhang Yi *(Vice Chairman)*
Huang Fuqing *(Vice Chairman)*
Cheuk Hiu Nam
Wang Jianfeng *(Vice President)*

Independent non-executive Directors
Tai Kwok Leung, Alexander
Cheung Wai Bun, Charles, JP
Gu Yunchang

AUDIT COMMITTEE
Tai Kwok Leung, Alexander *(Chairman)*
Cheung Wai Bun, Charles, JP
Gu Yunchang

REMUNERATION COMMITTEE
Cheung Wai Bun, Charles, JP *(Chairman)*
Tai Kwok Leung, Alexander
Zhang Yi*

NOMINATION COMMITTEE
Shum Tin Ching *(Chairman)*
Cheung Wai Bun, Charles, JP
Gu Yunchang

PRESIDENT
Shen Hongjie

JOINT COMPANY SECRETARIES
Cheuk Hiu Nam
Lau Yee Wa

AUTHORISED REPRESENTATIVES
Cheuk Hiu Nam
Lau Yee Wa

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISERS
As to Hong Kong law:
Mayer Brown

As to PRC law:
Jingtian & Gongcheng

As to Cayman Islands law:
Conyers Dill & Pearman

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
Banco Tai Fung
Bank of Communications
China Minsheng Bank
Huishang Bank
Agricultural Development Bank of China
SPD Bank

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

HEADQUARTERS
Room 1403, 9 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC
No. 59, Gu Jia Ying Road
Xuanwu District
Nanjing
China

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

BRANCH SHARE REGISTRAR IN HONG KONG
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE
www.jiayuanintl.com

STOCK CODE
2768

* Ms. Cheuk Hiu Nam has ceased to act as a member of the remuneration committee of the board of directors of the Company (the "Board") (the "Remuneration Committee") since 29 March 2021 while Mr. Zhang Yi was appointed as a member of the Remuneration Committee on the same date.

COMPANY PROFILE

ABOUT JIAYUAN

Jiayuan International Group Limited ("Jiayuan" or the "Company" and together with its subsidiaries, collectively as the "Group") (Stock Code: 2768) is an established property developer of large-scale residential complexes and commercial complexes in the People's Republic of China (the "PRC"). As at 31 December 2021, the total land bank of the Group was approximately 17.43 million sq.m..

With 27 years of experience in property development, the Group develops property projects through comprehensive planning, meticulous quality control, sophisticated operating systems and experienced professional teams to meet the needs of different regions and strengthen the "Jiayuan" brand.

As of 31 December 2021, the Group has a portfolio of 100 property projects in China. Ever since its establishment, the Group has had a deep presence in the property project development in Jiangsu and Anhui regions. Since 2016, the Group has taken the lead in entering Guangdong-Hong Kong-Macao Greater Bay Area, and has successively obtained a number of quality projects in Shenzhen, Jiangmen and Macau. In 2018, it established a joint venture company in Hong Kong to formally enter the Hong Kong real estate market. Also, the Group purchased the quality properties of Shanghai from Mr. Shum Tin Ching ("Mr. Shum"), chairman of the Board (the "Chairman"), non-executive Director and ultimate controlling shareholder of the Company, thus enhancing its leading position in the Yangtze River Delta Region. In addition, the Group also succeeded in expanding its business coverage to key provincial capital cities, including Guiyang and Urumqi. The Group also ventured into countries and regions along the "Belt and Road" initiative, such as acquiring fine land parcels in Cambodia. In addition, the Group acquired a property management business, for which property management services of the Group was deeply rooted in Yangtze River Delta Region. Jiayuan Services Holdings Limited (Stock Code: 1153.HK) ("Jiayuan Services") became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in December 2020. In 2021, the Group acquired the Shandong property development projects from Mr. Shum to further expand its development regions.

The Group's residential and commercial complexes in cities with sizeable economies and populations have been or will be developed into mixed-use community centres. The Group strives to infuse the following key values into its developments:

1. Education value: The Group believes that education is of paramount importance to customers as parents. Therefore, the Group focuses on selecting locations with relatively mature school nets. In addition, the Group has participated in the construction of five schools in its developed property projects, aiming at building an excellent school net;

2. Leisure value: For projects building, it is the Group's general practice to spare a certain portion of its site area for the construction of European or Chinese-style theme parks and plazas, aiming at enhancing the visual attraction of properties and bringing leisure enjoyment to its customers;

3. Commercial value: The residential properties under the Group also include retail stores and shopping malls, providing a "one-stop" shopping experience to its customers and taking care of the daily needs of residents and citizens nearby; and

4. Green value: Green construction and green innovation are important areas for practicing environmental responsibility. The Group will put more emphasis on green development to integrate the green concept into the whole process of planning, designing, building and operating, so as to create green buildings and healthy buildings with high qualities. Meanwhile, residential industrialization is actively promoted and energy conservation and consumption reduction requirements are implemented, so as to enhance the environmental performance in a multi-pronged approach.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to you the Group's business review for the year ended 31 December 2021 and prospects for year 2022.

REVIEW OF 2021

In 2021, China's economy began to recover slowly as the post-COVID era came. The year-on-year increase of investment in real estate development projects decreased to 4.4% as compared with that of 7% in 2020. The Chinese Government insists on tightening real estate policies and policies such as "Three Red Lines", "Two Limits on Real Estate Loans" and "Two Centralized Land Supply Mode" has multiple impacts on the markets, thus creating an imbalance in the divergent trends of domestic real estate market between the first and second half year, from high growth to a deep adjustment in the industry. Under the pressure of all-round control policies over the industry and the volatile COVID-19 epidemic situation, even some large-scale real estate enterprises were involved in indebtedness default and the whole industry has been facing critical challenges.

In light of complex market environment, strict funding monitoring policies and unprecedentedly strong policy control, the Group still took proactive initiatives by reorganizing the internal management structure and optimizing its management system and mechanism. Meanwhile, the Group stressed out deeply plowing strategy in existing market, improving sales and cash collection, which in turn, resulted in a steady operating performance of the Group despite the sluggish market environment. At the same time, the Group proactively established a sound financial system, redeemed overseas bonds on time and maintained fund balancing. Thus, the Group remained one of the most outstanding non-state-owned Chinese residential property enterprises in the "Three Red Lines" assessment.

In 2021, the Group adhered to its development strategy and focused on cities in Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and potential provincial capital cities in central and western China, showing further development layout on regional focuses.

Benefitting from its layout and mature product design and building capacity, the Group achieved contracted sales of RMB36,053 million and sales area of 2,659,251 sq.m. during the year.

PROSPECTS OF 2022

It is expected that the major emphasis of the real estate market in 2022 shall remain the same as it always has, and the principles of "housing is for accommodation instead of speculation" and "City-Specific Policies" will remain unchanged. In pursuit of the goals of "stabilizing land and housing prices as well as market expectations", policy-driven restoration of the real estate market will proceed gradually. With the emphasis on facilitating a virtuous cycle and healthy development of the real estate industry at the state level, real estate enterprises will face an improved financing environment. At the city level, policies and measures focusing on risk prevention and satisfying reasonable demands will also be rolled out to mitigate risks.

Expanding domestic demand and stabilizing growth will remain a fundamental strategy for economic development in 2022. The development of the Chinese real estate sector, which spans across upstream and downstream industries, will still echo with the government's policy of deleverage and stabilizing market expectations to enhance product and service standards, maintain stable operation and sustain a steadily growing momentum.

In view of the above analysis of macroeconomic conditions, in 2022, the Group shall continue to follow the requirements under China's national policy. We will shift towards a quality-oriented development mode from a scale-oriented development mode and focus on the strategic core, key cities, advantageous sectors and major projects. Through exploring a new business model, improving product quality and enhancing the management and service standards, we will be able to achieve quality growth and secure the lifeline of stable development. In the meantime, we will firmly assume our corporate social responsibilities in the aspects of economy, society and environment and push ahead with high-quality urban development in realizing the cooperation between the eastern and western regions to create common wealth and make contribution of Jiayuan's power.

On behalf of the Board, I would like to take this opportunity to express the Group's sincere gratitude to all shareholders of the Company (the "Shareholders"), investors and business partners for their trust and support and to all staff members for their diligence on their positions.

Jiayuan International Group Limited
Shum Tin Ching
Chairman

30 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS


Benetton
Semi-Anchors
SWAROVSKI
宏信龍

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

I. Market Review

In 2021, control policies towards real estate in China continued to tighten. Under the principle of "housing is for accommodation instead of speculation", not only did the policies cover purchase, loan and sale quota, but also put focus on optimizing land auction rules, managing housing quality and enhancing housing security. In addition, credit policies towards real estate also continued to tighten, which led to a reduction of trading in the property market to a certain extent. The property market has entered a period of stable development.

In retrospect, the investment of the PRC real estate development in 2021 amounted to RMB14,760.2 billion, representing a year-on-year increase of 4.4%; the sales area of commodity housing was 1,794.33 million sq.m., representing a year-on-year increase of 1.9%; the sales of commodity housing was RMB18,193.0 billion, representing a year-on-year increase of 4.8%.

Looking from the performance of the real estate market in the year, the first half of the year and the second half of the year diverged obviously, which shifted from the high growth in the first half of the year to the deep adjustment in the second half of the year. Under multiple pressures of all-round control policies, spreading pandemic and debt defaults of some large housing enterprises, the industry recorded a slight increase in sales area and sales of commodity housing, representing a decrease of 0.7 and 3.9 percentage points, respectively, in growth as compared to that in 2020.

With the continuous real estate control policies, the year-on-year growth in sales area and sales was the highest at the beginning of the year, followed by a monthly reduction and marked the lowest point of the year in December. Sales index of the year achieved a slight positive growth. While facing challenges, China's real estate market has been showing significant resilience.

II. Business Review

Enhancement in Quality of Land Reserves and Concentration on Core Cities Layout

Since the second half of 2021, the real estate market in Mainland China has been cooling down rapidly. Leveraging by its high quality but low-cost land reserves, the Group laid a sound foundation for its stable development in the future. In 2021, the Group acquired eight premium projects in Hefei, Yangzhou, Suqian, Guiyang, Zhuhai and Foshan through tender and bidding in the public market, merger and acquisition. With effective control of land acquisition costs, new lands were acquired at an average cost of RMB5,225 per sq.m. only. As of December 2021, the Group had a land reserve of approximately 17.43 million sq.m., laying a solid foundation for continuous and robust development. In 2021, the Group streamlined the layout strategies for the core city clusters which were predominant in economic development and population density, deepened its presence in the Yangtze River Delta Region, and strengthened its layout in first-tier and second-tier cities, including cities in the Guangdong-Hong Kong-Macau Greater Bay Area. The Group acquired 5 premium projects in Qingdao and Weihai owned by Mr. Shum by entering into a sale and purchase agreement with Mr. Shum, so that the Group could enter the Bohai Rim Region and build a solid moat for its development. At the end of 2021, the Group's land reserve value at the Yangtze River Delta Region was approximately RMB120.5 billion, which accounted for approximately 51%; land reserve value at the Guangdong-Hong Kong-Macau Bay Area was approximately RMB57.9 billion, which accounted for approximately 25%; land reserve value at the Shandong Province was approximately RMB36.4 billion, which accounted for approximately 15%.

Solid Growth in Business Scale with High Percentage of Attributable Interests and Sustainable Profitability

Taking an overview of 2021, the Group managed to surmount the difficulties amid the recurrence of COVID-19 as well as rigorous real estate regulation and control. Thanks to the development opportunities as a result of the strong foothold in Yangtze River Delta Region in the past, the business layout in Guangdong-Hong Kong-Macau Greater Bay Area in recent years and the contribution of quality assets in Shandong Province by Mr. Shum, contracted sales for the year grew steadily. As at 31 December 2021, contracted sales of the Group amounted to approximately RMB36.1 billion, representing a year-on-year increase of approximately 17%. Attributable contracted sales of the Group amounted to approximately RMB29.2 billion, with an attributable interest of 81%. In 2021, the gross profit of the Group was approximately RMB5,399 million with a gross profit margin of 28%, ranking the Group among the forefront of the industry.

Market Confidence in the Group's Enhancing Financial Discipline and Early Redemption of Overseas Debts

In light of the rigorous financing environment in the second half of 2021, the management of the Group strived for enhancing its financial discipline by stringently controlling its cash recovery ratio vis-à-vis land acquisitions and emphasizing prudence in expanding its liabilities, and as a result of which, liquidity was remained at a stable and safe level. In 2021, the Group actively repurchased its senior notes of US$293,655,000 in aggregate, which enhanced the market confidence. On 11 March 2022, the Group repaid the outstanding principal amount of US$132,630,000 in full of the 13.75% senior notes due 2022.

On 21 July 2021, the Company proposed to issue convertible bonds in a principal amount of US$100 million bearing an interest rate of 7.00% and due 2025, which was the first issuer of green financing convertible bonds among Chinese property developers. The issuance of convertible bonds is an innovation in expanding the Company's financing channels, which can effectively reduce financing costs and help the Company further optimize its financial structure. In the long run, it will increase the liquidity and trading volume of the Company's shares, providing more space for future asset injections from Mr. Shum. On 9 July 2021, S&P Ratings issued its green framework alignment opinion on the Company's green financing framework ("the Framework") with opinion that the Framework is aligned with the four components of the Green Bond Principles 2021 and Green Loan Principles 2021. The Framework clarifies that the funds raised under green financings will be used in eligible green projects such as green buildings, pollution prevention and control and sustainable water management. It marked another milestone in the Company's efforts to promote green industry development and achieve sustainable growth.

Market Recognition for the Group's Overall Performance

In 2021, the Group achieved bright business performance. The Group was awarded the "Best Communication Company in the Capital Market of the 4th China IR Annual Awards" at the "2021 Listed Companies Investor Relations Innovation Summit and the 4th IR Annual Conference and Awards Ceremony" organized by Roadshow China and Excellent IR; the "Listed Company Award 2021" by The Hong Kong Institute of Financial Analysts and Professional Commentators Limited; the "Excellent Mainland Property Developer Brand in the Hong Kong Leaders' Choice Awards 2021" by Metro Radio in Hong Kong, and the "2021 Hong Kong Outstanding Listing Enterprise – Outstanding China-based Property Developer" by Economic Digest. Meanwhile, the Group was conferred the accolades including the "China Property Award of Supreme Excellence 2021" by the Preparatory Committee of China Property Award of Supreme Excellence; the "2021 ESG Leading Enterprise Awards – Real Estate Sector" at the 19th China Financial Billboard in 2021 sponsored by Hexun.com; "The Best 2021 Golden Kirin Small and Mid-cap Listed Company in the Hong Kong and US Stock Market" at the "Overseas Investment Summit and 2021 Golden Kirin Best Hong Kong and US-Listed Company Awards Ceremony" organised by Sina Finance; "2021 China Financial Award – Best Brand Value" by China Financial Market, a renowned financial magazine; and"Outstanding Listed Company with Sound Financial Position" of "Believe 2021 · China Real Estate Yearbook" by ifeng.com.

The Group's property projects have also received awards from the media and various organizations. The Spire Bay (珠海佳源 • 海韻星灣) was awarded "New Heights in the Prosperity Era · 2021 China's New City Landmark" on the "2021 China Real Estate Honor List". Hefei Paris Metropolis (合肥佳源 • 巴黎都市) was honoured as "City Complex of the Year" on the "2021 13th Anhui Property Market General Evaluation List" organized by www.xafc.com. Hefei Yuhe Bay (譽和灣) project was honoured as "Project with Market Value of the Year" on the same list.

Performance of Corporate Social Responsibilities and Fostering Sustainable Development

With devotion and commitment to the communities in its property projects, the Group performs its corporate social responsibilities to foster the sustainable development of such communities. In 2021, the Group and its project companies proactively participated in charitable activities organized by charitable organizations, such as actively organizing visits to local welfare houses and nursing homes to show their care, donation activities for students, such as provision of RMB32 million by Qingdao Lingshihuafu Property Co., Ltd to Shandong Qingdao University Education Group as the capital for construction of "Experimental Secondary School of Qingdao University", "Experimental Primary School of Qingdao University" and "Experimental Kindergarten of Qingdao University" in Laoshan District, Qingdao. Suqian Jiayuan· Seasons Park (宿遷佳源 • 四季璟園) jointly held a book donation activity named "Building Dreams for the Next Generation with Books (書香溢學府 築夢下一代)" with the Suqian Huanghai Road Campus of the High School Affiliated to Nanjing Normal University and assisted the high school to construct it as a campus full of academic atmosphere to carry forward the corporate mission and social responsibility of the Group. The Group also actively fulfilled its social responsibilities, such as a donation of RMB250,000 by Qingdao Lingshihuafu Property Co., Ltd to Gansu Li County Health Bureau for the purchase of ambulances and on-board medical equipment, contributing to the rural revitalization and protection of the health of people living in the rural area.

Meanwhile, the Group pushed ahead with green awareness in the community and encouraged staff members to practice low-carbon living, while fully supporting and participating in charity related to sports and culture.

Besides, the Group, its subsidiaries, associates and joint ventures actively participated in epidemic prevention and control in their respective localities and launched warmth-giving service activities in various communities and organized epidemic prevention and control drills, thereby making proactive contributions in response to the epidemic and showcasing its social responsibility.

Prospects

Looking ahead to 2022, China is still in the stage of rapid urban development. The population size and number of households in cities and towns will continue to increase and the rigid demand for housing is still relatively strong, and thus the real estate industry still has potential for development. The Ministry of Housing and Urban-Rural Development of the PRC made remark on the consistency and stability of the control policies and enhancement of accuracy and coordination of the control policies in 2022, which demonstrated the determination of the state to foster sound development in the real estate industry. Policy-side adjustments are also gradually being channelled towards demand stimulation. The government work report during the two sessions clarified its goals to "continue to safeguard people's housing needs", "explore new development modes" and "support the commodity housing market to better meet the reasonable housing needs of property buyers". It is expected that in 2022, the PRC government will adhere to the major keynote of "housing is for accommodation instead of speculation" and the principle of "city-specific policies" to achieve the goals of "stabilizing land and housing prices as well as market expectations". Specific measures in various regions will have different progresses and remain moderate. The real estate industry in China will continue to follow the path with virtuous cycle and healthy development. Real estate developers will be facing with both opportunities and challenges in 2022.

The Group will continue to adhere to its principle of stability and replenish its premium land bank by adopting practical strategies to optimise the geographical layout of its projects and devise investment portfolios to suit the different urbanisation stages of the PRC with a view to capturing the different demands for the purchase of property in various local markets. In future, on a foundation of solid development, the Group will make flexible adjustments according to various local market situations, achieve high quality and all-rounded development for continuous increase of profitability, constantly optimise its financial structure and enhance corporate governance level in order to maximise the value for its Shareholders.

Contracted Sales

The Group recorded total contracted sales of approximately RMB36,054 million in 2021. The contracted sales attributable to the owners of the Company was RMB29,155 million represented an ownership interest of 81%, respectively.

The following table sets out the contracted sales of the Group's subsidiaries, joint ventures and associates for the year ended 31 December 2021:

	Twelve Months ended 31 December 2021			
	Contracted sales RMB (million) (unaudited)	Contracted gross floor area ("GFA") (sq.m.)	Contracted average selling price ("ASP") (RMB per sq.m.)	Percentage
Hefei	3,499	224,778	15,565	9.70%
Nanjing	2,064	71,307	28,948	5.70%
Yangzhou	2,776	194,141	14,297	7.70%
Suzhou	1,913	156,116	12,254	5.30%
Taizhou	2,287	284,631	8,034	6.30%
Suqian	2,978	362,503	8,216	8.30%
Bozhou	1,419	201,532	7,040	3.90%
Yancheng	2,430	167,782	14,483	6.70%
Shanghai/Changzhou/Lu'an/Ma'anshan/Bengbu	1,614	152,914	10,559	4.50%
Yangtze River Delta Region subtotal	**20,980**	**1,815,704**	**11,555**	**58.10%**
Qingdao	6,323	192,702	32,810	17.50%
Weihai	346	23,429	14,772	1.00%
Shandong Province subtotal	**6,669**	**216,131**	**30,855**	**18.50%**
Guangdong – Hong Kong – Macao Greater Bay Area subtotal	**4,299**	**222,314**	**19,337**	**12.00%**
Other Cities subtotal	**4,106**	**405,102**	**10,135**	**11.40%**
Total	**36,054**	**2,659,251**	**13,558**	**100.00%**

Land Reserves

The following table sets out a summary of the Group's land reserves by project held for development and/or sale as at 31 December 2021:

	Total GFA (sq.m.)	Percentage
Hefei	1,574,825	9.0%
Nanjing	669,658	3.8%
Shanghai	156,917	0.9%
Yangzhou	1,139,519	6.5%
Taizhou	1,224,939	7.0%
Suqian	1,816,631	10.4%
Bozhou	757,916	4.4%
Suzhou/Changzhou/Zhenjiang/Yancheng	990,927	5.8%
Bengbu/Huainan/Ma'anshan/Lu'an	936,541	5.4%
Yangtze River Delta Region subtotal	**9,267,873**	**53.2%**
Guangdong – Hong Kong – Macao Greater Bay Area subtotal	**2,691,248**	**15.4%**
Qingdao	1,589,343	9.1%
Weihai	35,511	0.2%
Shandong Province subtotal	**1,624,854**	**9.3%**
Urumqi	1,732,826	9.9%
Guizhou	721,182	4.2%
Hainan	85,910	0.5%
Cambodia	1,308,092	7.5%
Other regions subtotal	**3,848,010**	**22.1%**
Total	**17,431,985**	**100.0%**

Investment Properties

The Group retains the ownership of certain self-developed commercial properties to generate recurring income. As at 31 December 2021, the Group had investment properties with a total GFA of approximately 848,547 sq.m.. Certain portions of these investment properties are located in the integrated commercial complexes developed by the Group, in which the Group will retain control over the central management of the shopping arcades, through third-party property management firms, in order to enable the Group to select tenants and determine industry composition.

FINANCIAL REVIEW

Operating Results

Revenue

Revenue of the Group mainly consists of revenue derived from property development, property management service and property rental, which contributed 95%, 4% and 1% of the Group's revenue for the year ended 31 December 2021, respectively.

(1) Property Development

The Group's revenue from property development included the sale of residential and commercial properties. The Group recognises revenue from the sale of properties when the buyer obtains the physical possession or the legal title of the completed property and the Group has a present right to payment and where the collection of the consideration is probable. Revenue derived from property development amounted to approximately RMB18,015 million for the year ended 31 December 2021.

(2) Property Management Service

Revenue generated from property management increased by approximately 34% to approximately RMB775 million for the year ended 31 December 2021 from approximately RMB578 million for year ended 31 December 2020. The increase in revenue was primarily driven by the growth of our GFA under management.

(3) Property Rental

The Group's property rental mainly consisted of leasing of commercial properties (predominantly shopping arcades, retail shops, office properties and car parks). Revenue generated from property rental for the year ended 31 December 2021 was approximately RMB157 million which decreased approximately 38% compared to approximately RMB254 million for the year ended 31 December 2020. The decrease of revenue generated from property rental was mainly due to the Group's response to policy requirements by reducing portions of educational institution tenants and certain properties closed for renovations during the year.

Gross Profit and Gross Profit Margin

Gross profit was approximately RMB5,399 million for the year ended 31 December 2021. The Group's gross profit margin maintained at approximately 29% for the year ended 31 December 2021.

Other Income

The Group had other income of approximately RMB217 million for the year ended 31 December 2021, mainly generated from interest income on bank deposits, loan receivables and financial assets at fair value through profit or loss and government grant.

Other Gains and Losses

The Group recorded other gains of RMB383 million for the year ended 31 December 2021. The gains was mainly generated from foreign exchange gains arising from appreciation of RMB versus US$, and arising from bargain purchase of business combination.

Selling and Marketing Costs and Administrative Expenses

The Group's selling and marketing costs and administrative expenses for the year ended 31 December 2021 amounted to approximately RMB780 million, compared with approximately RMB794 million for the year ended 31 December 2020.

Finance Costs

The Group's finance costs decreased to approximately RMB216 million for the year ended 31 December 2021 from approximately RMB319 million for the year ended 31 December 2020. The decrease in finance costs of approximately 32% was primarily due to the increase of capitalised amount on qualifying assets.

Income Tax Expenses

The Group's income tax expenses decreased to approximately RMB1,909 million for the year ended 31 December 2021 from approximately RMB2,636 million for the year ended 31 December 2020. The Group's income tax expenses included payments and provisions made for enterprise income tax and land appreciation tax less deferred taxation during the year 2021.

Profit and Total Comprehensive Income for the Year

The Group's profit and total comprehensive income for the year decreased by approximately 26% to approximately RMB2,662 million for the year ended 31 December 2021 from approximately RMB3,617 million for the year ended 31 December 2020 which was mainly due to the decrease of gross profit margin and the decrease of foreign exchange gains.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2021, the Group's aggregate amount of short-term bank deposits, restricted bank deposits and cash and cash equivalents was approximately RMB9,830 million (as at 31 December 2020: approximately RMB11,154 million), representing a decrease of approximately 47% as compared to that as at 31 December 2020. As at 31 December 2021, short-term bank deposits and restricted bank deposits of approximately RMB1,055 million (as at 31 December 2020: approximately RMB2,003 million) were restricted for use in specific property development projects.

Approximately 85.7% of the Group's cash at banks were denominated in RMB, while 14.3% were denominated in foreign currencies. The Group keeps maintaining its cash and cash equivalents in foreign currencies in a low proportion to control the risk in exchange losses.

Borrowings and the Group's Pledged Assets

As at 31 December 2021, the Group had bank and other borrowings of approximately RMB13,070 million (as at 31 December 2020: approximately RMB13,605 million). Amongst the borrowings, approximately RMB3,628 million (as at 31 December 2020: approximately RMB1,380 million) will be repayable within one year and approximately RMB9,442 million (as at 31 December 2020: approximately RMB12,224 million) will be repayable after one year.

As at 31 December 2021, bank and other borrowings of approximately RMB12,011 million (as at 31 December 2020: approximately RMB13,604 million) were secured by bank balances, land use rights and properties of the Group. As at 31 December 2021, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB20,087 million (as at 31 December 2020: approximately RMB22,624 million).

Except for bank and other borrowings of approximately RMB2,976 million which are denominated in HK$ and US$ as at 31 December 2021, all the bank and other borrowings are denominated in RMB.

Approximately RMB5,586 million of the Group's bank and other borrowings were with fixed interest rates ranging from 1.55% per annum to 12.92% per annum at 31 December 2021. The remaining bank and other borrowings were quoted at floating interest rates, with effective interest rates ranging from 1.60% to 9.8%.

As at 31 December 2021, the Group had senior notes and convertible bonds of approximately RMB9,822 million (as at 31 December 2020: approximately RMB8,753 million). Amongst the senior notes and convertible bonds recognised as liabilities, approximately RMB2,842 million (as at 31 December 2020: approximately RMB5,688 million) will be repayable within one year and approximately RMB6,980 million (as at 31 December 2020: approximately RMB3,065 million) will be repayable or convertible after one year. The Directors consider that the Group does not have any difficulty or does not foresee that there will be any difficulty in meeting its redemption obligations under the convertible bonds and senior notes.

Net Gearing Ratio

The net gearing ratio of the Group maintained stable during 2021. It slightly decreased to approximately 53% as at 31 December 2021 from 54% as at 31 December 2020, which was mainly attributable to the Group's effort in actively strengthening its control over the degree of leverage and fortifying capital management ability in 2021. The net gearing ratio is calculated by dividing net debt over net equity of the Group.

Foreign Currency Risk

As most of the Group's operating entities are located in Mainland China, the Group collects most of its revenue in Renminbi and most of the Group's expenditure including expenditure incurred in property sales as well as capital expenditures are also denominated in Renminbi. Foreign exchange risk mainly arises from the outstanding foreign currency borrowings and repayment obligations under senior notes issued and convertible bonds (mainly denominated in US dollars).

For the year ended 31 December 2021, the Group recorded a foreign exchange gain in the amount of RMB118 million due to fluctuations in foreign exchange rates. However, the Group's operating cash flow and liquidity were not significantly affected by fluctuations in foreign exchange rates. During the year ended 31 December 2021, the Group did not use any derivative financial instruments to hedge against the volatility associated with foreign currency denominated borrowings. The Group's management will continue to closely monitor fluctuations in foreign exchange rates and actively take corresponding measures to minimise foreign currency risks.

Contingent Liabilities

As at 31 December 2021, the Group had the following contingent liabilities:

	2021 **RMB'000**	2020 RMB'000 (Restated)
Mortgage guarantees provided to customers	**11,284,483**	11,041,907
Financial guarantees provided to joint ventures	**2,861,227**	300,000

The Group provided guarantees in respect of mortgage bank loans granted to purchasers of the Group's properties. Guarantees are given to banks with respect of loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the purchasers obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

As at 31 December 2021, the Group provided guarantees to the extent of RMB2,861,227,000 (2020: RMB300,000,000) in respect of credit facilities granted to joint ventures.

Significant Investments Held, Material Acquisitions and Disposals

Jiayuan Services, a subsidiary of the Company, was listed on the Main Board of the Stock Exchange on 9 December 2020. The spin-off of Jiayuan Services and the issuance of additional 11,709,000 shares of Jiayuan Services pursuant to the partial exercise of the Over-allotment Option on 6 January 2022, constituted a deemed disposal by the Company of its interest in Jiayuan Services. Currently, the Company is interested in an aggregate of approximately 73.6% of the total issued share capital of Jiayuan Services. For details, please refer to the prospectus of Jiayuan Services dated 27 November 2020 and the announcement of the Company dated 3 January 2021.

On 30 June 2021, the Company completed the major acquisition of Luyuan Investment Holdings Limited ("Luyuan") (the "Luyuan Acquisition"), which is engaged in property development projects in Shandong Province, the PRC. Luyuan was ultimately and wholly-owned by Mr. Shum prior to the acquisition. Pursuant to the relevant sale and purchase agreement, the consideration of HK$7,247,560,000 (equivalent to approximately RMB6,034,318,000) was settled (i) as to HK$3,420,640,000 by way of issue of convertible bonds by the Company; (ii) as to HK$2,772,000,000 by way of issue of 840,000,000 ordinary shares by the Company; and (iii) as to the remaining balance of HK$1,054,920,000 by cash. For details, please refer to the announcements of the Company dated 13 January 2021, 25 February 2021 and 30 June 2021 and the circular of the Company dated 26 February 2021.

Save as disclosed above and in this annual report, there were no significant investments held and no other material acquisition or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2021.

Purchase, Sale or Redemption of Listed Securities

(i) Issue of Convertible Bonds

(a) *Luyuan Acquisition*

On 30 June 2021, the Luyuan Acquisition was completed. Pursuant to the relevant sale and purchase agreement, the consideration for the Luyuan Acquisition of HK$7,247,560,000 (equivalent to approximately RMB6,034,318,000) was settled (i) as to HK$3,420,640,000 by way of issue of convertible bonds by the Company (the "Luyuan Convertible Bonds"); (ii) as to HK$2,772,000,000 by way of issue of 840,000,000 ordinary shares by the Company; and (iii) as to the remaining balance of HK$1,054,920,000 by cash.

The Luyuan Convertible Bonds will mature in five years and bear no interest. Mingyuan Investment, as the bond holder, shall have the right but not the obligation to convert in whole or in part, the outstanding principal amount of the Luyuan Convertible Bonds into such number of fully paid shares of the Company at the conversion price of HK$3.30 per Share (subject to adjustments). The conversion price is determined with reference to the recent trend of the share price performance and the prevailing market price of the shares. The closing price per share as at the date of the sale and purchase agreement in relation to Luyuan Acquisition is HK$3.14.

Assuming full conversion at the initial conversion price of HK$3.30 per Share, 1,036,557,575 ordinary shares with a nominal value of HK$0.01 each and aggregate nominal value of HK$10,365,575.75 will be issued and allotted to Mingyuan Investment, representing (i) approximately 21.1% of the issued share capital of the Company as at the date of this report, (ii) approximately 17.4% of the issued share capital of the Company as enlarged by the issue of the conversion shares resulting from the full conversion of the Luyuan Convertible Bonds; and (iii) approximately 16.8% of the issued share capital of the Company as enlarged by the issue of the conversion shares resulting from the full conversion of the Luyuan Convertible Bonds and the 2025 Convertible Bonds (as defined below).

Unless previously converted, the then outstanding principal amount of the Luyuan Convertible Bonds shall be fully converted at 100% of their principal amount on the maturity date. The Company will not receive further consideration when Mingyuan Investment determines to convert the bonds into ordinary shares of the Company at the maturity date. The Luyuan Convertible Bonds for Acquisition is non-redeemable by the Company or Mingyuan Investment.

Mingyuan Investment is indirectly 70% owned by Mr. Shum, the Chairman and an executive Director. As at the date of this report, none of the conversion rights have been exercised.

For details, please refer to the announcements of the Company dated 13 January 2021, 25 February 2021 and 30 June 2021, respectively and the circular of the Company dated 26 February 2021.

(b) 2025 Convertible Bonds

On 27 July 2021, the Company issued convertible bonds with a principal total amount of US$100,000,000 (equivalent to RMB646,380,000), bearing interest at a fixed interest rate of 7.0% per annum and maturing on 27 January 2025 (the "Maturity Date") (the "2025 Convertible Bonds").

The 2025 Convertible Bonds are convertible into ordinary shares of the Company with a nominal value of HK$0.01 each, at a conversion price of HK$3.50 per Share (subject to adjustment), at any time on or after 27 July 2022 to seven days before the Maturity Date.

Assuming full conversion of the 2025 Convertible Bonds at the initial conversion price of HK$3.50 per Share (based on the closing price of HK$3.30 on the last trading date prior to the date of the subscription agreement), the 2025 Convertible Bonds will be convertible into 222,074,285 Shares with aggregate nominal value of HK$2,220,742.85, representing (i) approximately 4.5% of the issued share capital of the Company as at the date of this report; (ii) approximately 4.3% of the issued share capital of the Company as enlarged by the issue of the conversion shares resulting from the full conversion of the 2025 Convertible Bonds; and (iii) approximately 3.6% of the issued share capital of the Company as enlarged by the issue of the conversion shares resulting from the full conversion of the Luyuan Convertible Bonds and the 2025 Convertible Bonds (as defined below).

The reasons for and the benefit of the issue of the 2025 Convertible Bonds are that the issue of the 2025 Convertible Bonds can provide the Company with additional funds at lower funding cost for the purposes of repayment of existing debt and general working capital.

The estimated net proceeds from the subscription of the 2025 Convertible Bonds, after deduction of commission and expenses, amounted to approximately US$98,000,000. The net price of each share so converted is estimated to be approximately HK$3.43. The Company intends to use the net proceeds primarily for refinancing of existing indebtedness in accordance with its green financing framework. As at the date of this report, all of the net proceeds has been used for refinancing our existing indebtedness in accordance with our Green Financing Framework.

To the best of the Directors' knowledge, information and belief, there were no less than 6 placees and each of the placees of the 2025 Convertible Bonds (and their respective ultimate beneficial owners) is a third party independent of the Company and is not connected with the Company and its connected persons (as defined in the Listing Rules).

For the year ended 31 December 2021, no part of the 2025 Convertible Bonds has been converted or redeemed by the Company.

For details, please refer to the announcements of the Company dated 22 July 2021, 27 July 2021 and 28 July 2021. For the dilutive impact on earnings per share by reason of the Luyuan Convertible Bonds and 2025 Convertible Bonds, please refer to note 15 to the consolidated financial statements.

(ii) Issue, redemption and cancellation of Senior Notes

(a) *Issued in 2019 and due March 2022*

In July 2019, the Company issued senior notes (the "March 2022 Senior Notes") with a principal amount of US$225,000,000 (equivalent to approximately RMB1,545,233,000), bearing interest at a fixed interest rate of 13.75% per annum and will mature in March 2022. A portion of the March 2022 Senior Notes was used to exchange for a total of US$174,671,000 in principal amount of the senior notes due October 2020.

In December 2019, the Company issued the March 2022 Senior Notes with a principal amount of US$30,000,000 (equivalent to approximately RMB210,813,000), which were consolidated with a single series with the March 2022 Senior Notes.

In February 2020, the Company issued the March 2022 Senior Notes with a principal amount of US$67,500,000 (equivalent to approximately RMB472,891,500), which were consolidated with and formed a single series with the March 2022 Senior Notes.

In October 2020, the Company repurchased and cancelled the March 2022 Senior Notes in an aggregate principal amount of US$60,000,000 (equivalent to approximately RMB402,168,000), representing 18.60% of the aggregate principal amount of the notes originally issued.

In 2021, the Company repurchased and cancelled the March 2022 Senior Notes on the Stock Exchange in an aggregate principal amount of US$129,870,000 (equivalent to RMB841,430,000), representing 40.27% of the aggregate principal amount of the notes originally issued. After cancellation, as at 31 December 2021, the aggregate principal amount of the 13.75% senior notes due March 2022 that remains outstanding is US$132,630,000.

The March 2022 Senior Notes are listed on the Stock Exchange.

All outstanding principal amount and accrued interest of the March 2022 Senior Notes has been repaid at its maturity.

(b) *Issued in 2019 and due May 2022*

In May 2019, the Company issued senior notes (the "May 2022 Senior Notes") with a principal amount of US$225,000,000 (equivalent to approximately RMB1,514,588,000), bearing interest at a fixed interest rate of 11.375% per annum, will mature in May 2022. A portion of the May 2022 Senior Notes was used to exchange for all of the outstanding US$160,000,000 senior notes due October 2019, i.e., the 2018 senior notes due October 2019.

In August 2019, the Company issued the May 2022 Senior Notes with a principal amount of US$25,000,000 (equivalent to approximately RMB176,425,000), which were consolidated with a single series with the May 2022 Senior Notes.

In 2020, the Company repurchased and cancelled the May 2022 Senior Notes on the Frankfurt Stock Exchange in an aggregate principal amount of US$135,000,000 (equivalent to approximately RMB904,878,000), representing 54% of the aggregate principal amount of the notes originally issued.

In 2021, the Company repurchased and cancelled the May 2022 Senior Notes on the Frankfurt Stock Exchange in an aggregate principal amount of US$12,000,000 (equivalent to RMB77,582,000), representing 4.8% of the aggregate principal amount of the notes originally issued. After cancellation, as at 31 December 2021, the aggregate principal amount of the 11.375% senior notes due May 2022 that remains outstanding is US$103,000,000.

All the senior notes are listed on the Frankfurt Stock Exchange.

(c) *Issued in 2019 and due February 2023*

In October 2019, the Company issued senior notes (the "March 2023 Senior Notes") with a principal amount of US$237,500,000 (equivalent to approximately RMB1,677,136,000), bearing interest at a fixed interest rate of 13.75% per annum and will mature in February 2023.

In 2020, the Company issued the February 2023 Senior Notes with a principal amount of US$90,000,000 (equivalent to approximately RMB629,947,000), which were consolidated with and formed a single series with the February 2023 Senior Notes.

In 2021, the Company repurchased and cancelled the February 2023 Senior Notes on the Stock Exchange in an aggregate principal amount of US$151,785,000 (equivalent to RMB979,315,000), representing 46.34% of the aggregate principal amount of the notes originally issued. After cancellation, as at 31 December 2021, the aggregate principal amount of the 13.75% senior notes due February 2023 that remains outstanding is US$175,715,000.

All the senior notes are listed on the Stock Exchange.

(d) *Issued in 2020 and due June 2021**

In June 2020, the Company issued senior notes (the "June 2021 Senior Notes") with a principal amount of US$120,000,000 (equivalent to approximately RMB849,012,000), bearing interest at a fixed interest rate of 11.75% per annum and will mature in June 2021.

In July 2020, the Company issued the June 2021 Senior Notes with a principal amount of US$30,000,000 (equivalent to approximately RMB209,883,000), which were consolidated with a single series with the June 2021 Senior Notes.

The June 2021 Senior Notes are listed on the Stock Exchange.

All outstanding principal amount and accrued interest of the June 2021 Senior Notes has been repaid as its maturity.

(e) *Issued in 2020 and due October 2022**

In October 2020, the Company issued senior notes (the "October 2022 Senior Notes") with a principal amount of US$200,000,000 (equivalent to approximately RMB1,314,260,000), bearing interest at a fixed interest rate of 12% per annum and will mature in October 2022.

The October 2022 Senior Notes are listed on the Singapore Exchange Limited.

(f) *Issued in 2020 and due April 2023**

In October 2020, the Company issued senior notes (the "April 2023 Senior Notes") with a principal amount of US$300,000,000 (equivalent to approximately RMB1,997,690,000), bearing interest at a fixed interest rate of 12.5% per annum and will mature in April 2023.

The April 2023 Senior Notes are listed on the Stock Exchange.

(g) *Issued in 2021 and due July 2023*

In January 2021, the Company issued senior notes (the "July 2023 Senior Notes") with a principal amount of US$300,000,000 (equivalent to approximately RMB1,957,470,000), bearing interest at a fixed interest rate of 12.50% per annum and will mature in July 2023.

The July 2023 Senior Notes are listed on the Stock Exchange.

(h) *Issued in 2021 and due February 2024*

In May 2021, the Company issued senior notes (the "February 2024 Senior Notes") with a principal amount of US$130,000,000 (equivalent to approximately RMB840,047,000), bearing interest at a fixed interest rate of 11.00% per annum and will mature in February 2024.

In September 2021, the Company issued the February 2024 Senior Notes with a principal amount of US$100,000,000 (equivalent to approximately RMB648,540,000), which were consolidated with a single series with the February 2024 Senior Notes.

The February 2024 Senior Notes are listed on the Stock Exchange.

The aggregate outstanding value of the senior notes, as at 31 December 2021 was approximately RMB9,240,598,000 (2020: RMB8,753,017,000).

Save as disclosed, during the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

** These senior notes are not issued, redeemed or cancelled by the Company during the year ended 31 December 2021.*

Future Plans for Material Investments

The Group will continue to invest in its property development projects and acquire suitable land parcels in selected cities, if it thinks fit. These investments will be funded by internal resources and external borrowings. Save as disclosed above, the Group did not have any future plans for material investments as at the date of this report.

Employees, Remuneration Policies and Share Option Scheme

As at 31 December 2021, the Group had approximately 8,285 employees (as at 31 December 2020: 7,137 employees). For the year ended 31 December 2021, the Group incurred employee costs of approximately RMB769 million (as at 31 December 2020: approximately RMB598 million). Remuneration for the employees generally includes salary and performance-based bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans, including pension insurance, medical insurance and personal injury insurance. The Company adopted a share option scheme on 12 February 2016 to provide incentives for eligible employees. The Group also provides training to its employees from time to time to enhance their relevant skills and knowledge.

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 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.

There was no forfeited contribution utilized to offset employers' contributions for the year ended 31 December 2021, and there was no forfeited contribution available to reduce the contribution payable in the future years as at 31 December 2021.

DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Shum Tin Ching (沈天晴), aged 63, is the Chairman of the Board, a non-executive Director, the chairman of the nomination committee of the Company (the "Nomination Committee") and the founder of the Group. He was appointed as a Director on 5 May 2015 and designated as the non-executive Director on 27 July 2015 for the purposes of enhancing management independence and corporate governance. Mr. Shum's principal responsibilities include overall strategic planning of the Group, and he does not participate in the day-to-day management of the business operations of the Group. He was formerly an executive director of Boyuan Holdings Limited (Stock Code: BHL), a listed company in Australia, from October 2015 to June 2018. Mr. Shum graduated from Zhejiang Broadcasting and Television College* (浙江廣播電視大學) and obtained a diploma in Industrial Enterprise Management in December 1986. He was recognised as a senior economist by the Human Resource Department of Zhejiang Province* (浙江省人事廳) in December 2006. Mr. Shum has over 20 years of experience in the industry of real estate development. In 1995, he founded Jia Yuan Chuangsheng Holding Group Co., Ltd.* (佳源創盛控股集團有限公司) ("Jia Yuan Chuangsheng") (formerly known as Jiaxing Zujia Property Development Co., Ltd.* (嘉興足佳房地產開發有限公司)), a company principally engaged in property development in Jiaxing, Zhejiang Province of the PRC, and has acted as a director of Jia Yuan Chuangsheng since April 1995. Mr. Shum has also been the sole director of the Company's controlling shareholder, Mingyuan Group Investment Limited ("Mingyuan Investment") since 4 May 2015. Mr. Shum is the father of Mr. Shen Xiaodong, a non-executive Director of the Company.

EXECUTIVE DIRECTORS

Mr. Zhang Yi (張翼), aged 50, is the vice chairman of the Board, an executive Director, and a member of the Remuneration Committee with effect from 29 March 2021. He was appointed as a vice chairman of the Board, the president and an executive Director on 17 February 2019 and ceased to be the president of the Company with effect from 12 August 2020. He is primarily responsible for the operation and overall management for the Group. Mr. Zhang has extensive experience in corporate management, industrial investment, mergers and acquisitions, operational integration and capital operation of listed companies.

Prior to joining the Group, from August 2016 to January 2019, Mr. Zhang was an executive director and the chief executive officer of Grandland Holdings Group Co., Ltd. (廣田控股集團有限公司); he was also the chairman of Guangtian Investment Co., Ltd. (廣田投資有限公司) and the chairman of Shenzhen Wanding Futong Equity Investment Management Co., Ltd. (深圳萬鼎富通股權投資管理有限公司).

Formerly, Mr. Zhang served HNA Group Co., Ltd. (中國海航集團有限公司) from July 1995 to August 2016 and held various positions, which included: a project manager, a manager and a general manager assistant of the planning and finance department of Hainan Airlines, the financial controller and the general manager of Haikou Meilan International Airport Co., Ltd. (海口美蘭國際機場有限公司), the financial controller and the general manager of the planning and finance department of Hainan Airlines Holdings Co., Ltd. (海南航空控股股份有限公司) (formerly known as Hainan Airlines Co., Ltd. (海南航空股份有限公司)) (Stock Code: 600221), which is listed on the Shanghai Stock Exchange, a vice president and the financial controller of Haihang Tourism Holdings (Group) Co., Ltd. (海航旅遊控股(集團)有限公司), the chairman and the chief executive officer of HNA Hotel Holdings (Group) Co., Ltd. (海航酒店控股(集團)有限公司), the chairman and the chief executive officer of Haihang Real Estate Holdings (Group) Co., Ltd. (海航置業控股(集團)有限公司), the chairman and the chief executive officer of Haihang Commerce Holdings (Group) Co., Ltd. (海航商業控股(集團)有限公司) and the chairman, the executive chairman, the chief executive officer and the president of Haihang Industry Holdings (Group) Co., Ltd. (海航實業控股(集團)有限公司).

Mr. Zhang obtained his bachelor's degree in Economics from Wuhan University (武漢大學) in June 1995 and his EMBA from Cheung Kong Graduate School of Business (長江商學院) in December 2006. He is now pursuing his EMBA with Tsinghua University PBC School of Finance (清華大學五道口金融學院). He became a senior accountant in July 2005.

* *For identification purpose only*

Mr. Huang Fuqing (黃福清), aged 60, is the vice chairman of the Board and an executive Director. He was appointed as an executive Director on 27 July 2015 and the vice chairman of the Board on 19 August 2016. He is primarily responsible for (i) overseeing the day-to-day operation and overall management of the Group, and (ii) the Group's real estate development projects located in Jiangsu Province of the PRC. He is also a director of certain subsidiaries of the Group. In addition, he also acted as a non-executive director of Jiayuan Services Holdings Limited (Stock Code: 1153) since 11 June 2020. Mr. Huang has over 20 years of experience in the industry of real estate development. He has been working as the general manager (in mainland China) of Hong Kong Jia Yuan Holdings Limited ("Hong Kong Jia Yuan") since December 2014 and the general manager of Nanjing Xinhaoning Property Development Co., Ltd.* (南京新浩寧房地產開發有限公司) since September 2014. From September 2013 to December 2014, he took up the position of the general manager of Changzhou Jinyuan Property Development Co., Ltd.* (常州金源房地產開發有限公司) ("Changzhou Jinyuan"). He worked in Zhejiang Jia Yuan Property Group Co., Ltd.* (浙江佳源房地產集團有限公司) ("Zhejiang Jia Yuan Group") from January 2011 till he resigned from the position of the executive general manager in December 2014. Mr. Huang also participated in the preparation for and was responsible for the day-to-day management of Zijin Mansion, the Group's property development project in Nanjing of the PRC which was completed in 2018. Formerly, Mr. Huang served as the general manager of Changzhou Tian Yu Property Development Co., Ltd.* (常州天宇房地產開發有限公司) ("Changzhou Tian Yu") from January 2010 to December 2010, the general manager of Changzhou Zhongchuang Property Development Co., Ltd.* (常州市中創房地產開發有限公司) from December 2002 to December 2009, and the manager of Changzhou City Changxin Property Development Co., Ltd.* (常州市常信房地產開發有限公司) from December 1998 to December 2002. Mr. Huang obtained his bachelor's degree in Administrative Management from Suzhou Technology and Trade University* (蘇州職工大學).

Ms. Cheuk Hiu Nam (卓曉楠), aged 47, is an executive Director and a joint company secretary of the Company. Ms. Cheuk was appointed as an executive Director on 27 July 2015. On 29 March 2021, Ms. Cheuk ceased to be a member of the Remuneration Committee. She primarily assists the Group in effective corporate governance and coordinates the business operations of different departments from the compliance perspective. She is also a director of certain subsidiaries of the Group. Ms. Cheuk has over 15 years of experience in management. Ms. Cheuk has been working as the general manager of Hong Kong Jia Yuan since January 2014. From July 2015 to February 2019, she took up the position of the chief executive officer of the Company. Formerly, Ms. Cheuk worked at Hong Kong Institute of Technology and took up the positions of the Dean of Faculty of Business, the vice president, the chairperson of the Quality Assurance Committee, the chairperson of the Student Affairs Committee, a member of the Board of Governors, a member of the Academic Board and a member of Finance Sub-Committee from February 2003 to November 2013, of which she was responsible for overall management, strategic and academic planning as well as supervising financial matters and human resources. Ms. Cheuk graduated from Pace University (New York) and obtained a master degree of science in June 2001. She graduated from University of London and obtained a master degree of science in December 1997. Previously, she graduated from The Chinese University of Hong Kong and obtained a bachelor's degree in Business Administration in May 1995.

Mr. Wang Jianfeng (王建鋒), aged 54, is the vice president and an executive Director of the Company. Mr. Wang was appointed as an executive Director on 27 July 2015. He is primarily responsible for strategic planning and identification of new real estate development projects for the Group. He is also a director of certain subsidiaries of the Group. Mr. Wang has over 25 years of experience in the real estate development industry. He has been working as the deputy general manager of Hong Kong Jia Yuan since January 2014. Formerly, Mr. Wang worked as the deputy general manager of the strategic development center of Zhejiang Jia Yuan Group from June 2012 to February 2013, the general manager of Huzhou Xinyuan Construction Management Co., Ltd.* (湖州鑫源建設管理有限公司) from December 2009 to June 2012, the general manager of Jia Yuan Chuangsheng from July 2009 to November 2009, the general manager of Hangzhou Yinxi Jiulong Property Development Co., Ltd.* (杭州銀溪九龍房地產開發有限公司) from 2006 to 2008, the deputy general manager of Hangzhou Sanyou Property Development Co., Ltd.* (杭州三優房地產開發有限公司) from 1998 to the end of 2005, and the construction team leader of Shanghai Branch of Ganjianyi Company* (甘建一公司上海分公司) from 1991 to 1998. Mr. Wang graduated from Shanghai Architecture and Engineering College* (上海建築工程學院) and obtained a diploma in Industrial and Civil Architecture in September 1990.

* *For identification purpose only*

NON-EXECUTIVE DIRECTOR

Mr. Shen Xiaodong (沈曉東), aged 38, was appointed as a non-executive Director of the Company with effect from 17 February 2019. Mr. Shen is the son of Mr. Shum Tin Ching, the Chairman, a non-executive Director and a controlling shareholder of the Company.

Mr. Shen has over 10 years' experience in the properties industry. He was a vice president of the Group responsible for corporate strategy from October 2015 to February 2019. Mr. Shen was the general manager of Shanghai Dingyuan Property Development Co., Ltd. (上海定源房地產有限公司), which became a subsidiary of the Group since November 2018, from December 2007 to May 2015.

Mr. Shen obtained his bachelor's degree in civil engineering from Zhejiang University City College (浙江大學城市學院) in 2006 and his master's degree in humanities and social sciences from University of Newcastle upon Tyne in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tai Kwok Leung, Alexander (戴國良), aged 64, was appointed as an independent non-executive Director on 12 February 2016, and is the chairman of the audit committee of the Company (the "Audit Committee") and a member of the Remuneration Committee.

Mr. Tai has been working as a partner of VMS Securities Limited, a licensed corporation under the Securities and Futures Ordinance (the "SFO") to conduct Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities since August 2017.

Mr. Tai is an independent non-executive director, the chairman of the audit committee, and a member of the remuneration committee and nomination committee and risk management committee of G & M Holdings Limited (Stock Code: 6038), an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee, nomination committee and strategic development committee of AAG Energy Holdings Limited (Stock Code: 2686), and an independent non-executive director, the chairman of the audit committee, and a member of the related party transactions control committee of Shengjing Bank Co., Ltd. (Stock Code: 2066), which are all listed on the Main Board of the Stock Exchange. Mr. Tai was formerly an independent non-executive director of Luk Fook Holdings (International) Limited (Stock Code: 590) from 2008 to August 2020 and an independent non-executive director of Anhui Conch Cement Company Limited (Stock Code: 914), from May 2013 to May 2019, which is listed on the Main Board of the Stock Exchange. Mr. Tai is a member of Shandong Committee of the Chinese People's Political Consultative Conference.

Mr. Tai graduated from the Victoria University of Wellington in New Zealand and obtained a bachelor's degree in Commerce and Administration in April 1982. He became an associate member of the Hong Kong Institute of Certified Public Accountants in October 1983.

Dr. Cheung Wai Bun, Charles (張惠彬), JP, aged 85, was appointed as an independent non-executive Director on 12 February 2016, and is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee.

Dr. Cheung is currently working as a non-executive director and the vice chairman of the executive committee of Metropolitan Bank (China) Ltd. (首都銀行(中國)有限公司). In addition, Dr. Cheung is presently a council member of the Hong Kong Institute of Directors. Dr. Cheung was a member of the Hospital Governing Committee of both Kowloon Hospital and Hong Kong Eye Hospital, and a member of the Regional Advisory Committee of Kowloon, Hospital Authority. Dr. Cheung was formerly the chief executive and the executive deputy chairman of Mission Hills Group, Hong Kong from 1995 to 2007, and a former director and an adviser of the Tung Wah Group of Hospitals (東華三院) during the period from April 1981 to March 1983.

Dr. Cheung is currently an independent non-executive director of Pioneer Global Group Limited (Stock Code: 224), Universal Technologies Holdings Limited (Stock Code: 1026) and Modern Dental Group Limited (Stock Code: 3600) and a non-executive director of Galaxy Entertainment Group Limited (Stock Code: 27), which are all listed on the Main Board of the Stock Exchange. Dr. Cheung was formerly an independent non-executive director and director general of the audit committee of China Resources Bank of Zhuhai Co. Ltd., from December 2009 to January 2016 and an independent non-executive director of Shanghai Electric Group Company Limited (Stock Code: 2727 (Hong Kong)), which is listed on the Main Board of the Stock Exchange, from November 2004 to February 2014, and A Stock 601727 (Shanghai), which is listed on the Shanghai Stock Exchange, from November 2007 to February 2014. Dr. Cheung was an independent non-executive director and chairman (subsequently co-chairman of the board) of Grand T G Gold Holdings Limited (Stock Code: 8299), from July 2009 to March 2016, an executive director and the chairman of the board of directors of Roma Group Limited (Stock Code: 8072), from June 2017 to December 2017, and an independent non-executive director of Yin He Holdings Limited (Stock Code: 8260), from September 2014 to August 2021, which are all listed on the GEM of the Stock Exchange. He was formerly an independent non-executive director of China Financial International Investments Limited (Stock Code: 721), from March 2001 to September 2018, and China Taifeng Beddings Holdings Limited (Stock Code: 873), from April 2017 to July 2018, and Fullsun International Holdings Group Co., Limited (formerly known as "U-RIGHT International Holdings Limited") (Stock Code: 627), from December 2017 to December 2020, which are all listed on the Main Board of the Stock Exchange. He possesses extensive banking, finance, and commercial experience.

Dr. Cheung holds an honorary doctor's degree awarded by John Dewey University of USA in 1984, a master degree in Business Administration and a bachelor of science degree in Accounting and Finance awarded by New York University U.S.A. in June 1962 and February 1960, respectively. He was awarded Listed Company Non-Executive Director Award of 2002 by the Hong Kong Institute of Directors. In December 2010, Dr. Cheung received three awards, namely (1) Outstanding Management Award issued by The Chartered Management Association; (2) Outstanding Director Award issued by The Chartered Association of Directors; and (3) Outstanding CEO Award issued by The Asia Pacific CEO Association.

Mr. Gu Yunchang (顧雲昌) (alias Gu Yongchuang 顧勇闖), aged 78, was appointed as an independent non-executive Director on 12 February 2016 and is a member of each of the Audit Committee and Nomination Committee. Mr. Gu was the vice chairman of the China Real Estate Research Association* (中國房地產研究會) from 2006 to May 2013 and the vice chairman and secretary-general of the China Real Estate Association* (中國房地產業協會) from 1998 to 2006.

Mr. Gu formerly held different positions of the Ministry of Construction of the PRC (中華人民共和國建設部), including the deputy director at the Policy Research Centre of Ministry of Construction of the PRC* (中華人民共和國建設部政策研究中心) from December 1988 to July 1998, the Deputy Division Head and Division Head at Urban Residence Bureau of Ministry of Construction* (中華人民共和國建設部城市住房局) in 1982 and 1985, respectively.

Mr. Gu was an independent non-executive director of E-House (China) Holdings Limited, a company which was listed in the New York Stock Exchange and voluntarily delisted in August 2016, from August 2008 to March 2014 and an independent non-executive director and a member of the audit committee, nomination committee and remuneration committee of Sino-Ocean Group Holding Limited (formerly known as "Sino-Ocean Land Holdings Limited") (Stock Code: 3377), which is listed on the Main Board of the Stock Exchange, from June 2007 to March 2016. Mr. Gu was also an independent non-executive director of Grandjoy Holdings Group Co., Ltd. (formerly known as "COFCO Property (Group) Co., Ltd.") (Stock Code: 31), from April 2012 to June 2018 and an independent non-executive director of Zhejiang Yasha Decoration Co., Ltd. (Stock Code: 2375), from May 2013 to May 2019, which are all listed on the Shenzhen Stock Exchange. Mr. Gu was formerly an independent non-executive director, a member of each of the audit committee and the nomination committee of CIFI Holdings (Group) Co. Ltd. (Stock Code: 884), which is listed on the Main Board of the Stock Exchange, from October 2012 to December 2021. Mr. Gu is currently an independent non-executive director, a member of the Audit Committee, nomination committee and remuneration committee of Sunshine 100 China Holdings Ltd (Stock Code: 2608) and an independent non-executive director, a member of the audit committee and remuneration committee and the chairman of the nomination committee of Shimao Services Holdings Limited (Stock Code: 873), which are all listed on the Main Board of the Stock Exchange.

Mr. Gu graduated from Tongji University (同濟大學) and specialised in Urban Planning in July 1966. Mr. Gu specialises in theory and policy research, market research and analysis concerning the Chinese real estate industry. In the 1980s, he participated in the policy research and formulation of city and village residential construction techniques in China, leading the project "2000 China", and won the First Class National Science Technology Advance Award in China in April 1988 and December 1989 respectively.

Save as disclosed above, as at the date of this annual report, each of the Directors mentioned above:

(a) did not hold any other position in the material subsidiaries of the Group;

(b) did not hold any directorship in any other listed company in the last three years;

(c) did not have any relationship with any other directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Listing Rules) of the Company; and

(d) is not a director or employee of a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

* *For identification purpose only*

SENIOR MANAGEMENT

Mr. Shen Hongjie (沈宏杰), aged 40, was appointed as the president of the Company with effect from 12 August 2020. Mr. Shen has extensive experience in corporate and human resources management.

From December 2005 to October 2011, Mr. Shen worked in the human resources department of Jia Yuan Chuangsheng. From October 2011 to February 2012, Mr. Shen served as a deputy general manager of Jiaxing City Jindi Property Development Co., Ltd,* (嘉興市金地房地產置業有限公司), a subsidiary of Jia Yuan Chuangsheng.

Since then, he served as a deputy general manager and the general manager of various subsidiaries of the Group. He served as a deputy general manager from February 2012 to April 2013 and as the general manager from April 2013 to March 2014, respectively, of Siyang Fengyuan Property Development Co., Ltd.* (泗陽豐源房地產開發有限公司). From March 2014 to August 2015, Mr. Shen served as the general manager of Suqian City Property Development Co., Ltd.* (宿遷市佳源房地產開發有限公司). From June 2015 to August 2015, he also served as the general manager of Taixing Xintiandi Property Development Co., Ltd.*(泰興新天地房地產開發有限公司). From August 2015 to January 2018, Mr. Shen served as the general manager of Taixing City Guanyuan Property Development Co., Ltd.* (泰興市廣源房地產開發有限公司).

Mr. Shen served as the general manager of the strategic information department from December 2017 to February 2019 and a deputy executive general manager from October 2018 to February 2019, respectively, of Jia Yuan Chuangsheng. Mr. Shen was promoted to the president of Jia Yuan Chuangsheng in February 2019.

Mr. Shen obtained his bachelor's degree in Human Resources Management from Jiaxing University (嘉興學院) in July 2005.

Mr. Zhang Xiang (張翔), aged 38, is the chief financial officer of the Group primarily responsible for the overall financial operation of the Group. Mr. Zhang has over 16 years of experience in the fields of audit, accounting, financial management as well as mergers and acquisitions. Prior to joining the Group in February 2019, he served Ernst & Young from 2006 to 2015 with his last position as a senior manager. Mr. Zhang served as the chief financial officer of Shenzhen Grandland Group Co., Ltd.* (深圳廣田集團股份有限公司), an enterprise listed on the Shenzhen Stock Exchange (stock code: 002482.SZ), from 2016 to 2018. Meanwhile, from 2017 to 2019, he served as the chairman and executive director of Guangrong Financing Guarantee Co., Ltd.* (廣融融資擔保有限公司) and Guangrong Microfinance Co., Ltd.* (廣融小額貸款有限公司).

Mr. Zhang graduated from Shanghai University of Finance and Economics (上海財經大學) and obtained a double bachelor's degree. He became a member of the Chinese Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants in 2010 and 2011, respectively.

Mr. Ma Mingya (馬明亞), aged 50, was formerly the assistant executive officer of Jiayuan International Group Limited and the president of Shanghai Jiayuan Hucheng Property Group Co., Ltd.* (上海佳源滬城房地產集團有限公司) (known as Jiayuan Shanghai Group for short). Mr. Ma has approximately 24 years of experience in the real estate development industry and has been involved in the Group's business since July 2019. Mr. Ma was primarily responsible for management and overseeing the day-to-day operation and expansion of the Group's real estate development projects located in and around Shanghai. Mr. Ma also served as the legal person and chairman of Shanghai Xiangyuan Property Co., Ltd.* (上海祥源房地產有限公司), the legal person and chairman of Yancheng Xingzhou Jiayuan Property Development Co., Ltd.* (鹽城星洲佳源房地產開發有限公司) in Yancheng, Jiangsu Province and the legal person and executive director of Yancheng Xiangyuan Property Co., Ltd.* (鹽城祥源房地產有限公司), respectively.

* *For identification purpose only*

Mr. Ma graduated from Nanjing University (南京大學) in June 2009 and obtained a master's degree in project management. He also obtained a degree in Executive Master of Business Administration (EMBA) at China Europe International Business School (中歐國際工商學院) in October 2011. He has been recognised as a senior engineer by Human Resource Department of Jiangsu Province in the PRC* (中國江蘇省人事廳) since December 2009.

Mr. Ma left the Group in March 2022.

Mr. Deng Wenping (鄧文平), aged 55, has served as the president of Anhui Jiayuan Property Group Co., Ltd.* (安徽佳源房地產集團有限公司) (known as Jiayuan Anhui Group for short), primarily responsible for management and overseeing the regional property development projects in Anhui Province and Hubei Province, since August 2018. Mr. Deng has approximately 14 years of experience in the real estate development industry. He served as the general manager of Qijiang County Guangyuan Real Estate Development Co., Ltd.* (廬江縣廣源置業發展有限公司) (Qijiang Guangyuan) from January 2008 to December 2012. From August 2012 to December 2012, he was responsible for the preliminary preparation work for Jiayuan Anhui project development. He served as the general manager of Bengbu Mingyuan Real Estate Development Company Limited (蚌埠明源房地產開發有限公司) (Bengbu Mingyuan) from January 2013 to October 2017 and the vice president of Jiayuan Anhui Group from November 2017 to August 2018. Prior to this, Mr. Deng had 20 years of experience in the banking industry where he successively held the posts of the director of real estate credit loan department, the general manager of corporation department and the president of the sub-branch at Chaohu Branch of China Construction Bank.

Mr. Deng graduated from the discipline of civil engineering in Chongqing University (重慶大學) in July 1989. He obtained a graduation certificate in an advanced seminar course on chief executive officer (CEO) in the University of Science and Technology of China (中國科學技術大學) in April 2015.

Ms. Qiu Xiangming (邱祥明), aged 46, is currently the vice president of Ning Gang Jia Yuan Property Group Co., Ltd.* (寧港佳源房地產集團有限公司) (known as Jia Yuan Ning Gang Group for short). Ms. Qiu had served as the assistant executive officer and the general manager of operation management center for Jia Yuan Ning Gang Group from January 2018 to May 2019, and was promoted to the position of vice president of the Group in May 2019. She served as the general manager of Changzhou Jinyuan from February 2014 to March 2018 and has been involved in the Group's business since January 2011. Ms. Qiu is primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Changzhou, Jiangsu Province. Ms. Qiu has approximately 17 years of experience in the real estate development industry. She worked as the manager of Zhejiang Jia Yuan Group from January 2011 to August 2013. Ms. Qiu acted as the vice general manager of Changzhou Jinyuan from August 2013 to December 2014 and was subsequently promoted to the position of general manager in December 2014 and has since acted as the general manager of Changzhou Jinyuan. Ms. Qiu also participated in the preparation for and was responsible for the day-to-day management of Xueyan Jiayuan Central Plaza, the Group's property development project in Changzhou. Formerly, Ms. Qiu worked as the deputy general manager of Changzhou Tian Yu from January 2010 to December 2010 and a director of Changzhou Zhongchuang Real Estate Development Co., Ltd.* (常州中創房地產開發有限公司), a property developer in the PRC, from December 2003 to December 2009.

Ms. Qiu graduated from Changzhou Institute of Technology* (常州工學院) and obtained a diploma in Accounting in January 2008. She was recognised as a junior accountant by the Ministry of Finance in the PRC since May 2006.

* *For identification purpose only*

Ms. Gao Yan (高艷), aged 48, was appointed as the vice president of Shanghai Jiayuan Hucheng Property Group Co., Ltd.* (上海佳源滬城房地產集團有限公司) (known as Jiayuan Shanghai Group for short) in May 2021, primarily responsible for management and overseeing the day-to-day operation and expansion of the Group's real estate development projects. Ms. Gao was the general manager of Yangzhou Xiangjiang New City Centre Property Limited* (揚州香江新城市中心置業有限公司) from June 2016 to May 2021; she also is and has been the assistant executive officer of Ning Gang Jia Yuan Property Group Co., Ltd.* (寧港佳源房地產集團有限公司) (known as Jia Yuan Ning Gang Group for short) since August 2018. She served as the general manager of Taixing Guangyuan Property Development Co., Ltd.* (泰興市廣源房地產開發有限公司) (Taixing Guangyuan) from August 2013 to August 2015. Ms. Gao has been involved in Jia Yuan Ning Gang Group's business since July 2003, primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Taixing, Jiangsu Province. Ms. Gao also served as finance manager of Yangzhou Hengyuan Property Development Co., Ltd.* (揚州市恒源房地產開發有限公司) (Yangzhou Hengyuan) (formerly known as Jiangdu Guangyuan Property Development Co., Ltd.* (江都市廣源房地產開發有限公司)).

Ms. Gao graduated from Jiangsu Broadcasting and Television College* (江蘇廣播電視大學) and obtained a diploma in Finance and Accounting in July 1994. She has been recognised by the Ministry of Finance of the PRC as an intermediate accountant since September 2003.

Mr. Yang Weidong (楊衛東), aged 46, was appointed as the CEO of Jiayuan South (Shenzhen) Group Co. Ltd* (佳源南方(深圳)集團有限公司) (known as Jiayuan South Group for short) in June 2019. Mr. Yang has over 20 years of experience in investment and management. He was the CEO of Lvjing Holding Co., Ltd* (綠景控股股份有限公司) from November 2018 to June 2019. Mr Yang served as the Chief Investment Officer of Grandland Holdings Group Co., Ltd* (廣田控股有限公司) from October 2016 to November 2018, responsible for dealing with investment and financing issues. Formerly, Mr. Yang worked as the Chief Risk Management Officer of Hainan Airlines Travelling Group Co., Ltd* (海南航空旅遊集團有限公司) from January 2016 to October 2016, the CEO of Hainan Airlines Innovation Co., Ltd* (海南航空創新有限公司) from August 2013 to January 2016, GM of Investment Department of Hainan Airlines Travelling Group Co., Ltd. from September 2008 to August 2013 and the Financial Manager of Hainan Airlines Holding Co., Ltd* (海南航空控股股份有限公司) from July 2000 to September 2008.

Mr. Yang graduated from Zhongnan University of Economics and Law (中南財經政法大學) and obtained the bachelor's degree.

Mr. Zhou Runping (周潤平), aged 50, has served as the vice president of Shenzhen Jiayuan Pengcheng Property Group Co., Ltd.* (深圳市佳源鵬城房地產集團有限公司) (known as Jiayuan Shenzhen Group for short) since July 2020. Mr. Zhou has approximately 26 years of experience in the real estate development industry. Mr. Zhou served as the general manager of Shenzhen Xiangyuan Industry Co., Ltd* (深圳市翔源實業有限公司) from April 2019 to November 2020, the general manager of Shenzhen Songling Industrial Co., Ltd.* (深圳市松齡實業有限公司) from October 2017 to April 2019, and the general manager of Changxing Jiayuan Property Development Co., Ltd.* (長興佳源房地產開發有限公司) from April 2015 to June 2017. Mr. Zhou served as the executive deputy general manager of a subsidiary of Gujia Industrial from July 2014 to March 2015, the general manager of Changxing Xinglong Property Co., Ltd.* (長興星龍置業有限公司) from February 2011 to March 2014, and the general manager assistant and deputy general manager of Hangzhou White Horse Property Development Co., Ltd.* (杭州白馬房地產開發公司) from June 2006 to December 2009. Mr. Zhou has experience in engineering management. He served as the chief engineer and manager of engineering management department of Hangzhou Yangqi Real Estate Development Co., Ltd.* (杭州楊岐房地產開發公司) from March 2004 to May 2006, the manager of engineering department of Hangzhou Universal Real Estate Development Co., Ltd.* (杭州環球房地產開發有限公司) from June 2000 to March 2004, and the manager of engineering department of Hangzhou Golden Horse Property Development Co., Ltd.* (杭州金馬房地產開發有限公司) from July 1995 to May 2000.

* *For identification purpose only*

Mr. Zhou graduated from Tongji University (同濟大學) and obtained a master degree in June 2008. He graduated from Harbin Institute of Technology (哈爾濱工業大學) (formerly as Harbin University of Civil Engineering and Architecture (哈爾濱建築大學)) and obtained a bachelor's degree in June 1995.

Mr. Gao Xin (高鑫), aged 39, was appointed as the president of Qingdao Jiayuan Real Estate Group Co., Ltd. (青島佳源房地產集團有限公司) (known as Jiayuan Qingdao Group) in August 2021. Mr. Gao has approximately 17 years of experience in the real estate development industry and has been involved in the Group's business since March 2018, primarily responsible for management and overseeing the day-to-day operation and expansion of the Group's real estate development projects located in Shandong Province. Mr. Gao served as the general manager of Qingdao Jiayuan Real Estate Group Co., Ltd. from March 2018 to August 2020, the assistant executive officer of Zhejiang Jiayuan Shencheng Real Estate Group Co., Ltd.* (浙江佳源申城房地產集團有限公司) from 2018 to August 2019, the general management of Jiaxing Guoyuan Property Development Co., Ltd.* (嘉興國源房地產開發有限公司) from June 2014 to March 2018, the deputy general manager of Changxing Jiayuan Property Development Co., Ltd.* (長興佳源房地產開發有限公司) from March to October 2013. Mr. Gao served as manager of marketing and planning department in Suqian City Property Development Co., Ltd.* (宿遷市佳源房地產開發有限公司) from September 2009 to March 2013, and also the general manager assistant in May 2011.

Mr. Gao obtained his bachelor of laws degree in Economy from Jiaxing University (嘉興學院) in July 2004.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the 2021 Interim Report of the Company are set out below:

Name of Director	Details of Change
Mr. Tai Kwok Leung, Alexander	Mr. Tai has ceased to be a member of each of the related party transactions control committee and the risk control and consumers' rights protection committee of Shengjing Bank Co., Ltd. (Stock Code: 2066) with effect from 16 March 2021.
Dr. Cheung Wai Bun, Charles	Dr. Cheung has ceased to be an independent non-executive director of Yin He Holdings Limited (Stock Code: 8260) with effect from 23 August 2021.
Mr. Gu Yunchang	Mr. Gu has ceased to be an independent non-executive director, a member of each of the audit committee and the nomination committee of CIFI Holdings (Group) Co. Ltd. (Stock Code: 884) with effect from 14 December 2021.

Saved as disclosed above, the Company is not aware of any other changes which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

* *For identification purpose only*

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are property development and property investment in the PRC. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the section headed "Consolidated Income Statement" on page 71 of this annual report.

DIVIDENDS

The Board of Directors did not recommend the payment of final dividend for the year ended 31 December 2021 (2020 final dividend: HK15.5 cents per Share). The Board did not recommend any interim dividend for the six months ended 30 June 2021 (2020 interim dividend: nil).

BUSINESS REVIEW

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are included in the section headed "Management Discussion and Analysis" from pages 8 to 24 of this annual report. Discussion details on the Group's environmental policies and performance set out in the "Environmental, Social and Governance Report" to be published separately in due course; the status of the Group's compliance with the relevant laws and regulations that have material impact on the Group is set out in the section headed "Compliance with Relevant Laws and Regulations" below; and the description of the principal risks and uncertainties facing the Company is set out in the section headed "Management Discussion and Analysis". The aforesaid discussion forms a part of the Directors' Report.

ENVIRONMENTAL POLICY

We are subject to various PRC laws, rules and regulations with regard to environmental matters, at both the national level and local environmental protection bureaus level. Details environmental policies and performance of the Group will be set out in the "Environmental, Social and Governance Report" to be separately published subsequent to the publish of this annual report. During the year ended 31 December 2021, the Group complied with all relevant environmental laws and regulations.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out in the section headed "Five-year Financial Summary" on page 188 of this annual report.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year ended 31 December 2021 are set out in note 16 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of movements in the bank and other borrowings of the Group during the year ended 31 December 2021 are set out in note 27 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2021 are set out in note 29 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2021 are set out in the section headed "Consolidated Statement of Changes in Equity" on page 75 of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution under the Companies Laws of the Cayman Islands, consisted of share premium amounted to RMB8,930 million less accumulated losses amounted to RMB2,973 million and they are subject to a solvency test.

EQUITY-LINKED AGREEMENTS

Save for the issuance of convertible bonds and the share option scheme of the Company as disclosed herein, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2021 or subsisted at the end of the year.

SIGNIFICANT RELATIONSHIP WITH STAKEHOLDERS

Employees

As of 31 December 2021, the Group had a total number of 8,285 employees. During the reporting period, relationship between the Company and the employees remained stable. The Company did not experience any strikes or other labor disputes which would have material impact on the business activities of the Company.

Customers

While continuing to focus on development of large-scale residential and commercial complex projects as well as further increasing land values for its customers, the Company strictly followed the PRC government's spiritual guidance of "property is for living but not for speculation" and "city-specific policies".

Suppliers

During day-to-day operation and management, the Company maintained constant communication with the suppliers to understand their opinions and requirements and responded actively in order to enhance trust in partnering suppliers and strengthen bilateral cooperative relationship.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, both the percentage of purchases attributable to the Group's five largest suppliers and the percentage of revenue attributable to the Group's five largest customers were less than 30% of the total purchases and total revenue of the Group respectively.

DIRECTORS

The Directors of the Company during the year ended 31 December 2021 and up to the date of this report were:

Non-executive Directors:

Mr. Shum Tin Ching *(Chairman)*
Mr. Shen Xiaodong

Executive Directors:

Mr. Zhang Yi *(Vice Chairman)*
Mr. Huang Fuqing *(Vice Chairman)*
Ms. Cheuk Hiu Nam *(Joint Company Secretary)*
Mr. Wang Jianfeng *(Vice President)*

Independent non-executive Directors:

Mr. Tai Kwok Leung, Alexander
Dr. Cheung Wai Bun, Charles, JP
Mr. Gu Yunchang

In accordance with Article 84 of the Articles of Association of the Company (the "Articles of Association"), Mr. Wang Jianfeng, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang shall retire at the forthcoming annual general meeting of the Company to be held on 9 June 2022 (the "Annual General Meeting"). All of the above retiring Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Company (the "Senior Management") are set out in the section headed "Directors and Senior Management" on pages 25 to 33 of this annual report.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year ended 31 December 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right at any time during the year ended 31 December 2021 or at the end of the year.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, other than Mr. Zhang Yi, has entered into a service contract with the Company for a term of three years commencing from 8 March 2022. Mr. Zhang Yi has entered into a service contract with the Company for a term of three years commencing from 17 February 2022. Such service contracts may be terminated in accordance with the terms of the service contracts.

Each of the non-executive Directors and independent non-executive Directors, other than Mr. Shen Xiaodong, was appointed to the Board pursuant to their respective letters of appointment, for a term of three years commencing from 8 March 2022, and such appointment may be terminated in accordance with the terms of the letters of appointment. Mr. Shen Xiaodong has entered into a service contract with the Company for a term of three years commencing from 17 February 2022, and such service contract may be terminated in accordance with the terms of the service contract.

All the Directors are subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the Articles of Association.

Saved as disclosed herein, no Director proposed for re-election at the Annual General Meeting of the Company has a service contract that is not determinable within one year without payment of compensation, other than statutory compensation.

Each of the executive Directors is entitled to a basic salary pursuant to their respective service contracts, which is determined with reference to their responsibilities, experience, performance and the prevailing market conditions. In addition, each of them is entitled to a bonus of such amount as the Board may determine in respect of each complete financial year of the Company.

Each of the non-executive Directors and independent non-executive Directors is entitled to a director's fee pursuant to their respective letters of appointment, which is determined with reference to their responsibilities, experience, performance and the prevailing market conditions. Save for director's fees, each of the non-executive Directors and independent non-executive Directors is not expected to receive any other remuneration for holding his office as a non-executive Director or an independent non-executive Director respectively.

REMUNERATION OF THE DIRECTORS

Details of remuneration of the Directors during the year ended 31 December 2021 are set out in note 41 to the consolidated financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

NON-COMPETE UNDERTAKINGS

Each of the controlling shareholders of the Company has confirmed to the Company of his/its compliance with the non-compete undertakings provided to the Company under the Deed of Non-Competition (as defined in the prospectus of the Company dated 26 February 2016 (the "Prospectus")). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling shareholders during the period commencing from the Deed of Non-Competition and up to the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As disclosed in the section headed "Relationship with the Controlling Shareholders" in the Prospectus, Mr. Shum Tin Ching is the ultimate owner of a group of real estate development companies (other than members of the Group) (the "Private Group") which conduct their property businesses in non-Target Cities (as defined in the Prospectus). To ensure a clear delineation of the property businesses of the Group and the Private Group and to minimise any potential competition arising therefrom, among other things, Mr. Shum Tin Ching has entered into the Deed of Non-Competition to provide certain non-compete undertakings in favour of the Company. As the businesses of the Group and the Private Group are operated in separate cities and with no reliance on one another, the Group is able to operates its businesses independently of, and at arm's length from the Private Group. Since 8 March 2016 (the "Listing Date"), the date on which the Company completed the initial public offering with its shares listed on the Main Board (the "Main Board") of the Stock Exchange, and up to the date of this report, the Directors were not aware of any competing business between the Private Group and the Group.

Save as disclosed above, none of the Directors had any direct or indirect interest in a business which competed or might compete with the business of the Group as required to be disclosed under Rule 8.10 of the Listing Rules since the Listing Date and up to the date of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions", no other Directors or an entity connected with a director has or had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group at any time during the year or subsisted at the end of the year.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sections headed "Connected Transactions and Continuing Connected Transactions", (i) no contract of significance in relation to the Group's business between the Company, or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries during the year ended 31 December 2021 or subsisted at the end of the year; and (ii) no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted at the end of the year ended 31 December 2021 or at any time during the year ended 31 December 2021.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

The Board is not aware of any tax relief available to shareholders of the Company by reason of their holding of the Company's securities.

EMOLUMENT POLICY

A Remuneration Committee was set up to make recommendations on the Company's emolument policy and structure for all remuneration of the Directors and senior management of the Group on the basis of their merit, qualifications and competence.

The Company has adopted the Share Option Scheme as incentive to eligible employees, details of which are set out in the section headed "Share Option Scheme" on page 40 of this report.

None of the Directors waived any emoluments during the year ended 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules as at the date of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

To the best knowledge of the Board, the Group has complied with all relevant laws and regulations that have a significant effect on the Group in all material respects.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director or other officer of the Company 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 thereto subject to the Hong Kong Companies Ordinance. Such provision was in force during the year ended 31 December 2021 and remained in force as of the date of this report as required by section 470 of the Hong Kong Companies Ordinance. The Company has also arranged appropriate directors' and officers' liability insurance for the directors and officers of the Group.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 12 February 2016 (the "Share Option Scheme") which was effective upon the Listing Date (i.e. 8 March 2016). The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined below) have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

Pursuant to the Share Option Scheme, the Directors may, at their absolute discretion, offer to grant an option to subscribe for ordinary shares with a par value of HK$0.01 each (the "Shares") of the Company subject to such conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as they may think fit, to the following persons (the "Eligible Participants"): (a) any full-time or part-time employees, executives or officers of the Company; (b) any director (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries; (c) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and (d) such other persons who, in the sole opinion of the Directors, will contribute or have contributed to the Group.

A consideration of HK$1.00 is payable on acceptance of the offer of grant of an option.

The maximum number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 180,000,000 Shares, being 10% of the shares in issue as at the Listing Date. No share options had been granted by the Company under the Share Option Scheme up to the date of this report. Therefore, the number of Shares available for issue is 180,000,000 Shares, being approximately 3.7% of the Shares in issue as at the date of this report.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting.

The subscription price per Share under the Share Option Scheme shall be a price determined by the Directors, but shall not be lower than the higher of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (c) the nominal value of a Share.

The Share Option Scheme will remain in force for a period of 10 years from the Listing Date. The period during which an option may be taken up shall be in accordance with the terms of the Share Option Scheme and at any time after the date upon which the option is deemed to be granted and accepted and may be exercised thereupon and prior to the expiry of the period as notified by the Directors to each grantee, save that no option shall be exercised later than 10 years from the date of grant. There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

No share options have been granted or exercised under the Share Option Scheme since its adoption.

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 or existed during the year ended 31 December 2021.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

(a) Interests in shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares or securities held[1]	Percentage of interest in the Company[5]
Mr. Shum Tin Ching	Interest of a controlled corporation	4,612,865,993[2] shares (L)	93.95%
	Beneficial owner	92,001,718[3] shares (L)	1.87%
	Interest of a controlled corporation	427,662,171[4] shares (S)	8.71%

Notes:

(1) The letters "L" and "S" denote the Director's long position and short position in the shares of the Company respectively.

(2) The disclosed interest represents an interest in the Company held by Mingyuan Investment, which is indirectly 70% owned by Mr. Shum Tin Ching. Therefore, Mr. Shum Tin Ching is deemed to be interested in Mingyuan Investment's interest in the Company by virtue of the SFO. These interests held by Mingyuan Investment comprise (i) 3,576,308,418 shares of the Company beneficially held by Mingyuan Investment; and (ii) 1,036,557,575 shares which represents the maximum number of shares which will be issued by the Company upon Mingyuan Investment's exercise of the right of conversion under the convertible bonds owned by it. On 30 June 2021, the Company completed the major acquisition of Luyuan (the "Luyuan Acquisition"), which is engaged in property development projects in Shandong Province, the PRC. Luyuan was ultimately and wholly-owned by Mr. Shum prior to the acquisition. Pursuant to the relevant sale and purchase agreement, the consideration of HK$7,247,560,000 (equivalent to approximately RMB6,034,318,000) was settled (i) as to HK$3,420,640,000 by way of issue of convertible bonds by the Company; (ii) as to HK$2,772,000,000 by way of issue of 840,000,000 ordinary shares by the Company; and (iii) as to the remaining balance of HK$1,054,920,000 by cash. On the date of completion, the Company has issued convertible bonds (the "Luyuan Convertible Bonds") in the aggregate principal amount of HK$3,420,640,000 entitling Mingyuan Investment to exercise the conversion rights at the conversion price of HK$3.30 per conversion share (subject to adjustment for dilutive events) into a maximum number of 1,036,557,575 conversion shares. As at the date of this report, none of the conversion rights have been exercised. For further details, please refer to the announcements of the Company dated 13 January 2021, 25 February 2021 and 30 June 2021, respectively and the circular of the Company dated 26 February 2021.

(3) These shares are wholly owned by Mr. Shum Tin Ching as a beneficial owner.

(4) These shares are pledged by Mingyuan Investment in favour of with CCB International Overseas Limited pursuant to a share mortgage agreement dated 31 December 2019 as one of the collaterals for a loan issued to the Company. Mingyuan Investment is indirectly 70% owned by Mr. Shum Tin Ching. Therefore, Mr. Shum Tin Ching is deemed to be interested in Mingyuan Investment's interest in the Company by virtue of the SFO.

(5) As at 31 December 2021, the total number of issued shares of the Company was 4,909,829,148.

(b) Interest in shares of the associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares or securities held[1]	Percentage of shareholding
Mr. Shum Tin Ching	Mingyuan Investment	Beneficial owner	105,000 shares (L)	70%

Note:

(1) The letter "L" denotes the Director's long position in the share of Mingyuan Investment.

(c) Interest in debentures of the Company

As at 31 December 2021, (i) Dr. Cheung Wai Bun, Charles, JP had interests in the debentures of the Company amounting to US$1,840,872 held by Ambergate Estates Limited, a corporation of which Dr. Cheung owned 82% control. Save as disclosed, Dr. Cheung did not have any interests in securities of the Company within the meaning of Part XV of the SFO; (ii) Mr. Shum Tin Ching and his associates (Mingyuan Investment and Hongkong Jianyuan Investment Limited, a company wholly owned by Mr. Shum Tin Ching) had interests in the debentures of the Company amounting to US$31,000,000. For details, please refer to the section headed "Connected Transactions and Continuing Connected Transactions".

Save as disclosed above, as at 31 December 2021, other Directors and chief executive of the Company did not have any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as the Directors are aware, as of 31 December 2021, the following persons (other than the Directors or chief executive of the Company) and entities had the following interests or short positions in the shares or underlying shares and debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO:

(a) Interest in shares of the Company

Name of Substantial Shareholder	Nature of interest	Number of shares or securities held[1]	Percentage of interest in the Company[10]
Ms. Wang Xinmei[2]	Interest of spouse	4,704,867,711[4] shares (L)	95.83%
		427,662,171[5] shares (S)	8.71%
Galaxy Emperor Limited[3]	Interest of a controlled corporation	4,612,865,993[4] shares (L)	93.95%
		427,662,171[5] shares (S)	8.71%
China Jiayuan Group Limited[3]	Interest of a controlled corporation	4,612,865,993[4] shares (L)	93.95%
		427,662,171[5] shares (S)	8.71%
Mingyuan Investment[4]	Beneficial owner	4,612,865,993[4] shares (L)	93.95%
		427,662,171[5] shares (S)	8.71%
CCB International Overseas Limited[6],[8]	Person having a security interest in shares	427,662,171[5] shares (L)	8.71%
Design Time Limited[7]	Beneficial owner	26,228,771[9] shares (L)	0.53%
CCBI Investments Limited[7]	Interest of a controlled corporation	26,228,771[9] shares (L)	0.53%
CCB International (Holdings) Limited[6],[7],[8]	Interest of a controlled corporation	453,890,942[5] shares (L)	9.24%

Name of Substantial Shareholder	Nature of interest	Number of shares or securities held[1]	Percentage of interest in the Company[10]
CCB Financial Holdings Limited[6],[7],[8]	Interest of a controlled corporation	453,890,942[5] shares (L)	9.24%
CCB International Group Holdings Limited[6],[7],[8]	Interest of a controlled corporation	453,890,942[5] shares (L)	9.24%
China Construction Bank Corporation[6],[7],[8]	Person having a security interest in shares	453,890,942[5] shares (L)	9.24%
Central Huijin Investment Ltd.[6],[7],[8]	Person having a security interest in shares	453,890,942[5] shares (L)	9.24%

Notes:

(1) The letters "L" and "S" denote a person's/an entity's long position and short position in the shares of the Company respectively.

(2) Ms. Wang Xinmei, the spouse of Mr. Shum Tin Ching, is deemed to be interested in Mr. Shum Tin Ching's interest in the Company.

(3) Mingyuan Investment is 70% held by China Jiayuan Group Limited. China Jiayuan Group Limited is a wholly-owned subsidiary of Galaxy Emperor Limited, which is wholly-owned by Mr. Shum Tin Ching.

(4) These shares are interests of Mr. Shum Tin Ching in the Company which consist 92,001,718 shares which are wholly owned by Mr. Shum Tin Ching as a beneficial owner and 4,612,865,993 shares which are the interest in the Company held by Mingyuan Investment, which is 70% owned by Mr. Shum Tin Ching. The interests of Mingyuan Investment in the Company as disclosed herein includes (i) 3,576,308,418 shares of the Company beneficially held by Mingyuan Investment; and (ii) 1,036,557,575 shares which represents the maximum number of shares which will be issued by the Company upon Mingyuan Investment's exercise of the right of conversion under the Luyuan Convertible Bonds as part of the settlement of the consideration payable to Mr. Shum under the Luyuan Acquisition. As at the date of this report, none of the conversion rights have been exercised. For further details, please refer to the announcements of the Company dated 13 January 2021, 25 February 2021 and 30 June 2021, respectively and the circular of the Company dated 26 February 2021.

(5) The short position of 427,662,171 shares represents the shares which are pledged by Mingyuan Investment in favour of with CCB International Overseas Limited. The long position of 427,662,171 shares represents the security interests in the shares held by CCB International Overseas Limited. The long position of 453,890,942 shares consists of (i) 427,662,171 shares which are the security interests in the shares held by CCB International Overseas Limited and (ii) 26,228,771 shares which are the shares beneficially held by Design Time Limited.

As Mingyuan Investment is 70% owned by Mr. Shum Tin Ching, Mr. Shum Tin Ching is deemed to be interested in Mingyuan Investment's interest in the Company by virtue of the SFO.

(6) Based on the public records, these security interest in shares are held by CCB International Overseas Limited, which is a wholly-owned subsidiary of CCB International (Holdings) Limited.

(7) Design Time Limited is a wholly-owned subsidiary of CCBI Investments Limited, which is a wholly-owned subsidiary of CCB International (Holdings) Limited.

(8) Based on the public records, CCB International (Holdings) Limited is a wholly-owned subsidiary of CCB Financial Holdings Limited, which is in turn a wholly-owned subsidiary of CCB International Group Holdings Limited. CCB International Group Holdings Limited is a wholly-owned subsidiary of China Construction Bank Corporation, which is owned as to 57.11% by Central Huijin Investment Ltd..

(9) These shares are beneficially owned by Design Time Limited.

(10) As at 31 December 2021, the total number of issued shares of the Company was 4,909,829,148.

(b) Interests in debentures of the Company

As at 31 December 2021, (i) Mingyuan Investment is beneficially interested in debenture of the Company amounting to US$22,000,000; (ii) Ms. Wang Xinmei is deemed to be interested in debenture of the Company amounting to US$31,000,000 by reason of interest of spouse. The debenture of the Company amounting to US$31,000,000 is held by Mr. Shum Tin Ching and his associates. For details, please refer to the section headed "Connected Transactions and Continuing Connected Transactions".

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) or entities who had an interest or short position in the shares, the underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Details of connected transactions and continuing connected transactions which are not fully-exempt under Chapter 14A of the Listing Rules are disclosed below.

Connected Transactions

(1) On 13 January 2021, the Company entered into a sale and purchase agreement with Mr. Shum whereby the Company conditionally agreed to acquire and Mr. Shum agreed to sell the 100% equity interest of Luyuan ("Luyuan Acquisition"), at an initial consideration of Hong Kong Dollar ("HK$") 7,247,560,000 which would be settled (i) as to HK$3,420,640,000 by way of issue of a maximum number of 1,036,557,575 convertible bonds by the Company; (ii) as to HK$2,772,000,000 by way of issue of 840,000,000 ordinary shares by the Company; and (iii) as to the remaining balance of HK$1,054,920,000 by cash.

On 30 June 2021, Luyuan Acquisition was completed and Luyuan became a subsidiary of the Group. The Company then issued 840,000,000 ordinary shares, issued 1,036,557,575 convertible bonds and paid cash of HK$1,054,920,000 (equivalent to RMB878,326,000) to Mr. Shum as the consideration of Luyuan Acquisition at the completion date. The fair value of (i) the 840,000,000 ordinary shares issued of HK$2,772,000,000 (equivalent to RMB2,307,967,000) and (ii) 1,036,557,575 convertible bonds issued of HK$3,420,640,000 (equivalent to RMB2,848,025,000) were determined by reference to HK$3.30 per ordinary share, being the closing price of the ordinary share of the Company as quoted on the Stock Exchange on 30 June 2021.

Mr. Shum is the Chairman of the Board and a non-executive director of the Company and, together with Mingyuan Investment, the controlling shareholder of the Company, and the ultimate controlling shareholder of the Company, and thus a connected person of the Company. Accordingly, the Luyuan Acquisition constituted a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcements of the Company dated 13 January 2021, 25 February 2021 and 30 June 2021 and the circular of the Company dated 26 February 2021.

(2) The Company issued certain senior notes with a principal amount of US$130,000,000 bearing interest of 11.00% per annum which will mature in February 2024 (the "Existing Notes"). As disclosed in the announcement dated 23 September 2021, the Company and the Subsidiary Guarantors entered into a purchase agreement with certain placing agents in connection with the additional issue of the senior notes with a principal amount of US$100,000,000 bearing interest of 11.00% per annum which will mature in February 2024 and formed a single series with the Existing Notes (the "Additional Notes Issue"). The book building process of the Additional Notes Issue was completed on 23 September 2021. Under the Additional Notes Issue, Mr. Shum and his associates were allocated a portion of the Additional Notes in the aggregate principal amount of US$31,000,000 (equivalent to RMB195,510,000)(the "Purchase"). In more detail, the respective portions of the Additional Notes allocated to Mr. Shum, Hong Kong Jianyuan Investment Limited ("Jianyuan Investment") and Mingyuan Investment were in the principal amount of US$7,000,000, US$2,000,000 and US$22,000,000, respectively.

Mr. Shum is the Chairman and non-executive director of the Company. Mingyuan Investment, which is 70% owned by Mr. Shum, is the controlling shareholder of the Company. Jianyuan Investment is indirectly wholly-owned by Mr. Shum. Accordingly, each of Mr. Shum, Jianyuan Investment and Mingyuan Investment is a are connected persons of the Company and the Purchase constituted a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 23 September 2021.

Continuing Connected Transactions

The Group had entered into various transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules. All the continuing connected transactions during the year that need to be disclosed herein are in compliance with the Listing Rules including the policies and guidelines as set out in the Guidance Letter (HKEx-GL73-14) when determining the price and terms of the transactions conducted during the year. The transaction amount of the continuing connected transactions of the Group for the year ended 31 December 2021 is set out below:

	Connected Person	Nature of Transaction	Transaction amount for the year ended 31 December 2021 (RMB'000)
1	Zhejiang Xigu Digital Technology Co., Ltd. (浙江西谷數字技術有限公司) ("Zhejiang Xigu") and Jiaxing City Deyu Electronics Technology Co., Ltd. (嘉興市德宇電子科技有限公司) ("Jiaxing Deyu")	Procurement of intelligent system equipment[1]	47,347
2	Jiaxing City Boyuan Architecture Design Co., Ltd.* (嘉興市博源建築設計有限公司) ("Jiaxing Boyuan")	Procurement of architecture design services[2]	5,323
3	Jiayuan Chuangsheng Holdings Group Co., Ltd. (佳源創盛控股集團有限公司) ("Jiayuan Chuangsheng Group")	Provision of property management services[3]	5,894
4	Jiayuan Chuangsheng Group	Provision of value added services[3]	2,978
5	Jiayuan Chuangsheng Group	Provision of sales management and other services[4]	41,647

Notes:

(1) Each of Zhejiang Xigu and Jiaxing Deyu (together, the "ISE Suppliers") is a company principally engaged in the manufacture, installation and sale of software and system equipment. On 31 December 2018, the Company entered into an intelligent system equipment procurement framework agreement with each of the ISE Suppliers for the procurement of intelligent system equipment by the Group for its property development projects for a term of three years from 1 January 2019 to 31 December 2021 (the "2019 Intelligent System Equipment Procurement Framework Agreement"). Each of the ISE Suppliers is a company indirectly majority-owned by Mr. Shum and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2019 Intelligent System Equipment Procurement Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the 2019 Intelligent System Equipment Procurement Framework Agreement expired on 31 December 2021, on 31 December 2021, the Company and each of the ISE Suppliers entered into an intelligent system equipment procurement framework agreement for the procurement of intelligent system equipment by the Group for its property development projects for a term of three years from 1 January 2022 to 31 December 2024.

The annual cap for the year ended 31 December 2021 was RMB90 million. The annual caps for each of the three years ending 31 December 2022, 2023 and 2024 will be approximately RMB120 million, RMB150 million and RMB180 million, respectively.

The transaction amount for the year ended 31 December 2021 was within the annual cap for the year ended 31 December 2021.

(2) For details, please refer to the announcements of the Company dated 31 December 2018 and 31 December 2021. Jiaxing Boyuan is principally engaged in project design and decoration. On 31 December 2018, the Company entered into an architecture design service framework agreement with Jiaxing Boyuan for the provision of architecture design services by Jiaxing Boyuan to the Group for its property development projects for a term of three years from 1 January 2019 to 31 December 2021 (the"2019 Architecture Design Service Framework Agreement"). Jiaxing Boyuan is a company indirectly wholly-owned by Mr. Shum and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2019 Architecture Design Service Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the 2019 Architecture Design Service Framework Agreement expired on 31 December 2021, on 31 December 2021, the Company entered into an architecture design service framework agreement with Jiaxing Boyuan for the provision of architecture design services by Jiaxing Boyuan to the Group for its property development projects for a term of three years from 1 January 2022 to 31 December 2024.

The annual cap for the year ended 31 December 2021 was RMB90 million. The annual caps for each of the three years ending 31 December 2022, 2023 and 2024 will be approximately RMB90 million, RMB100 million and RMB110 million, respectively.

The transaction amount for the year ended 31 December 2021 was within the annual cap for the year ended 31 December 2021.

For details, please refer to the announcements of the Company dated 31 December 2018 and 31 December 2021.

(3) On 21 November 2020, Jiayuan Services Holdings Limited ("Jiayuan Services"), a non-wholly owned subsidiary of the Company, entered into a property management agreement with Jiayuan Chuangsheng (for itself and on behalf of its subsidiaries and associates) (the "2020 Chuangsheng Property Management Agreement") for a term commencing from the 9 December 2020 (i.e. the date of listing of Jiayuan Services on the Main Board of the Stock Exchange) ("JYS Listing Date") to 31 December 2022 under which Jiayuan Services will provide (a) property management services for completed property units which are unsold or sold but prior to the delivery date as agreed between the Jiayuan Chuangsheng and the purchasers, including security, cleaning, greening, and repair and maintenance services; and (b) management services for completed car parking spaces which are unsold or sold but prior to the delivery date as agreed between the Jiayuan Chuangsheng and the purchasers, including cleaning, maintenance and lighting services, for property projects developed by Jiayuan Chuangsheng Group (the "Property Management Services").

On 21 November 2020, Jiayuan Services entered into a value added services agreement with Jiayuan Chuangsheng (for itself and on behalf of its subsidiaries and associates) (the "2020 Chuangsheng Value Added Services Agreement") for a term commencing from the JYS Listing Date to 31 December 2022 under which Jiayuan Services will provide catering services for employees of Jiayuan Chuangsheng Group (the "Catering Services").

On 22 December 2021, Jiayuan Services and Jiayuan Chuangsheng entered into a framework agreement (the "Chuangsheng Property Management and Value Added Services Framework Agreement") in respect of the engagement of members of the Jiayuan Services Group by members of the Chuangsheng Holdings Group for the provision of (i) the Property Management Services; (ii) the Catering Services; and (iii) other value added services such as assistance services for the sales of car parking spaces including marketing and advertising services for the Chuangsheng Holdings Group; and sales of household goods and small electrical appliances products to the Chuangsheng Holdings Group (together, the "Value Added Services"). The Chuangsheng Property Management and Value Added Services Framework Agreement was to (i) revise the existing annual caps for the Property Management Services and the Value Added Services for the year ending 31 December 2021,(ii) terminate the 2020 Chuangsheng Property Management Agreement and the 2020 Chuangsheng Value Added Services Agreement with effect from 1 January 2022; and (iii) provide the new continuing connected transaction arrangements for the Property Management Services and the Value Added Services for the three years ending 31 December 2024.

As Jiayuan Chuangsheng is a company beneficially wholly-owned by Mr. Shum and is therefore a connected person of the Company under the Listing Rules, the transactions contemplated under each of the 2020 Chuangsheng Property Management Agreement and 2020 Chuangsheng Value Added Services Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The revised annual cap of Property Management Services for the year ended 31 December 2021 was RMB7.2 million. The annual caps for each of the three years ending 31 December 2022, 2023 and 2024 will be RMB8.5 million, RMB10.2 million and RMB12.3 million, respectively.

The revised annual cap of Value Added Services for the year ended 31 December 2021 was RMB4.5 million. The annual caps for each of the three years ending 31 December 2022, 2023 and 2024 will be RMB6 million, RMB7.2 million and RMB8.7 million, respectively.

The transaction amount for the year ended 31 December 2021 was within the annual cap for the year ended 31 December 2021.

For details, please refer to the prospectus of Jiayuan Services dated 27 November 2020 and the announcement of the Company dated 22 December 2021.

(4) On 21 November 2020, Jiayuan Services entered into a sales management agreement (the "2020 Chuangsheng Sales Management Agreement") with Jiayuan Chuangsheng (for itself and on behalf of its subsidiaries and associates) for a term commencing from the JYS Listing Date to 31 December 2022 under which the Jiayuan Services will provide (a) management of the on-site sales office for the sales of properties, including but not limited to cleaning and security services; (b) preliminary planning and design consultancy services in the planning, design, construction and completion phases of property development projects; and (c) cleaning services for the properties on an one-off basis before delivery to homeowners, for property projects developed by Jiayuan Chuangsheng Group (together, the "Sales Management and Other Services").

On 22 December 2021, Jiayuan Services and Jiayuan Chuangsheng entered into a framework agreement (the "Chuangsheng Sales Management and Other Services Framework Agreement") to revise the existing annual cap for the Sales Management and Other Services for the year ending 31 December 2021, terminate the 2020 Chuangsheng Sales Management Agreement with effect from 1 January 2022 and provide the new continuing connected transaction arrangements for the Sales Management and Other Services for the three years ending 31 December 2024.

The revised annual cap for the year ended 31 December 2021 was RMB47 million. The annual caps for each of the three years ending 31 December 2022, 2023 and 2024 will be RMB53 million, RMB63.6 million and RMB76.4 million, respectively.

The transaction amount for the year ended 31 December 2021 was within the annual cap for the year ended 31 December 2021.

For details, please refer to the prospectus of Jiayuan Services dated 27 November 2020 and the announcement of the Company dated 22 December 2021.

The independent non-executive Directors confirmed that the above continuing connected transactions have been entered into in the ordinary and usual course of business of the Group on normal commercial terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole. The independent non-executive Directors further confirmed that the annual caps in respect of the above continuing connected transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, PricewaterhouseCoopers, the auditor of the Company, has provided a letter to the Board, confirming that the disclosure of the above continuing connected transactions:

(i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

(iv) with respect to the aggregate amount of each of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded their respective annual cap or revised annual cap as set by the Company.

Save as disclosed, no other related party transactions as disclosed in Note 41 to the consolidated financial statements taken place in 2021 constituted connected transactions or continuing connected transactions of the Company that are required to be disclosed in this annual report in accordance with the requirements of Chapter 14A of the Listing Rules, and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DONATIONS

During the year, the Group made charitable and other donations amounting to RMB235,000.

AUDIT COMMITTEE

The annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee. Information on the work of the Audit Committee and its composition are set out in section headed "Corporate Governance Report" on pages 52 to 64 of this annual report.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" on pages 52 to 64 of this annual report.

SUBSEQUENT EVENTS

No material events have occurred since 31 December 2021.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers ("PwC") who will retire and, being eligible, offer themselves for re-appointment at the forthcoming Annual General Meeting. There is no change in auditor of the Company in the last three years including the year ended 31 December 2021.

On behalf of the Board

Shum Tin Ching
Chairman

Hong Kong, 30 March 2022

CORPORATE GOVERNANCE REPORT

The Board is pleased to report to the shareholders on the corporate governance of the Company for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board is committed to achieving high corporate governance standards.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as the basis of the Company's corporate governance practices.

The Company has complied with all the code provisions as set out in the CG Code for the year ended 31 December 2021.

The Directors will use their best endeavors to procure the Company to continue to comply with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions by directors and employees who are likely to be in possession of unpublished inside information of the Company (the "Code of Conduct") on terms no less exacting than the required standards set out in the Model Code as set out in Appendix 10 to the Listing Rules.

The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Model Code and the Code of Conduct throughout the year ended 31 December 2021.

No incident of non-compliance of the Code of Conduct by the relevant employees was noted by the Company during the year ended 31 December 2021. In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

THE GROUP'S PERFORMANCE

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are included in the section headed "Management Discussion and Analysis" on pages 8 to 24 of this annual report.

Board Composition

The Board currently comprises the following Directors:

Chairman and non-executive Director:

Mr. Shum Tin Ching *(chairman of Nomination Committee)*

Vice Chairmen and executive Directors:

Mr. Zhang Yi *(appointed as a member of Remuneration Committee w.e.f. 29 March 2021)*
Mr. Huang Fuqing

Executive Directors:

Ms. Cheuk Hiu Nam *(joint company secretary and ceased to be a member of Remuneration Committee w.e.f. 29 March 2021)*
Mr. Wang Jianfeng *(vice president)*

Independent non-executive Directors:

Mr. Tai Kwok Leung, Alexander *(chairman of Audit Committee and member of Remuneration Committee)*
Dr. Cheung Wai Bun, Charles, JP *(chairman of Remuneration Committee and member of Audit Committee and Nomination Committee)*
Mr. Gu Yunchang *(member of Audit Committee and Nomination Committee)*

Non-executive Director:

Mr. Shen Xiaodong

Mr. Shen Xiaodong, a non-executive Director of the Company, is the son of Mr. Shum Tin Ching, the Chairman and a non-executive Director of the Company. Save as disclosed, there are no financial, business, family or other material/relevant relationships among members of the Board.

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" on pages 25 to 33 of this annual report.

Chairman and President/Chief Executive Officer

The position of Chairman is held by Mr. Shum Tin Ching. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board.

Mr. Shen Hongjie is the President of the Company. Mr. Shen also carries out the responsibilities of the Chief Executive. The President focuses on the Company's business development and daily management and operations generally.

Independent non-executive Directors

During the year ended 31 December 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

The Company's Articles of Association provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The retiring Directors shall be eligible for re-election.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgment on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The record of continuous professional development relating to directors' duties and regulatory and business development that have been received by the Directors for the year ended 31 December 2021 are summarised as follows:

Directors	Type of Training *Note*
Non-executive Directors	
Mr. Shum Tin Ching	A & B
Mr. Shen Xiaodong	B
Executive Directors	
Mr. Zhang Yi	B
Mr. Huang Fuqing	B
Ms. Cheuk Hiu Nam	A & B
Mr. Wang Jianfeng	B
Independent non-executive Directors	
Mr. Tai Kwok Leung, Alexander	A & B
Dr. Cheung Wai Bun, Charles, JP	A & B
Mr. Gu Yunchang	B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2021.

The attendance record of each Director at the Board and Board Committee meetings and general meetings of the Company held during the year ended 31 December 2021 is set out in the table below:

Name of Director	Attendance / Number of Meetings					
	Board	Audit Committee	Remuneration Committee (6)	Nomination Committee	Extraordinary General Meeting (8)	Annual General Meeting (9)
Mr. Shum Tin Ching (1)	6/6	N/A	N/A	1/1	1/1	1/1
Mr. Zhang Yi (2)	6/6	N/A	N/A (7)	N/A	1/1	1/1
Mr. Huang Fuqing	6/6	N/A	N/A	N/A	1/1	1/1
Ms. Cheuk Hiu Nam (3)	6/6	N/A	1/1 (7)	N/A	1/1	1/1
Mr. Wang Jianfeng	6/6	N/A	N/A	N/A	1/1	1/1
Mr. Tai Kwok Leung, Alexander (4)	6/6	4/4	1/1	N/A	1/1	1/1
Dr. Cheung Wai Bun, Charles, JP (5)	6/6	4/4	1/1	1/1	1/1	1/1
Mr. Gu Yunchang	6/6	3/4	N/A	1/1	1/1	1/1
Mr. Shen Xiaodong	6/6	N/A	N/A	N/A	1/1	1/1

Notes:

1. Chairman of the Board and chairman of Nomination Committee
2. Appointed as a member of Remuneration Committee on 29 March 2021
3. Ceased to be a member of Remuneration Committee on 29 March 2021
4. Chairman of Audit Committee
5. Chairman of Remuneration Committee
6. The meeting of Remuneration Committee was held on 26 March 2021
7. Attendance record during the appointment period for the year ended 31 December 2021
8. Extraordinary General Meeting was held on 16 April 2021
9. Annual General Meeting was held on 9 June 2021

None of the meetings set out above was attended by any alternate Director.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang. Mr. Tai Kwok Leung, Alexander is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Board has also delegated the corporate governance duties to the Audit Committee for performing the functions set out in the code provision D.3.1 (which has been re-numbered as code provision A.2.1 since 1 January 2022) of the CG Code.

The Audit Committee held four meetings to review, in respect of the year ended 31 December 2021, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works, connected transactions, arrangements for employees to raise concerns about possible improprieties, the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in the Company's corporate governance report.

The Audit Committee also met the external auditors once without the presence of the executive Directors. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditor.

Remuneration Committee

The Remuneration Committee consists of three members, namely Dr. Cheung Wai Bun, Charles, JP, Mr. Tai Kwok Leung, Alexander and Mr. Zhang Yi, and the majority of them are independent non-executive Directors. Dr. Cheung Wai Bun, Charles, JP is the chairman of the Remuneration Committee. Ms. Cheuk Hiu Nam ceased to act and Mr. Zhang Yi was appointed as a member of the Remuneration Committee on 29 March 2021.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and Senior Management, the remuneration policy and structure for all Directors and Senior Management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and Senior Management and other related matters.

Remuneration of Senior Managements

Pursuant to code provision B.1.5 (which has been re-numbered as code provision E.1.5 since 1 January 2022) of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2021 is set out below:

Remuneration Band (RMB'000)	Number of Persons
1,500 – 2,000	7
2,000 – 2,500	1
2,500 – 3,000	1

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Shum Tin Ching, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang, and the majority of them are independent non-executive Directors. Mr. Shum Tin Ching is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy and directors' nomination procedures, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary as set out in the Director Nomination Policy that are to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the Annual General Meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board Diversity Policy.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 (which has been re-numbered as code provision A.2.1 since 1 January 2022) of the CG Code.

The Board is responsible for reviewing the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code and the disclosure in this Corporate Governance Report. The Board has performed the above duties during the period from 1 January 2021 to 31 December 2021.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- Any measurable objectives adopted for achieving diversity on the Board;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2021, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

The Company has developed and adopted various risk management procedures, systems and guidelines with defined authority for implementation by key business processes, management systems and office functions, including clear management rules and work guidelines covering investment and development, operation management, sales management, human resources and administration, financial management, capital and finance operation, and internal audit.

The Company has established a comprehensive risk management system, which specifies the roles and responsibilities of the management and the Board in risk management work. On the basis of the system, continuous monitoring has taken place in relation to the risk management and internal control systems. The management of the Company continues to identify and evaluate the risks of the Group. The management has analysed the changes to core and key risks by paying attention to market and industry changes and communicating with the executive directors and chief financial officer. In addition, the control of various core and key risks is also under continuous monitoring by respective departments from the headquarter through monthly meeting, in which the Group combined feedback from self-inspection and evaluation of each property company, reported to the headquarter regarding respective core risks, discussed various core and key risks with them and concluded discussion on combined feedback.

The Company has the procedures and internal controls for the handling and dissemination of inside information. When employees of the Company who become aware of any events and/or matters which may consider potentially inside information, they will report to the designated personnel of the Company who, if considered appropriate, will pass such information to the Board for the purpose of considering and deciding whether or not such information constitutes inside information and notify external lawyers and company secretaries and disclosure of which shall be made immediately.

The Group's internal audit team plays a role in monitoring the internal governance of the Company, mainly monitors and reviews the matters relating to the internal control and compliance of the Company, and provides regular risk-oriented internal audits for its companies in the real estates and properties segment yearly. The internal audits cover company's responsibilities from project obtainment, procurement tendering, project management, costing, sales, financial reporting, human resources management and information security etc.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2021.

The internal audit department of the Company is responsible for providing internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls of the Company, for the year ended 31 December 2021, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed an inside information policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 65 to 70 of this annual report.

AUDITOR'S REMUNERATION

The remuneration in respect of services provided by the external auditor of the Company for the year ended 31 December 2021 is summarised as follows:

Service Category	Fees Paid/Payable (RMB'000)
PricewaterhouseCoopers	
Audit services	9,430
Non-audit services in relation to:	
– Bond offering	3,260
– Interim audit services	1,500
– Practice Note 730 and Practice Note 740	700
– Environmental, Social and Governance Report	114

JOINT COMPANY SECRETARIES

The joint company secretaries of the Company are Ms. Lau Yee Wa, an associate director of corporate services at Tricor Services Limited, an external service provider, and Ms. Cheuk Hiu Nam ("Ms. Cheuk"), an executive Director of the Company, who is also the primary contact person of the Company.

Since the appointment of Ms. Cheuk as joint company secretary of the Company on 11 March 2019, Ms. Cheuk has had the benefit of the qualified company secretary's assistance, as well as attending training courses and obtaining experience dealing with matters relating to the Listing Rules. On 4 March 2022, the Stock Exchange has confirmed that Ms. Cheuk is qualified to act as the company secretary of the Company under Rule 3.28 of the Listing Rules, and accordingly a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules would not be necessary.

The Company is of the view that this joint company secretary arrangement (one external with requisite qualification and one internal with requisite qualification and also in-house knowledge) is suitable and beneficial to the Company's management of its company secretarial and corporate governance matters, in particular, compliance with the Listing Rules and other relevant laws, regulations or codes applicable to the Company.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters.

Each of the joint company secretaries has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2021 pursuant to Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting ("EGM") and Putting Forward Proposals

Pursuant to Article 58 of the Company's Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company 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 joint company secretaries of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Room 1403, 9 Queen's Road Central, Hong Kong (For the attention of the Board of Directors)
Fax:	(852) 3951 8899
Email:	info@hkjiayuan.com.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

CONSTITUTIONAL DOCUMENTS

No change has been made to the Company's Memorandum and Articles of Association during the year ended 31 December 2021.

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

To the Shareholders of Jiayuan International Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Jiayuan International Group Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 71 to 187, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated income statement for the year then ended;
- 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We 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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

- Net realisable value of inventories of properties
- Valuation of investment properties

Key audit matter	How our audit addressed the key audit matter
Net realisable value of inventories of properties	
Refer to Note 5(a) and Note 22 to the consolidated financial statements. Inventories of properties of the Group comprised properties under development ("PUD") and properties held for sale ("PHS") which in total amounted to RMB50,383 million as at 31 December 2021. The carrying amounts of inventories of properties are stated at the lower of cost and net realisable value ("NRV"). Based on the management's assessment of the NRV, a write-down of carrying amount of inventories of properties of RMB216 million was made as at 31 December 2021. Determination of NRV of inventories of properties involved critical accounting estimates on the selling prices, selling expenses necessary to make the sale and, for PUD, the estimated costs of completion. It also required management's judgments to select the relevant data and assumptions. Given the involvement of critical accounting estimates and judgments, the assessment of NRV of these inventories of properties is considered a key audit matter.	We obtained an understanding of the Group's internal control and process over the assessment of NRV of inventories of properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity. We evaluated and tested management's key controls in relation to the assessment of NRV of inventories of properties. We compared the estimated selling prices to the prevailing market prices of comparable properties with similar type, size and location. We compared the estimated selling expenses to selling price percentage with the actual average selling expenses to revenue ratio of the Group in the current year. We compared the estimated costs of completion for PUD to the budget approved by management and inspected the related construction contracts; and compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group. We found the key accounting estimates and judgments used in the assessment of NRV of inventories of properties were supportable by available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
Refer to Notes 5(b) and Note 16 to the consolidated financial statements. Investment properties of the Group are measured at fair value model and amounted to RMB7,501 million as at 31 December 2021. Change in fair value of investment properties of RMB272 million was recognised in the consolidated income statement for the year. Management engaged an independent external valuer to assist them with the valuation of investment properties. Valuation of investment properties is considered a key audit matter because the determination of fair value of investment properties involved critical accounting estimates and judgments in the selection of valuation methodologies and inputs including monthly rentals, term yields, reversionary yields, expected vacancy rates and, for investment properties under construction, the costs of completion.	We obtained an understanding of the Group's internal control and process over the valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity. We evaluated and tested management's key controls in relation to the valuation of investment properties. We evaluated the competence, capabilities, and objectivity of the independent external valuer engaged by the Group. With the assistance of our internal valuation experts, we assessed the appropriateness of the valuation methodologies applied and the reasonableness of relevant key inputs and assumptions used in the valuation, including the monthly rentals, term yields, reversionary yields and expected vacancy rates, by benchmarking them to relevant comparable data. We compared the costs of completion to budget approved by the management and inspected the related construction contracts. We found the key accounting estimates and judgments used in the valuation of the investment properties were supportable by available evidence.

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 AUDIT COMMITTEE 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.

The Audit Committee is 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, 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cheung Siu Cheong.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 30 March 2022

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Note	**2021 RMB'000**	2020 RMB'000 (Restated)
Revenue	*6*	**18,946,856**	19,157,405
Cost of sales	*12*	**(13,547,978)**	(12,917,010)
Gross profit		**5,398,878**	6,240,395
Other income	*8*	**216,703**	380,513
Other gains and losses	*9*	**383,250**	860,495
Net impairment losses on financial assets and guarantee contracts	*3(b)*	**(98,294)**	(62,121)
Fair value change on investment properties	*16*	**(272,452)**	(177,503)
Selling and marketing costs	*12*	**(288,825)**	(309,098)
Administrative expenses	*12*	**(491,266)**	(484,711)
Finance costs	*10*	**(216,268)**	(318,547)
Share of results of investments accounted for using the equity method	*17*	**(48,777)**	125,041
Profit before taxation		**4,582,949**	6,254,464
Income tax expense	*11*	**(1,908,940)**	(2,635,727)
Profit for the year		**2,674,009**	3,618,737
Profit for the year attributable to:			
– Owners of the Company		**2,419,877**	3,377,827
– Non-controlling interests		**254,132**	240,910
		2,674,009	3,618,737
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
Basic earnings per share	*15*	**41**	58
Diluted earnings per share	*15*	**41**	58

The notes on pages 78 to 187 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
		(Restated)
Profit for the year	**2,674,009**	3,618,737
Other comprehensive loss		
Items that may be reclassified to profit or loss:		
– Exchange differences arising on translation of foreign operations	**(12,268)**	(1,821)
Total comprehensive income for the year	**2,661,741**	3,616,916
Total comprehensive income for the year attributable to:		
– Owners of the Company	**2,407,609**	3,376,006
– Non-controlling interests	**254,132**	240,910
	2,661,741	3,616,916

The notes on pages 78 to 187 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2021 RMB'000	 2020 RMB'000 (Restated)
Non-current assets			
Investment properties	*16*	**7,501,000**	7,926,545
Property and equipment		**149,125**	125,437
Intangible assets		**158,275**	38,670
Right-of-use assets		**7,605**	9,624
Investments accounted for using the equity method	*17*	**6,296,244**	2,289,700
Financial assets at fair value through profit or loss	*19*	**850,390**	961,039
Deposits paid for acquisitions	*20*	**1,263,025**	1,150,157
Deferred tax assets	*21*	**1,031,844**	692,987
Trade and other receivables	*23*	**29,894**	38,450
		17,287,402	13,232,609
Current assets			
Inventories of properties	*22*	**50,383,073**	44,863,464
Trade and other receivables	*23*	**6,656,181**	7,929,056
Financial assets at fair value through profit or loss	*19*	**106,494**	131,880
Prepaid income tax		**599,255**	397,964
Short-term bank deposits	*24*	**332,321**	–
Restricted bank deposits	*24*	**723,024**	2,002,900
Cash and cash equivalents	*24*	**8,775,042**	9,151,057
		67,575,390	64,476,321
Total assets		**84,862,792**	77,708,930
Current liabilities			
Trade and other payables	*25*	**6,882,743**	7,506,257
Pre-sale deposits received	*26*	**21,317,280**	18,918,597
Current income tax liabilities		**7,754,171**	6,654,592
Bank and other borrowings	*27*	**3,627,753**	1,380,497
Derivative financial instruments	*3(d)*	**–**	190,913
Senior notes	*28*	**2,842,463**	5,687,872
Lease liabilities		**5,644**	6,638
		42,430,054	40,345,366
Net current assets		**25,145,336**	24,130,955
Total assets less current liabilities		**42,432,738**	37,363,564

	Note	As at 31 December 2021 RMB'000	2020 RMB'000 (Restated)
Non-current liabilities			
Bank and other borrowings	*27*	**9,442,461**	12,224,169
Derivative financial instruments	*3(d)*	**172,331**	–
Pre-sale deposits received	*26*	**354,811**	540,412
Deferred tax liabilities	*21*	**595,414**	726,512
Senior notes	*28*	**6,398,135**	3,065,145
Convertible bonds	*30(b)*	**581,456**	–
Lease liabilities		**2,487**	2,957
		17,547,095	16,559,195
Equity attributable to owners of the Company			
Share capital	*29*	**41,987**	34,876
Convertible bonds	*30(a)*	**2,848,025**	–
Reserves	*31*	**18,568,380**	16,169,358
		21,458,392	16,204,234
Non-controlling interests		**3,427,251**	4,600,135
Total equity		**24,885,643**	20,804,369
Total equity and non-current liabilities		**42,432,738**	37,363,564

The notes on pages 78 to 187 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 71 to 187 were approved by the Board of Directors on 30 March 2022 and were signed on its behalf:

Zhang Yi
Director

Cheuk Hiu Nam
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Convertible bonds RMB'000	Reserves RMB'000	Total RMB'000		
At 1 January 2021		**34,876**	**–**	**16,169,358**	**16,204,234**	**4,600,135**	**20,804,369**
Profit for the year		**–**	**–**	**2,419,877**	**2,419,877**	**254,132**	**2,674,009**
Other comprehensive income for the year		**–**	**–**	**(12,268)**	**(12,268)**	**–**	**(12,268)**
Total comprehensive income for the year		**–**	**–**	**2,407,609**	**2,407,609**	**254,132**	**2,661,741**
Dividends	*14*	**–**	**–**	**(523,405)**	**(523,405)**	**–**	**(523,405)**
Dividend paid by entities under common control before acquisition	*14*	**–**	**–**	**(154,700)**	**(154,700)**	**–**	**(154,700)**
Issue of shares upon scrip dividend scheme	*14*	**117**	**–**	**42,013**	**42,130**	**–**	**42,130**
Capital contribution from the Ultimate Shareholder	*1.3*	**–**	**–**	**3,960,000**	**3,960,000**	**–**	**3,960,000**
Acquisitions of entities under common control	*1.3*	**6,994**	**2,848,025**	**(3,733,345)**	**(878,326)**	**–**	**(878,326)**
Capital contribution from non-controlling interests	*36*	**–**	**–**	**174,998**	**174,998**	**1,349,789**	**1,524,787**
Acquisitions of non-controlling interests	*36*	**–**	**–**	**225,852**	**225,852**	**(1,782,423)**	**(1,556,571)**
Acquisitions of subsidiaries	*37*	**–**	**–**	**–**	**–**	**70,299**	**70,299**
Transfer of joint ventures to subsidiaries	*37*	**–**	**–**	**–**	**–**	**250,383**	**250,383**
Dividends to non-controlling interests		**–**	**–**	**–**	**–**	**(525,155)**	**(525,155)**
Disposals of subsidiaries	*38*	**–**	**–**	**–**	**–**	**(789,909)**	**(789,909)**
Total transactions with owners		**7,111**	**2,848,025**	**(8,587)**	**2,846,549**	**(1,427,016)**	**1,419,533**
At 31 December 2021		**41,987**	**2,848,025**	**18,568,380**	**21,458,392**	**3,427,251**	**24,885,643**
At 1 January 2020 (Restated)		33,870	–	9,819,641	9,853,511	2,123,087	11,976,598
Profit for the year		–	–	3,377,827	3,377,827	240,910	3,618,737
Other comprehensive income for the year		–	–	(1,821)	(1,821)	–	(1,821)
Total comprehensive income for the year		–	–	3,376,006	3,376,006	240,910	3,616,916
Dividends	*14*	–	–	(391,651)	(391,651)	–	(391,651)
Issue of shares upon scrip dividend scheme	*14*	1,006	–	312,371	313,377	–	313,377
Capital contribution from the Ultimate Shareholder		–	–	2,509,619	2,509,619	–	2,509,619
Capital contribution from non-controlling interests	*36*	–	–	592,377	592,377	1,496,715	2,089,092
Acquisitions of entities under common control		–	–	(20,000)	(20,000)	–	(20,000)
Acquisitions of non-controlling interests	*36*	–	–	(29,005)	(29,005)	(30,995)	(60,000)
Acquisitions of subsidiaries		–	–	–	–	768,061	768,061
Transfer of joint ventures to subsidiaries		–	–	–	–	5,857	5,857
Dividends to non-controlling interests		–	–	–	–	(3,500)	(3,500)
Total transactions with owners		1,006	–	2,973,711	2,974,717	2,236,138	5,210,855
At 31 December 2020 (Restated)		34,876	–	16,169,358	16,204,234	4,600,135	20,804,369

The notes on pages 78 to 187 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
	Note	2021 RMB'000	2020 RMB'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	*32(a)*	**6,571,403**	918,463
Income tax paid		**(589,369)**	(646,189)
Net cash generated from operating activities		**5,982,034**	272,274
Cash flows from investing activities			
Additions of property and equipment		**(35,117)**	(11,076)
Disposals of property and equipment	*32(b)*	**995**	526
Additions of intangible assets		**(37)**	(12,230)
Additions of investment properties	*16*	**(35,582)**	(232,490)
Disposals of investment properties	*32(b)*	**146,006**	–
Advances to related parties		**(4,566,955)**	(4,216,461)
Repayment from related parties		**556,536**	1,921,944
Advances to non-controlling interests		**(526,840)**	(346,776)
Repayment from non-controlling interests		**605,446**	33,470
Interest received		**56,038**	362,589
Refund from deposits paid for acquisitions		**373,079**	–
Payment for deposits paid for acquisitions		**(800,000)**	(7,169)
Net cash flow on acquisitions of subsidiaries	*32(c)*	**1,188**	222,553
Net cash flow on disposals of subsidiaries	*38*	**(990,474)**	–
Capital contribution to investments accounted for using the equity method		**(54,000)**	(1,303,496)
Placement of short-term bank deposits		**(332,321)**	–
Placement of restricted bank deposits		**–**	(800,000)
Withdrawal of restricted bank deposits		**800,000**	860,650
Purchase of financial assets at fair value through profit or loss		**(137,958)**	(152,992)
Disposals of financial assets at fair value through profit or loss		**153,889**	9,747
Net cash used in investing activities		**(4,786,107)**	(3,671,211)

		Year ended 31 December	
	Note	**2021** **RMB'000**	2020 RMB'000 (Restated)
Cash flows from financing activities			
Deposits paid for trust financing arrangements		**(12,390)**	(58,300)
Refund from deposits paid for trust financing arrangements		**37,248**	58,300
Proceeds from bank and other borrowings		**5,738,719**	7,348,205
Repayment of bank and other borrowings		**(6,597,276)**	(8,188,693)
Principal elements of lease payments		**(10,856)**	(7,619)
Interest paid		**(2,120,453)**	(2,553,208)
Issuance of senior notes	*28*	**3,403,703**	5,178,336
Repayment of senior notes	*28*	**(3,093,895)**	(1,394,203)
Issuance of convertible bonds	*30*	**629,687**	–
Capital contribution from the Ultimate Shareholder	*1.3*	**3,960,000**	2,509,619
Capital contribution from non-controlling interests		**1,524,787**	2,121,447
Acquisitions of entities under common control	*1.3*	**(878,326)**	–
Advances from related parties		**1,983,552**	3,827,227
Repayment to related parties		**(3,544,483)**	(1,979,120)
Advances from non-controlling interests		**808,461**	98,860
Repayment to non-controlling interests		**(596,128)**	(189,546)
Acquisitions of non-controlling interests		**(1,556,571)**	(60,000)
Dividends paid	*14*	**(481,275)**	(78,274)
Dividends paid by entities under common control before acquisition	*14*	**(154,700)**	–
Dividends paid to non-controlling interests		**(525,155)**	(3,500)
Share issuance costs for a subsidiary		**(10,508)**	(21,847)
Net cash (used in)/generated from financing activities		**(1,495,859)**	6,607,684
Net (decrease)/increase in cash and cash equivalents		**(299,932)**	3,208,747
Cash and cash equivalents at beginning of year		**9,151,057**	6,036,655
Exchange losses on cash and cash equivalents		**(76,083)**	(94,345)
Cash and cash equivalents at end of year	*24*	**8,775,042**	9,151,057

The notes on pages 78 to 187 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION

1.1 General information

Jiayuan International Group Limited (the "Company") was incorporated on 5 May 2015 and registered in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. In March 2016, the Company completed the initial listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Mingyuan Group Investment Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability. Its ultimate holding company is Galaxy Emperor Limited, a company incorporated in the BVI with limited liability. Its ultimate controlling party is Mr. Shum Tin Ching (the "Ultimate Shareholder").

The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the "Group") are principally engaged in the property development, property investment and provision of property management services.

These consolidated financial statements for the year ended 31 December 2021 are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2022.

The outbreak of the coronavirus disease 2019 ("COVID-19") had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of real estate including the construction of properties, rental income, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. Since the outbreak of COVID-19, the Group has been keeping continuous attention to the situation of COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the consolidated financial statements are authorised for issuance, COVID-19 does not have any material adverse impact on the financial position and operating results of the Group.

1.2 Basis of preparation

(a) Compliance with Hong Kong Financial Reporting Standards ("HKFRSs") and the Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with applicable HKFRSs and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates and judgments. It also requires management to exercise its judgments in the process of applying the Group's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss ("FVTPL"), investment properties and derivative financial instruments, which are carried at fair value.

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.2 Basis of preparation (Continued)

(c) Going concern basis

Due to the volatility of the property market in the PRC and the unfavourable change in profit margin of the Group during the year, the directors of the Company 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 for at least 12 months from 31 December 2021, taking into consideration a number of plans and measures including to speed up the collection of sales proceeds, seek extending and new debt financing arrangements and borrowings and take tighter control on operating expenses.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of 12 months from 31 December 2021. The directors of the Company are of the opinion that, taking into account the anticipated cash flows generated from the Group's operations, the Group's existing and future plan of land acquisitions, the continued availability of the Group's bank and other borrowings as well as the Group's ability to raise new financing under the prevailing rules and regulations, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the coming 12 months from 31 December 2021. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

1.3 Merger accounting for business combination involving entities under common control

On 13 January 2021, the Company entered into a sale and purchase agreement with the Ultimate Shareholder whereby the Company conditionally agreed to acquire and the Ultimate Shareholder agreed to sell the 100% equity interest of Luyuan Investment Holdings Limited ("Luyuan") ("Luyuan Acquisition"), at an initial consideration of Hong Kong Dollar ("HK$") 7,247,560,000 (RMB6,034,318,000) which would be settled:

(a) As to HK$3,420,640,000 (RMB2,848,025,000) by way of issue of a maximum number of 1,036,557,575 convertible bonds by the Company (Note 30(a));

(b) As to HK$2,772,000,000 (RMB2,307,967,000) by way of issue of 840,000,000 ordinary shares by the Company, contributing RMB6,994,000 to share capital (Note 29) and RMB2,300,973,000 to share premium (Note 31); and

(c) As to the remaining balance of HK$1,054,920,000 (RMB878,326,000) by cash.

The purpose of Luyuan Acquisition was to acquire certain property development business controlled or jointly controlled by the Ultimate Shareholder in the People's Republic of China ("PRC") (the "Target Business"). The Target Business was primarily conducted by Weihai Xiangyuan Real Estate Development Co., Ltd. ("Weihai Xiangyuan"), Zhongwei (Qingdao) Real Estate Development Co., Ltd. ("Qingdao Zhongwei"), Qingdao Shuiqingmuhua Creative Development Co., Ltd. ("Qingdao Shuiqingmuhua") and Qingdao Lingshihuafu Property Co., Ltd. ("Lingshihuafu"). Weihai Xiangyuan, Qingdao Zhongwei and Qingdao Shuiqingmuhua were controlled by the Ultimate Shareholder and Lingshihuafu was jointly controlled by the Ultimate Shareholder.

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.3 Merger accounting for business combination involving entities under common control (Continued)

In preparation and as the conditions of the completion for the Luyuan Acquisition, Luyuan and its subsidiaries (collectively "Luyuan Group") completed below reorganisation before the completion date (the "Reorganisation"):

(a) The Ultimate Shareholder transferred its 100% equity interest of Weihai Xiangyuan, 79.93% equity interest of Qingdao Zhongwei and 68.5% equity interest of Qingdao Shuiqingmuhua to Luyuan.

(b) The Ultimate Shareholder injected cash of RMB3,960,000,000 as capital contribution to Luyuan Group to finance Luyuan Group to acquire Lingshihuafu.

(c) Luyuan Group acquired 63% equity interest of Lingshihuafu at a consideration of RMB3,960,000,000.

Upon completion of the Reorganisation, Weihai Xiangyuan, Qingdao Zhongwei and Qingdao Shuiqingmuhua became subsidiaries of Luyuan and Lingshihuafu became a joint venture of Luyuan Group.

On 30 June 2021, Luyuan Acquisition was completed and Luyuan became a subsidiary of the Group. The Company then issued 840,000,000 ordinary shares, issued 1,036,557,575 convertible bonds and paid cash of HK$1,054,920,000 (equivalent to RMB878,326,000) as the consideration at the completion date. The fair value of the issued ordinary shares of HK$2,772,000,000 (equivalent to RMB2,307,967,000) and convertible bonds of HK$3,420,640,000 (equivalent to RMB2,848,025,000) were determined by reference to HK$3.30 per ordinary share, being the closing price of the ordinary share of the Company as quoted on the Stock Exchange on 30 June 2021. The difference of RMB2,300,973,000 between the fair value of issued ordinary shares and the nominal value of share capital issued was recorded as a credit to the share premium.

Given Luyuan Group is under the control of the Ultimate Shareholder before and after Luyuan Acquisition, Luyuan Acquisition is regarded as a business combination under common control. The Group has applied merger accounting to Luyuan Acquisition under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA to account for Luyuan Acquisition. The Group and Luyuan Group are thus regarded as continuing entities. As a result, the comparative amounts of the consolidated financial statements for the year ended 31 December 2020 are restated to present as if Luyuan Group had been consolidated by the Group since the date of the respective business came under common control of the Ultimate Shareholder.

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.3 Merger accounting for business combination involving entities under common control (Continued)

(a) The effect of restatements on the consolidated income statement for the year ended 31 December 2020 by line items is as follows:

	Audited and originally stated RMB'000	Luyuan Group RMB'000	Elimination of intercompany transactions RMB'000	Restated RMB'000
Revenue	18,363,185	795,317	(1,097)	19,157,405
Cost of sales	(12,427,653)	(489,357)	–	(12,917,010)
Gross profit	5,935,532	305,960	(1,097)	6,240,395
Other income	380,098	415	–	380,513
Other gains and losses	852,383	8,112	–	860,495
Net impairment losses on financial assets	(27,974)	(34,147)	–	(62,121)
Fair value change on investment properties	(177,503)	–	–	(177,503)
Selling and marketing costs	(297,942)	(11,156)	–	(309,098)
Administrative expenses	(422,990)	(62,818)	1,097	(484,711)
Finance costs	(317,641)	(906)	–	(318,547)
Share of results of investments accounted for using the equity method	125,041	–	–	125,041
Profit before taxation	6,049,004	205,460	–	6,254,464
Income tax expense	(2,517,811)	(117,916)	–	(2,635,727)
Profit for the year	3,531,193	87,544	–	3,618,737
Profit for the year attributable to:				
– Owners of the Company	3,275,473	102,354	–	3,377,827
– Non-controlling interests	255,720	(14,810)	–	240,910
	3,531,193	87,544	–	3,618,737

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.3 Merger accounting for business combination involving entities under common control (Continued)

(b) The effect of restatements on the consolidated statement of comprehensive income for the year ended 31 December 2020 by line items is as follows:

	Audited and originally stated RMB'000	Luyuan Group RMB'000	Elimination of intercompany transactions RMB'000	Restated RMB'000
Profit for the year	3,531,193	87,544	–	3,618,737
Other comprehensive loss				
Items that may be reclassified to profit or loss:				
– Exchange differences arising on translation of foreign operations	(1,821)	–	–	(1,821)
Total comprehensive income for the year	3,529,372	87,544	–	3,616,916
Total comprehensive income for the year attributable to:				
– Owners of the Company	3,273,652	102,354	–	3,376,006
– Non-controlling interests	255,720	(14,810)	–	240,910
	3,529,372	87,544	–	3,616,916

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.3 Merger accounting for business combination involving entities under common control (Continued)

(c) The effect of restatements on the consolidated statement of financial position as at 31 December 2020 by line items is as follows:

	Audited and originally stated RMB'000	Luyuan Group RMB'000	Elimination of intercompany transactions RMB'000	Restated RMB'000
Non-current assets				
Investment properties	7,926,545	–	–	7,926,545
Property and equipment	123,671	1,766	–	125,437
Intangible assets	38,670	–	–	38,670
Right-of-use assets	9,624	–	–	9,624
Investments accounted for using the equity method	2,289,700	–	–	2,289,700
Financial assets at fair value through profit or loss	961,039	–	–	961,039
Deposits paid for acquisitions	1,150,157	–	–	1,150,157
Deferred tax assets	668,841	24,146	–	692,987
Trade and other receivables	38,450	–	–	38,450
	13,206,697	25,912	–	13,232,609

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.3 Merger accounting for business combination involving entities under common control (Continued)

(c) The effect of restatements on the consolidated statement of financial position as at 31 December 2020 by line items is as follows (Continued):

	Audited and originally stated RMB'000	Luyuan Group RMB'000	Elimination of intercompany transactions RMB'000	Restated RMB'000
Current assets				
Inventories of properties	42,338,765	2,524,699	–	44,863,464
Trade and other receivables	5,286,935	2,643,718	(1,597)	7,929,056
Financial assets at fair value through profit or loss	131,880	–	–	131,880
Prepaid income tax	383,901	14,063	–	397,964
Restricted bank deposits	1,938,081	64,819	–	2,002,900
Cash and cash equivalents	9,002,740	148,317	–	9,151,057
	59,082,302	5,395,616	(1,597)	64,476,321
Total assets	72,288,999	5,421,528	(1,597)	77,708,930
Current liabilities				
Trade and other payables	7,283,549	224,305	(1,597)	7,506,257
Pre-sale deposits received	18,136,057	782,540	–	18,918,597
Current income tax liabilities	6,558,589	96,003	–	6,654,592
Bank and other borrowings	1,377,858	2,639	–	1,380,497
Derivative financial instruments	190,913	–	–	190,913
Senior notes	5,687,872	–	–	5,687,872
Lease liabilities	6,638	–	–	6,638
	39,241,476	1,105,487	(1,597)	40,345,366
Net current assets	19,840,826	4,290,129	–	24,130,955
Total assets less current liabilities	33,047,523	4,316,041	–	37,363,564

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.3 Merger accounting for business combination involving entities under common control (Continued)

(c) The effect of restatements on the consolidated statement of financial position as at 31 December 2020 by line items is as follows (Continued):

	Audited and originally stated RMB'000	Luyuan Group RMB'000	Elimination of intercompany transactions RMB'000	Restated RMB'000
Non-current liabilities				
Bank and other borrowings	11,254,769	969,400	–	12,224,169
Pre-sale deposits received	540,412	–	–	540,412
Deferred tax liabilities	726,512	–	–	726,512
Senior notes	3,065,145	–	–	3,065,145
Lease liabilities	2,957	–	–	2,957
	15,589,795	969,400	–	16,559,195
Equity attributable to owners of the Company				
Share capital	34,876	2,509,619	(2,509,619)	34,876
Reserves	13,583,354	76,385	2,509,619	16,169,358
	13,618,230	2,586,004	–	16,204,234
Non-controlling interests	3,839,498	760,637	–	4,600,135
Total equity	17,457,728	3,346,641	–	20,804,369
Total equity and non-current liabilities	33,047,523	4,316,041	–	37,363,564

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.3 Effect of restatements for business combination under common control (Continued)

(d) The financial effect of the restatements to the Group's equity on 1 January 2020 is summarised below:

	Audited and originally stated RMB'000	Luyuan Group RMB'000	Elimination of intercompany transactions RMB'000	Restated RMB'000
Equity attributable to owners of the Company				
Share capital	33,870	20,000	(20,000)	33,870
Reserves	9,825,610	(25,969)	20,000	9,819,641
	9,859,480	(5,969)	–	9,853,511
Non-controlling interests	1,977,678	145,409	–	2,123,087
Total equity	11,837,158	139,440	–	11,976,598

(e) The effect of the restatement on the Group's earnings per share for the year ended 31 December 2020 is as follows:

	For the year ended 31 December 2020 RMB cents
Basic and diluted	
Audited and originally stated	82
Adjustments arising from business combination under common control	(24)
Restated	58

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of 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.

2.1 New and amended standards adopted by the Group

The Group has applied the new and amended standards effective for the financial period beginning on 1 January 2021. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

2.2 New and amended standards and interpretations not yet adopted by the Group

The below new or revised accounting standards, amendments and interpretations to existing standards have been published but are not yet effective in current year and have not been early adopted by the Group.

		Effective for the financial year beginning on or after
Amendments to HKFRS 16	COVID-19 related rent concession beyond 30 June 2021	1 April 2021
Amendments to HKAS 16	Property, plant and equipment – proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual improvements to HKFRS Standards 2018 to 2020	1 January 2022
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
HKFRS 17	Insurance contracts	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

Certain new and amended standards and interpretations to existing standards that have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted. The Group is currently evaluating the impact of these new or revised standards, interpretation and amendments on its consolidated financial statements. None of these new and amended standards and interpretations is expected to have a significant effect on the consolidated financial statements of the Group for the year ending 31 December 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting

2.3.1 Subsidiaries

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.

2.3.2 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

2.3.3 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of 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.

2.3.4 Equity method

Under the equity method of accounting, investments in joint ventures and associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of joint ventures and associates in profit or loss, and the Group's share of movements in other comprehensive income of joint ventures and associates in other comprehensive income. When the Group's share of losses in a joint venture and associates equals or exceeds its interests in the joint ventures and associates (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures and associates), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures and associates.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (Continued)

2.3.5 Changes in ownership interests in subsidiaries without change of control

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

2.3.6 Disposals of interest in subsidiaries

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

2.4 Business combinations

The Group shall determine whether a transaction or other event is a business combination by applying the definition in this HKFRS, which requires that the assets acquired and liabilities assumed constitute a business. If the assets acquired are not a business, the reporting entity shall account for the transaction or other event as an asset acquisition. A business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. The concentration test is an optional test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

2.4.1 Non-common control business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations (Continued)

2.4.1 Non-common control business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

2.4.2 Merger accounting for business combination involving businesses under common control

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

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated income statement includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations (Continued)

2.4.3 Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets/financial liabilities at the respective fair value, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also 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 dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Segment reporting

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

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB which is the Company's functional 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, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses are presented in the consolidated income statement within 'other gains and losses'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Foreign currency translation (Continued)

(c) Group companies

The results and financial positions of all the Group 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses for each consolidated income statement and consolidated statement of comprehensive income 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.

2.8 Investment properties

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 held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date.

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 the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

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 profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

The Group shall transfer a property from investment property to property under development when it commences related development with a view to sale. For a transfer from investment property that is carried at fair value to property under development, related property under development shall be recognised at fair value at the transfer date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

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 NRV and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

(a) Classification

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

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

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

(b) Recognition and measurement

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 asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(b) Recognition and measurement (Continued)

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated statement of comprehensive income and recognised in 'other gains and losses'. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated income statement within 'other gains and losses' in the period in which it arises. Interest income from these financial assets is included in the 'other income'.

Equity instruments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3(b) details how the Group determines whether there has been a significant increase in credit risk.

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. For cash and cash equivalents and restricted bank deposits, other receivables, deposits paid for acquisitions, and financial guarantee contracts, the Group measures the loss allowance equal to 12 months ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL.

A number of significant judgments are required in measuring the ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL including exposure at default (EAD), probability of default (PD), loss given default (LGD), etc.; and
- Establishing the number and relative weightings of forward-looking scenarios for the associated ECL.

For the financial instruments subject to ECL measurement, the Group assesses the significant increase in credit risk since initial recognition or whether an instrument is considered to be credit impaired, outlines a 'three-stage' model ECL models are established and staging definition are set for each of these financial assets class. Incorporating forward-looking information, ECL for financial assets are recognised into the different stages and measured the impairment provisions respectively.

Stage 1: A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group. The impairment provisions are measured at an amount equal to the 12-month ECL for the financial assets which are not considered to have significantly increased in credit risk since initial recognition.

Stage 2: If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The impairment provisions are measured based on ECL on a lifetime basis.

Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. The impairment provisions are measured based on ECL on lifetime basis.

For the financial assets at Stage 1 and Stage 2, the interest income is calculated based on its gross carrying amount (i.e., amortised cost) before adjusting for impairment provision using the effective interest method. For the financial assets at Stage 3, the interest income is calculated based on the carrying amount of the asset, net of the impairment provision, using the effective interest method. Financial assets that are originated or purchased credit impaired are financial assets that are impaired at the time of initial recognition, and the impairment provision for these assets is the ECL for the entire lifetime since initial recognition as purchased or originated credit-impaired financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period, the change of fair value is recognised immediately in profit or loss within 'other gains and losses'.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

2.14 Properties under development

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

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

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

2.15 Properties held for sale

Properties remaining unsold at year end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Cash and cash equivalents

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

2.17 Contract assets and contract liabilities

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The contract liabilities are presented as pre-sale deposits received on the consolidated statement of financial position.

2.18 Share capital

Ordinary shares are classified as equity.

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

2.19 Borrowings

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

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

2.20 Borrowing costs

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Borrowing costs (Continued)

Borrowing costs include interest expense and finance charges in respect of lease liabilities arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

The Group classifies foreign exchange gains and losses as other gains and losses. The exchange gains and losses include the interest rate differences 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.

2.21 Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

2.22 Convertible bonds

When the Group determines whether the convertible bond is an equity instrument rather than a financial liability, the instrument is an equity instrument if, and only if, both conditions (a) and (b) below are met.

(a) The instrument includes no contractual obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

(b) If the instrument will or may be settled in the issuer's own equity instruments, it is:

- a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or
- a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Also, for these purposes the entity's own equity instruments do not include puttable financial instruments that are classified as equity instruments, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Convertible bonds (Continued)

The fair value of the liability portion of a convertible bond is determined using a market interest rate for a nonconvertible bond with similar terms. This amount is recorded as a liability on an amortised cost basis until conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and, if any, redemption option. The conversion option is recognised and included in shareholders' equity or derivative liability according to the conversion feature embedded. The redemption option is recognised as derivative liability based on the terms. Any directly attributable transaction costs are allocated to the liability and equity or derivative liability component in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a convertible bond is measured at amortised cost using the effective interest method. The equity component of a convertible bond is not re-measured subsequent to initial recognition except on conversion or expiry. The derivative liability component of a convertible bond is measured at fair value with changes in fair value recognised in profit or loss.

2.23 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, 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 end of the reporting period 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, 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. Deferred income tax is also 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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through use.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, 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.

2.24 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries and performance related bonus, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Performance related bonus is determined by reference to the performance of individuals and market trend. The liabilities are presented within "Trade and other payables" in the consolidated statement of financial position.

(b) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group contributes on a monthly basis to various defined contribution benefit plans organised by the relevant governmental authorities. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

2.25 Contingent liabilities

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.

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and provision of services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Revenue recognition (Continued)

Revenue from contracts with customers

Revenues are recognised when or as the control of the asset is transferred to the buyer. 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 buyer; or
- creates and enhances an asset that the buyer 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 buyer obtains control of the asset.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

(i) *Sales of properties*

Revenue from sales of properties is recognised over time when the Group's performance under the sale contract does 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; otherwise revenue from sales of property is recognised at a point in time.

For property sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the buyer 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. Revenue of sales of the properties for the Group is recognised at point in time.

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

(ii) *Property management services*

The Group provides property management services which include property management, value-added services to property developers and community value-added services. Revenue is recognised in the accounting period in which the services are rendered or goods are delivered, and the collectability of related consideration is probable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(ii) Property management services (Continued)

For property management, the Group bills a fixed amount for services provided on a regular basis and recognises as revenue the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed. For property management income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to customers, the Group recognises the fee received or receivable from customers as its revenue. For property management income from properties managed under commission basis, the Group recognises the commission, which is calculated by pre-determined percentage of the total property management fee or amounts received or receivable from customers, as its revenue as an agent for arranging and monitoring the services.

Value-added services to property developers mainly includes consultancy services to property developers and cleaning, greening, repair and maintenance services to property developers at the property pre-delivery stage. The Group agrees the price for each service with the customers upfront and issue the monthly bill to the customers which varies based on the actual level of service completed in that month.

Community value-added services include home living services, community area services such as catering services and sales of goods (mainly groceries and home appliances) to customers. For provision of home living services, revenue is recognised when the related services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered. For provision of community area services such as sales of goods and catering services, revenue is recognised when the Group has delivered the goods and rendered the catering services to the purchaser.

Revenue from other sources

Rental income

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

2.27 Interest 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 asset (after deduction of the loss allowance).

2.28 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders or directors of the Company, where appropriate.

3 FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include financial assets at FVTPL, trade and other receivables, deposits paid for acquisitions, short-term bank deposits, restricted bank deposits, cash and cash equivalents, trade and other payables, bank and other borrowings, senior notes, lease liabilities, convertible bonds and derivative financial instruments. The risks associated with the Group's financial instruments include market risk (mainly including interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures during the year reported.

(a) Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to interest bearing financial assets at FVTPL, senior notes and convertible bonds.

The Group is also exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits, cash and cash equivalents, variable-rate bank and other borrowings which carry interest at prevailing market interest rates.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk.

However, the management will consider hedging significant interest rate exposure should the need arise.

The exposure of the Group's bank and other borrowings to interest rate changes is as follows:

	2021 RMB'000	**% of total loans**	2020 RMB'000	% of total loans
Variable rate borrowings	**7,483,871**	**57%**	3,904,202	29%
Fixed rate borrowings-maturity dates:				
Less than 1 year	**842,816**	**7%**	1,274,557	9%
1-5 years	**4,743,527**	**36%**	8,425,907	62%
	13,070,214	**100%**	13,604,666	100%

The sensitivity analysis below has been determined based on the exposure to interest rates for floating-rate bank and other borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the respective reporting period. A 100 basis points (2020: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Foreign currency risk

For the years ended 31 December 2021 and 2020, if the floating interest rate had been higher/lower by 100 basis points with all other variables held constant, the profit before taxation would have changed as follows:

	Increase/(decrease) in profit before taxation for the year	
	2021 RMB'000	2020 RMB'000 (Restated)
– 100 basis point higher	**10,997**	(24,303)
– 100 basis point lower	**(10,997)**	24,303

No sensitivity analysis has been prepared for the exposure to interest rate risk on the Group's restricted bank deposits, short-term bank deposits and cash and cash equivalents as the directors of the Company consider that the exposure is minimal.

The Group collects most of its revenue in RMB and most of the expenditures including expenditures incurred in property sales as well as capital expenditures are mainly denominated in RMB.

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group has certain financial assets and liabilities denominated in foreign currencies, which expose the Group to foreign currency risk and mainly concentrated on the exposure to United States Dollar ("US$"), HK$, Australian Dollar ("AUD").

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2021 RMB'000	2020 RMB'000 (Restated)	**2021 RMB'000**	2020 RMB'000 (Restated)
US$	**307,693**	467,080	**10,352,953**	10,005,379
HK$	**1,349,383**	1,960,476	**2,476,986**	2,887,886
AUD	**642,291**	680,574	**–**	–
	2,299,367	3,108,130	**12,829,939**	12,893,265

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Foreign currency risk (Continued)

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes the Group's financial assets and liabilities denominated in the foreign currency at the end of each reporting period. A positive/negative number below indicates an increase/decrease in profit before taxation where RMB strengthen 5% (2020: 5%) against the relevant currency. For a 5% (2020: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit before taxation for the year.

	US$ Impact		HK$ Impact		AUD Impact	
	2021 RMB'000	2020 RMB'000 (Restated)	**2021 RMB'000**	2020 RMB'000 (Restated)	**2021 RMB'000**	2020 RMB'000 (Restated)
Increase/(decrease) in profit before taxation for the year	**502,263**	476,915	**56,380**	46,381	**(32,115)**	(34,029)

(b) Credit risk

Credit risks refer to the risk of losses incurred by the inabilities of debtors or counterparties to fulfil their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted bank deposits, short-term bank deposits, trade and other receivables, deposits paid for acquisitions, mortgage guarantees provided to customers and financial guarantees provided to joint ventures.

Impairment assessment

The Group formulates the credit losses of cash and cash equivalents, short-term bank deposits, restricted bank deposits, trade and other receivables, deposits paid for acquisitions and financial guarantee contracts using ECL models according to HKFRS 9 requirements.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Impairment assessment (Continued)

The Group considers the probability of default upon initial recognition of an 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 forwarding-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 debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtors
- significant changes in the expected performance and behaviour of the debtors

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the forward-looking information.

A default on a financial asset is when the counterparty fails to make contractual payments within certain days of when they fall due.

A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Group's definition of category	Basis for recognition of ECL provision
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1)
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are past due	Lifetime expected losses (stage 2)
Non-performing	Interest and/or principal repayments are past due or it becomes probable a debtor will enter bankruptcy	Lifetime expected losses (stage 3)
Write-off	Interest and/or principal repayments are past due and there is no reasonable expectation of recovery	Asset is written off

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Impairment assessment (Continued)

For trade receivables, the Group applies HKFRS 9 simplified approach to measuring ECL, which uses a lifetime expected loss allowance. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

For cash and cash equivalents, short-term bank deposits, restricted bank deposits, other receivables, deposits paid for acquisitions and financial guarantee contracts, the Group measures the loss allowance equal to 12 months ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The following table presents the credit risk exposure of the financial assets, other than trade receivables, under the scope of ECL. Without considering guarantee or any other credit enhancement measures, for short-term deposits, restricted bank deposits and cash and cash equivalent, the maximum credit risk exposure is presented as the gross carrying amount of the financial assets. For the financial guarantees, the maximum credit risk exposure is presented as the maximum amount which could be called:

	Category	12-month or lifetime ECL	As at 31 December	
			2021 RMB'000	2020 RMB'000 (Restated)
Short-term bank deposits	Performing	12-month ECL	**332,321**	–
Restricted bank deposits	Performing	12-month ECL	**723,024**	2,002,900
Cash and cash equivalents	Performing	12-month ECL	**8,775,042**	9,151,057
Other receivables	Performing	12-month ECL	**5,613,195**	6,291,695
Deposits for acquisitions	Performing	12-month ECL	**1,276,370**	1,161,656
Mortgage guarantees provided to customers	Performing	12-month ECL	**11,284,483**	11,041,907
Financial guarantees provided to joint ventures	Performing	12-month ECL	**2,861,227**	300,000

No significant changes to estimation techniques or assumptions were made during the reporting period.

(i) *Cash and cash equivalents, restricted bank deposits and short-term bank deposits*

For cash and cash equivalents, restricted bank deposits and short-term bank deposits, the Group determines the ECL by referring to external credit rating of the related banks. The identified impairment loss was immaterial.

(ii) *Other receivables and deposits paid for acquisition*

The credit risks of other receivables and deposits paid for acquisitions are managed through an internal process. The credit quality of each debtor is investigated before credit is granted. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The Group reviews the recoverable amount of these receivables at the end of each reporting period.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Impairment assessment (Continued)

(iii) Mortgage guarantees provided to customers

For the financial guarantee contracts provided by the Group to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties, the Group measured the loss allowance on financial guarantee contracts by reference to the historical default rate of the purchasers, the loss on default based on the current property value and the pre-sale deposits already received and the forward-looking information. The directors of the Company considered that the loss allowances on mortgage guarantee contracts at 31 December 2020 and 2021 were insignificant to the Group. For properties which have been pre-sold, or for the completed properties that sold but the building ownership certificate not yet issued, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's sales deposit 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 significantly reduced.

(iv) Financial guarantees provided to joint ventures

For the financial guarantee contracts provided by the Group to joint ventures in connection with the joint ventures' borrowings or financial facilities, the Group measured the loss allowance on financial guarantee contracts by reference to the expected credit risk. The Group's maximum exposure in this respect is the maximum amount the Group could have to pay if the guarantee is called, which is the gross carrying amount of financial guarantee. As at 31 December 2021, an amount of RMB47,281,000 (2020: nil) has been estimated as a loss allowance, which is the net carrying amount of financial guarantee, and was recognised in "net impairment losses on financial assets and guarantees contracts" because no premium was received.

The movements of the impairment provision of trade and other receivables, deposits for acquisition and financial guarantees provided to joint ventures are as follows:

	Trade receivables		Other receivables		Deposits paid for acquisitions		Financial guarantees provided to joint ventures	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
At 1 January	**35,318**	9,401	**100,857**	67,328	**11,499**	8,824	**–**	–
Loss allowance recognised	**25,837**	25,917	**23,330**	33,529	**1,846**	2,675	**47,281**	–
Disposals of subsidiaries	**–**	–	**(4,973)**	–	**–**	–	**–**	–
At 31 December	**61,155**	35,318	**119,214**	100,857	**13,345**	11,499	**47,281**	–

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, the remaining contractual maturities of senior notes and convertible bonds include those derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows. The conversion rights of convertible bonds are not in the scope of the maturity analysis. The remaining contractual maturities for the Group's financial guarantee are the maximum amount of the guarantee allocated to the earliest period in which the guarantee could be called. The maturity dates for other non-derivative financial liabilities are based on the agreed/expected repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	On demand or Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2021					
Trade and other payables (excluding business and other tax payables, payroll payable)	5,833,237	–	–	5,833,237	5,833,237
Lease liabilities	5,721	1,256	1,959	8,936	8,131
Bank and other borrowings	4,438,793	8,860,381	1,160,512	14,459,686	13,070,214
Senior notes	3,810,821	5,542,027	1,547,136	10,899,984	9,240,598
Convertible bonds (i)	44,632	44,632	709,139	798,403	753,787
	14,133,204	14,448,296	3,418,746	32,000,246	28,905,967
Financial guarantee					
– Mortgage guarantees provided to customers	11,284,483	–	–	11,284,483	–
– Financial guarantees provided to joint ventures	3,329,866	–	–	3,329,866	–
	14,614,349	–	–	14,614,349	–

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

	On demand or Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2020 (Restated)					
Trade and other payables (excluding business and other tax payables, payroll payable)	6,681,173	–	–	6,681,173	6,681,173
Lease liabilities	7,179	3,061	94	10,334	9,595
Bank and other borrowings	2,773,632	10,173,827	2,991,322	15,938,781	13,604,666
Senior notes (ii)	6,180,809	1,701,528	2,152,124	10,034,461	8,943,930
	15,642,793	11,878,416	5,143,540	32,664,749	29,239,364
Financial guarantee					
– Mortgage guarantees provided to customers	11,041,907	–	–	11,041,907	–
– Financial guarantees provided to joint ventures	300,000	–	–	300,000	–
	11,341,907	–	–	11,341,907	–

(i) The carrying amount of convertible bonds includes the host liabilities of convertible bonds and their embedded derivative financial instruments.

(ii) The carrying amount of senior notes includes the host liabilities of senior notes and their embedded derivative financial instruments.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements of financial instruments

Financial instruments measured at fair value

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

The difference levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements of financial instruments (Continued)

	Fair value as at 31 December 2021 RMB'000	Fair value as at 31 December 2020 RMB'000 (Restated)	Fair value hierarchy	Valuation techniques
Financial assets at fair value through profit or loss:				
Debt instruments in Hong Kong (ii)	**109,923**	263,875	Level 3	Discounted cash flow
Debt instruments in overseas (ii)	**723,967**	680,560	Level 3	Discounted cash flow
Deposits paid for life insurance policies (ii)	**16,499**	16,604	Level 3	Discounted cash flow
	850,389	961,039		
Listed equity investment in Hong Kong	**106,495**	131,880	Level 1	Quoted bid prices in an active market
Total	**956,884**	1,092,919		
Derivative financial instruments:				
Put options of senior notes recognised (iii)	**–**	58,026	Level 3	Quoted market price and discounted cash flow
Put options and conversion options of convertible bonds recognised (iv)	**172,331**	–	Level 3	Binomial model and with-and-without method
	172,331	58,026		
Put options of senior notes recognised (v)	**–**	132,887	Level 2	Quoted market price and discounted cash flow
Total	**172,331**	190,913		

There were no transfers between Level 1, 2 and 3 during the years ended 31 December 2021 and 2020.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements of financial instruments (Continued)

(i) Key inputs and relationships of unobservable inputs to fair value

- Discounted cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of the underlying investments.

  The higher the expected return, the higher the fair value. The higher the discount rate, the lower the fair value.

- The put options of senior notes were all extinguished upon repurchase of the related senior notes during the year.

- The fair value of put options and conversion options is based on future returns where key inputs include spot price, volatility, dividend yield, risk-free rate and bond yield.

  The higher the dividend yield, the lower the fair value. The higher the risk-free rate, spot price, volatility and bond yield, the higher the fair value.

(ii) Reconciliation of Level 3 fair value measurements of financial assets

	2021 RMB'000	2020 RMB'000 (Restated)
Balance at 1 January	961,039	668,204
Additions	137,958	145,818
Disposals	(153,333)	–
Fair value change	(32,627)	28,202
Interest income	14,176	107,670
Interest received	(13,705)	–
Insurance costs	(193)	(51)
Exchange differences	(62,926)	11,196
Balance at 31 December	850,389	961,039

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements of financial instruments (Continued)

(iii) Reconciliation of Level 3 fair value measurements of the financial liabilities which are the put options of senior notes recognised as derivative financial instruments

	2021 RMB'000	2020 RMB'000 (Restated)
Balance at 1 January	58,026	35,477
Fair value change	(57,557)	54,101
Extinguish upon repurchasing the senior notes	–	(27,829)
Exchange differences	(469)	(3,723)
Balance at 31 December	–	58,026

(iv) Reconciliation of Level 3 fair value measurements of the financial liabilities which are the put options and conversion options of convertible bonds recognised as derivative financial instruments

	2021 RMB'000	2020 RMB'000 (Restated)
Balance at 1 January	–	–
Additions	72,849	–
Fair value change	101,704	–
Exchange differences	(2,222)	–
Balance at 31 December	172,331	–

(v) Reconciliation of Level 2 fair value measurements of the financial liabilities which are the put options of senior notes recognised as derivative financial instruments

	2021 RMB'000	2020 RMB'000 (Restated)
Balance at 1 January	132,887	202,910
Additions	–	51,434
Fair value change	(101,493)	(108,154)
Extinguish upon repurchasing the senior notes	(30,815)	(2,756)
Exchange differences	(579)	(10,547)
Balance at 31 December	–	132,887

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements of financial instruments (Continued)

Other financial instruments

As at 31 December 2021, the fair value of the senior notes, based on quoted market prices and including embedded derivatives, was approximately RMB6,170,368,000 (2020: RMB8,974,410,000). The fair value of 2025 Convertible Bonds based on quoted market prices and including embedded derivatives, was approximately RMB475,571,000.

The carrying amounts of other current financial assets and current financial liabilities other than financial assets at FVTPL approximate their fair values due to the short-term maturities. The fair value of other non-current financial assets and non-current financial liabilities other than financial assets at FVTPL approximate their carrying amounts, as the impact of discounting is not significant.

4 CAPITAL MANAGEMENT

The directors of the Company manage its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior years.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as below.

The calculation of gearing ratio as at 31 December 2021 and 2020 were as follows:

	2021 RMB'000	2020 RMB'000 (Restated)
Bank and other borrowings	**13,070,214**	13,604,666
Senior notes	**9,240,598**	8,753,017
Convertible bonds	**581,456**	–
Lease liabilities	**8,131**	9,595
Total	**22,900,399**	22,367,278
Less: Cash and cash equivalents	**(8,775,042)**	(9,151,057)
Restricted bank deposits	**(723,024)**	(2,002,900)
Short-term bank deposits	**(332,321)**	–
Net debts	**13,070,012**	11,213,321
Total equity	**24,885,643**	20,804,369
Gearing ratio	**53%**	54%

4 CAPITAL MANAGEMENT (CONTINUED)

The directors of the Company review the gearing ratio and capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. During the year, the Group complied with all the externally imposed capital requirements in relation to its various borrowings and debts.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Net realisable value of inventories of properties

The Group's inventories of properties are stated at the lower of cost and the net realisable value ("NRV"). The management of the Group make significant judgment on the estimation in determining the NRV of these inventories of properties.

Management of the Group determines the NRV of these inventories of properties by reference to the estimated selling prices, selling expenses necessary to make the sale and, for properties under development, the estimated costs of completion.

If there is a decrease in estimated selling prices or an increase in costs of completion, this may result in additional write-downs for these inventories of properties.

(b) Valuation of investment properties

The fair value of the investment properties was determined by reference to valuations conducted on these properties by independent property valuers using property valuation techniques which involve certain estimates under prevailing market conditions. Changes to these estimates may result in changes in the fair value of the investment properties, which will lead to the change of profit for the year. Details of the estimates and judgments are disclosed in Note 16.

(c) Estimate of income taxes expenses

Significant judgments are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. The Group is subject to the land appreciation tax ("LAT") in the Mainland China. The details of the implementation have been announced by local tax bureaux in certain major cities, however, the Group is in the process of finalising the LAT calculation and payments with local tax bureaux in certain major cities in the Mainland China. Significant judgments are required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management best estimates according to the understanding of the tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

6 REVENUE

Revenue is stated net of sales related tax and is analysed as follows:

	2021 RMB'000	2020 RMB'000 (Restated)
Types of goods and services		
Sales of properties	**18,015,294**	18,324,854
Property management services	**774,702**	578,382
Property rental	**156,860**	254,169
	18,946,856	19,157,405
Revenue is recognised:		
Contracts with customers:		
– At a point in time	**18,031,063**	18,333,846
– Over time	**758,933**	569,390
	18,789,996	18,903,236
Other source: rental income	**156,860**	254,169
	18,946,856	19,157,405

Sales of properties by markets

	2021 RMB'000	2020 RMB'000 (Restated)
Mainland China	**15,902,787**	18,211,312
Hong Kong and others	**2,112,507**	113,542
	18,015,294	18,324,854

One of our customers contributed revenue from sales of properties of RMB2,042,558,000 for the year ended 31 December 2021. Apart from this customer, there was no other individual customer contributing over 10% of the total revenue for the years ended 31 December 2021 and 2020.

6 REVENUE (CONTINUED)

Contracts with customers

For contracts entered into with customers on sales of properties, the relevant property specified in the contract is based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms and the legal environment in the PRC, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant property to the customer. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to the customer, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable. The Group receives certain percentage of the contract value as deposits from customers when they sign the sale and purchase agreements while construction work of the properties is still ongoing. Such advance payment schemes result in contract liabilities being recognised (Note 26). Certain customers who use mortgage loans provided by the banks and the remaining amount of the total contract value will be paid to the Group from the banks once the customers meet the requirements of the banks.

For property management services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. Contract liabilities arise from the advance payments made by customers while the underlying services are yet to be provided (Note 26).

The following table shows the amount of the revenue recognised in the current year which relates to carried-forward contract liabilities.

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
Sales of properties	**10,977,385**	15,545,310
Property management services	**82,718**	77,326
	11,060,103	15,622,636

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at year end date and the expected timing of recognising revenue are as follows for sales of properties:

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
Within one year	**16,650,940**	19,483,782
More than one year but not more than two years	**22,597,589**	13,012,547
More than two years	**1,299,977**	3,790,227
	40,548,506	36,286,556

As at 31 December 2021 and 2020, there were no significant incremental costs incurred to obtain and fulfil a contract to be capitalised.

7 SEGMENT INFORMATION

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors, being the chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance. All operating segments identified by the chief operating decision maker ("CODM") have been aggregated in arriving at the reportable segments of the Group.

The Group's CODM manage the Group through business nature, instead of geography. As the Group is principally engaged in property development revenue of which accounted for over 90% of total turnover. No segment assets and liabilities are presented as they were not provided to the CODM for the purpose of resource allocation and performance assessment.

During the years ended 31 December 2021 and 2020, the Board of Directors concluded that the Group has only one reportable segment – Property development. The other segments are individually and collectively insignificant for segment reporting purpose. As such, no segment information is presented.

No geographical segment analysis is shown as the CODM manage the Group through business nature, instead of geography and more than 90% of the carrying values of the Group's non-current assets excluding financial instruments and deferred tax assets are situated in the PRC.

8 OTHER INCOME

	2021 **RMB'000**	2020 RMB'000 (Restated)
Interest income on loan receivables	**100,993**	109,287
Interest income on bank deposits	**42,333**	125,311
Government grant	**41,085**	4,371
Interest income on financial assets at fair value through profit or loss	**14,176**	107,670
Compensation income	**2,188**	17,786
Others	**15,928**	16,088
	216,703	380,513

9 OTHER GAINS AND LOSSES

	2021 RMB'000	2020 RMB'000 (Restated)
Gains arising from bargain purchase *(Note 37)*	**122,237**	67,453
Foreign exchange gains, net	**117,870**	705,554
Gains on disposals of investments accounted for using the equity method	**93,983**	7,674
Gains on disposals of subsidiaries	**74,192**	–
Fair value change on derivative financial instruments	**57,346**	54,053
Gains on disposals of property and equipment	**279**	–
Losses on disposals of investments properties	**(29,076)**	–
Fair value change on financial assets at fair value through profit or loss *(Note 19)*	**(54,072)**	3,694
Revaluation gain upon transfer of inventories of properties to investment properties	**–**	21,152
Gains on disposals of financial assets at fair value through profit or loss	**–**	756
Others	**491**	159
	383,250	860,495

10 FINANCE COSTS

	2021 RMB'000	2020 RMB'000 (Restated)
Interest expense:		
– Bank and other borrowings	**1,169,685**	1,330,769
– Senior notes	**1,394,317**	1,222,730
– Lease liabilities	**1,004**	806
– Convertible bonds *(Note 30)*	**32,576**	–
– Advances from related parties	**–**	19,188
– Advances from non-controlling interests	**–**	9,820
Gains on extinguishment upon repurchasing senior notes	**(21,456)**	–
	2,576,126	2,583,313
Less: amounts capitalised on qualifying assets	**(2,359,858)**	(2,264,766)
	216,268	318,547

Finance costs have been capitalised for investment properties under construction and inventories of properties under development at a weighted average rate of 9.48% (2020: 10.22%) per annum for the year ended 31 December 2021.

11 INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000 (Restated)
Current income tax		
– Corporate income tax	**1,516,413**	1,804,043
– Land appreciation tax	**950,735**	1,133,186
	2,467,148	2,937,229
Deferred income tax *(Note 21)*	**(558,208)**	(301,502)
	1,908,940	2,635,727

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the BVI as they are not subject to any tax during the year (2020: nil).

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits of the Group's subsidiaries operating in Hong Kong.

Under the Law of the Mainland China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25% from 1 January 2008 onwards.

All gains arising from the sale or transfer of real estate in the Mainland China are subject to land appreciation tax at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and certain expenses for the development of the land. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities.

11 INCOME TAX EXPENSE (CONTINUED)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group companies as follows:

	2021 RMB'000	2020 RMB'000 (Restated)
Profit before income tax	**4,582,949**	6,254,464
Tax calculated at income tax rate of 25% (2020: 25%)	**1,145,737**	1,563,616
Utilisation of tax losses not previously recognised as deferred income tax assets	**(16,227)**	(33,636)
Effects of share of post-tax results of investments accounted for using the equity method	**12,194**	(31,261)
Income not subject to tax purpose	**(125,209)**	(136,675)
Tax losses not recognised as deferred income tax assets	**69,073**	55,090
Temporary differences not recognised as deferred income tax assets	**24,513**	73,103
Expenses not deductible for tax purpose	**106,061**	319,926
Effects of different tax rates applicable to different subsidiaries of the Group	**(20,253)**	(24,326)
	1,195,889	1,785,837
Land appreciation tax	**950,735**	1,133,186
Tax effect of land appreciation tax	**(237,684)**	(283,296)
Income tax expense	**1,908,940**	2,635,727

12 EXPENSES BY NATURE

	2021 RMB'000	2020 RMB'000 (Restated)
Cost of inventories sold	**13,205,064**	11,937,961
Net (reversal of write-down)/write-down of inventories of properties	**(219,858)**	436,305
Employee benefit expenses *(Note 13)*	**677,521**	539,867
Advertising and promotion expenses	**191,255**	220,346
Office expenses	**143,539**	129,807
Other tax and surcharges	**97,957**	160,382
Professional service fees	**71,029**	98,083
Travelling and entertainment expenses	**52,225**	42,125
Depreciation and amortisation charges	**42,447**	31,897
Bank charges	**16,536**	35,266
Auditors' remuneration		
– Audit services	**9,430**	8,260
– Non-audit services	**5,574**	8,887
Rental expenses	**5,725**	6,605
Listing expenses of a subsidiary	**–**	27,085
Other expenses	**29,625**	27,943
Total cost of sales, selling and marketing costs and administrative expenses	**14,328,069**	13,710,819

13 EMPLOYEE BENEFIT EXPENSES

	2021 RMB'000	2020 RMB'000 (Restated)
Wages and salaries	**655,076**	524,845
Social insurance and housing provident fund contributions	**64,861**	40,111
Other benefits	**49,048**	33,444
	768,985	598,400
Less: Capitalised in properties under development	**(91,464)**	(58,533)
	677,521	539,867

13 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Pensions – defined contribution plans

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in defined contribution retirement schemes administrated by the local municipal government. The Company's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary in monthly as required by local municipal government to the schemes to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

Contributions totalling RMB28,720,000 (2020: RMB34,816,000) were payable to the fund at the year-end.

(b) Five highest paid employees' emoluments

The five highest paid individuals included 3 directors for the year ended 31 December 2021 (2020: 2 directors). The remunerations of the remaining 2 (2020: 3) highest paid individuals for the year are as follows:

	2021 RMB'000	2020 RMB'000 (Restated)
Salaries and other allowances	**3,413**	4,241
Performance related bonus	**1,263**	1,730
Retirement benefit scheme contributions	**44**	63
	4,720	6,034

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020 (Restated)
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**1**	1
HK$3,000,001 to HK$3,500,000	**1**	–

14 DIVIDENDS

	2021 RMB'000	2020 RMB'000
Dividends recognised as distribution during the year:		
Final dividends declared for the prior year – HK15.5 cents (2020: HK11 cents) per share	**523,405**	391,651

The final dividends in respect of the year ended 31 December 2020 of HK15.5 cents per share, in an aggregate amount of HK$628,639,000, approximately RMB523,405,000, were approved at the Annual General Meeting on 9 June 2021. Share scrip alternatives were offered in respect of the dividends declared. These share scrip alternatives were accepted by shareholders, as follows:

	2021		2020	
	HK$'000	Equivalent to RMB'000	HK$'000	Equivalent to RMB'000
Dividends				
– Cash	**578,040**	481,275	**86,711**	78,274
– Scrip dividend alternative	**50,599**	42,130	**347,157**	313,377
	628,639	523,405	**433,868**	391,651

The Board of Directors did not recommend the payment of final dividends for the year ended 31 December 2021 (2020 final dividends: HK15.5 cents per share).

On 28 February 2021, Weihai Xiangyuan declared and paid a dividend of RMB154,700,000 to its then shareholder before the completion of Luyuan Acquisition.

15 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by weighted average number of ordinary shares in issue during the year.

	2021	2020 (Restated)
Profit for the year attributable to owners of the Company (RMB'000)	**2,419,877**	3,377,827
Weighted average number of ordinary shares in issue (in thousands)	**5,938,239**	5,867,718
Basic earnings per share (RMB cents)	**41**	58

The weighted average number of ordinary shares in issue have been adjusted for events that have changed the number of ordinary shares outstanding without a corresponding change in resources, including the ordinary shares and convertible bonds issued as considerations for Luyuan Acquisition. As the convertible bonds were mandatorily convertible into ordinary shares, they are included in the calculation of basic earnings per share.

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares arising from the convertible bonds (Note 30). In calculating the diluted earnings per share, the convertible bonds are assumed to have been converted into ordinary shares. Interest savings and other related gains and losses on convertible bonds are adjusted to the extent of the amount charged to the profit attributable to owners of the Company. For the year ended 31 December 2021, the effect of the convertible bonds was anti-dilutive and therefore diluted earnings per share equals basic earnings per share.

16 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
At 1 January 2021	7,405,988	520,557	7,926,545
Additions	–	35,582	35,582
Disposals	(175,082)	–	(175,082)
Transfer to inventories of properties	(13,593)	–	(13,593)
Fair value change	(280,213)	7,761	(272,452)
At 31 December 2021	**6,937,100**	**563,900**	**7,501,000**

	Completed investment properties RMB'000 (Restated)	Investment properties under construction RMB'000 (Restated)	Total RMB'000 (Restated)
At 1 January 2020 (Restated)	7,647,680	194,226	7,841,906
Additions	–	232,490	232,490
Acquisition of a subsidiary	–	99,800	99,800
Transfer from inventories of properties	–	25,532	25,532
Transfer to inventories	(62,572)	(54,260)	(116,832)
Revaluation gain upon transfer of inventories of properties to investment properties	–	21,152	21,152
Fair value change	(179,120)	1,617	(177,503)
At 31 December 2020 (Restated)	7,405,988	520,557	7,926,545

The Group's policy is to recognise change of fair value hierarchy levels as of the date of the event or change in circumstances that caused the change. At 31 December 2021 and 2020, the Group had only level 3 investment properties.

16 INVESTMENT PROPERTIES (CONTINUED)

Valuation processes of the Group

The Group's investment properties were valued at transfer or business acquisition dates, and at 31 December 2021 and 2020 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent and professionally qualified valuers who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

Discussions of valuation processes and results are held between management and the valuers on a semi-annual basis, in line with the Group's interim and annual reporting dates.

At each half year-end, management:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports; and
- Holds discussions with the independent valuers.

Valuation techniques

Valuations are based on:

- Direct comparison approach assumes sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size;
- Income capitalisation approach takes into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property;
- Residual method of valuation is commonly used in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred as well as anticipated developer's profits;
- Direct comparison method plus construction costs incurred requires estimates of the fair value of the land in direct comparison approach plus construction costs incurred, including the cost of building work, professional fees and relevant costs.

16 INVESTMENT PROPERTIES (CONTINUED)

Information about fair value measurements using significant unobservable inputs (level 3)

	31 December 2021 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	6,937,100	Income capitalisation	Monthly rentals (per square meter/month)	RMB12-RMB294
			Term yields	1.5%-4.75%
			Reversionary yields	2%-5.25%
			Expected vacancy rates	2%-20%
Investment properties under construction	436,900	Residual method	Budgeted construction costs to be incurred	RMB41.7 million
			Anticipated developer's profit margin	7%-12%
Investment properties under construction	127,000	Direct comparison method plus construction costs incurred	Weighted average of comparable land price (RMB/square meter)	RMB2,273-RMB22,930
Total amounts	7,501,000			

	31 December 2020 RMB'000 (Restated)	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	7,405,988	Income capitalisation	Monthly rentals (per square meter/month)	RMB34-RMB255
			Term yields	1.5%-5.5%
			Reversionary yields	2%-6%
			Expected vacancy rates	2%-20%
Investment properties under construction	386,257	Residual method	Budgeted construction costs to be incurred	RMB67.2 million
			Anticipated developer's profit margin	7%-15%
Investment properties under construction	27,900	Direct comparison approach	Weighted average of comparable land price (RMB/square meter)	RMB1,929
Investment properties under construction	106,400	Direct comparison method plus construction costs incurred	Weighted average of comparable land price (RMB/square meter)	RMB23,155
Total amounts	7,926,545			

16 INVESTMENT PROPERTIES (CONTINUED)

Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

Relationships of unobservable inputs to fair value are as follows:

- The higher the term yields/reversionary yields, the lower the fair value;
- The higher the expected vacancy rates, the lower the fair value;
- The higher the monthly rental, the higher the fair value;
- The higher the budgeted construction cost to be incurred, the lower the fair value; and
- The higher the anticipated developer's profit margin, the lower the fair value.

Amounts recognised in profit or loss for investment properties

	2021 **RMB'000**	2020 RMB'000 (Restated)
Rental income	**156,860**	246,260
Fair value change on investment properties	**(272,452)**	(177,503)
Revaluation gain upon transfer of inventories of properties to investment properties	**–**	21,152
Losses on disposals of investments properties	**(29,076)**	–
	(144,668)	89,909

Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

As at 31 December 2021 and 2020, the future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of buildings are as follows:

16 INVESTMENT PROPERTIES (CONTINUED)

Operating lease rentals receivable

	2021 RMB'000	2020 RMB'000 (Restated)
Within one year	**184,275**	197,285
In the first to second year	**158,602**	133,511
In the second to third year	**106,929**	113,781
In the third to fourth year	**101,826**	90,605
In the fourth to fifth year	**97,711**	82,179
After five years	**694,907**	440,580
	1,344,250	1,057,941

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
Interests in joint ventures (a)	**5,734,669**	2,236,558
Interests in associates (b)	**561,575**	53,142
	6,296,244	2,289,700

(a) Interests in joint ventures

	2021 RMB'000	2020 RMB'000 (Restated)
At 1 January	**2,236,558**	931,896
Additions (i)	**4,193,348**	1,442,358
Transfer to subsidiaries (Note 37(a))	**(649,209)**	(262,750)
Share of results	**(46,028)**	125,054
At 31 December	**5,734,669**	2,236,558

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Interests in joint ventures (Continued)

Set out below are the major joint ventures of the Group as at 31 December 2021. These entities are incorporated and operating in Mainland China. The proportion of ownership interest is the same as the proportion voting rights held. The joint ventures are unlisted companies and have no quoted price.

Name of entity	Proportion of ownership interest held		Principal activity
	2021	2020	
Dongfang Sochi Investment Development Group Co., Ltd. 東方索契投資發展集團有限公司	**36%**	36%	Property development
Xinjiang Jiayuan Ronghua Real Estate Development Co., Ltd. 新疆佳源榮華房地產開發有限公司	**60%**	60%	Property development
Shenzhen Rongjia Shanju Industrial Development Co., Ltd. 深圳市融佳善居實業發展有限公司	**50%**	50%	Investment holding
Anhui Liuzhuang Real Estate Co., Ltd. 安徽劉莊置業有限責任公司	**51%**	51%	Property development
Qingdao Lingshihuafu Property Co., Ltd. (“Lingshihuafu”) 青島領世華府地產有限公司 (i)	**63%**	–	Property development

These entities are regarded as joint ventures and accounted for using the equity method because, according to the articles of association and joint venture agreements of the respective company, the decisions about the relevant activities of these entities require the unanimous consent of certain joint venture partners.

Details of commitments for interests in joint ventures are set out in Note 34. Details of contingent liabilities in respect of joint ventures are set out in Note 35.

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Interests in joint ventures (Continued)

(i) Additions for the year mainly included the acquisition of the 63% equity interest of Lingshihuafu from the Ultimate Shareholder for a consideration of RMB3,960,000,000 (Note 1.3). Details of the transaction are as follows:

	RMB'000
63% of the fair value of the identifiable assets and liabilities of Lingshihuafu at the acquisition date	3,960,000
Consideration settled by offsetting the balance of other receivables of Luyuan Group due from the companies controlled by the Ultimate Shareholder	3,960,000

The directors of the Company have determined the fair value of the identifiable assets and liabilities of Lingshihuafu as at the acquisition, which has made reference to the valuation report prepared by independent valuer. The fair value of the identifiable assets and liabilities of Lingshihuafu, which mainly include properties under development and properties held for sale, were determined using residual method. Residual method of valuation is used by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on land and construction costs, expenses, taxes and interest payments to be incurred as well as anticipated developer's profits. In addition, the fair value of other material identifiable assets and liabilities, which mainly include cash and cash equivalents, prepayments and other receivables, trade and other payables, pre-sale deposits received, bank and other borrowings, and current and deferred income tax liabilities, were determined based on their recoverable amounts or obligations, as appropriate, at the acquisition.

Upon the completion of Luyuan Acquisition, Lingshihuafu was owned by the Group, Mr. Yu Xihua and another third party as to 63%, 7% and 30% respectively. According to the Articles of Lingshihuafu and the shareholders' agreement, the Group and Mr. Yu Xihua can jointly control Lingshihuafu which is accounted for as a joint venture of the Group.

The tables below provide the summarised financial information as at the acquisition date and 31 December 2021 for Lingshihuafu, which is a joint venture material to the Group. The financial information disclosed reflects the amounts presented in the financial statements of Lingshihuafu and not the Company's share of those amounts.

During the year ended 31 December 2021, Lingshihuafu had no revenue and the other items of income statement and statement of comprehensive income were insignificant to the Group. As such the financial statements of Lingshihuafu do not present its income statement and statement of comprehensive income.

These amounts have been amended to reflect adjustments made by the Company when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Interests in joint ventures (Continued)

(i) (Continued)

Summary of financial position	31 December 2021 RMB'000	As at acquisition date RMB'000
Non-current assets		
Property and equipment	**56**	82
Trade and other receivables	**28,611**	–
Deferred tax assets	**28,599**	31,735
Total non-current assets	**57,266**	31,817
Current assets		
Inventories of properties	**20,194,422**	16,428,000
Trade and other receivables	**726,494**	2,205,225
Prepaid income tax	**231,681**	191,087
Restricted bank deposits	**386,748**	–
Cash and cash equivalents	**19,747**	113,634
Total current assets	**21,559,092**	18,937,946
Total assets	**21,616,358**	18,969,763
Current liabilities		
Trade and other payables	**1,917,791**	1,897,307
Pre-sale deposits received	**6,205,757**	4,396,976
Bank and other borrowings	**926,831**	200,000
Total current liabilities	**9,050,379**	6,494,283
Non-current liabilities		
Bank and other borrowings	**4,149,940**	4,068,850
Deferred tax liabilities	**2,120,916**	2,120,916
Total non-current liabilities	**6,270,856**	6,189,766
Net assets	**6,295,123**	6,285,714
Reconciliation to carrying amounts:		
Net assets of Lingshihuafu	**6,295,123**	6,285,714
Group's share in %	**63%**	63%
Group's share	**3,965,927**	3,960,000
Carrying amount	**3,965,927**	3,960,000

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Interests in associates

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
At 1 January	**53,142**	53,155
Additions	**4,001**	–
Transfer from subsidiaries (ii)(iii)	**507,181**	–
Share of results	**(2,749)**	(13)
At 31 December	**561,575**	53,142

Set out below are the major associates of the Group as at 31 December 2021. The entities are incorporated and operating in Mainland China. The proportion of ownership interest is the same as the proportion voting rights held. The associates are unlisted companies and have no quoted price.

Name of entity	Proportion of ownership interest held 2021	2020	Principal activity
Guoyang Jiayuan Real Estate Development Co., Ltd. ("Guoyang Jiayuan") (ii) 渦陽縣佳源房地產開發有限公司	**30%**	100%	Property Development
Fengtai Mingyuan Real Estate Development Co., Ltd. ("Fengtai Mingyuan") (ii) 鳳台縣明源房地產開發有限公司	**29%**	100%	Property Development
Anhui Songjia Real Estate Development Co., Ltd. ("Anhui Songjia") 安徽嵩佳房地產開發有限公司 (i)	**15%**	–	Property Development

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Interests in associates (Continued)

In the opinion of the directors, none of the above associates are individually material to the Group. Set out below is the summarised financial information of the associates and Group's share of results:

	2021 RMB'000	2020 RMB'000 (Restated)
Carrying amounts in the consolidated financial statements	**561,575**	53,142
Aggregate amounts of the Group's share of:		
Profit for the year	**(2,749)**	(13)
Total comprehensive income	**(2,749)**	(13)

As at 31 December 2021, there are no significant contingent liabilities and commitments relating to the Group's interest in the associates (2020: nil).

(i) Anhui Songjia are accounted for as an associate of the Group due to representation in the Board of Directors.

(ii) Guoyang Jiayuan and Fengtai Mingyuan were a 100% wholly-owned subsidiaries of the Group before 2021. In 2021, third parties injected RMB560,000,000 and RMB495,000,000 as additional capital into Guoyang Jiayuan and Fengtai Mingyuan respectively, which owned 70% and 70.83% of the equity interests in Guoyang Jiayuan and Fengtai Mingyuan respectively. As a result, Guoyang Jiayuan and Fengtai Mingyuan became associates of the Group and the transactions were treated as deemed disposals of subsidiaries.

Details of the deemed disposals are as follows:

	RMB'000
Fair value of the Group's remaining equity interests of Guoyang Jiayuan and Fengtai Mingyuan	431,917
Less: net assets of Guoyang Jiayuan and Fengtai Mingyuan at the disposal dates	(401,650)
Gains on disposals	30,267
Cash proceeds from disposals, net of cash disposed of	
– Cash consideration received	–
– Less: cash and cash equivalents in Guoyang Jiayuan and Fengtai Mingyuan disposed of	(52,738)
Net cash outflow on disposals	(52,738)

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Interests in associates (Continued)

(iii) Anhui Songjia was a 100% wholly-owned subsidiary of the Group before September 2021. In September 2021, the Group disposed of 85% equity interests in Anhui Songjia at a cash consideration of RMB425,000,000 to a third party. As the Group retained a director in Anhui Songjia, Anhui Songjia became an associate of the Group and the transaction was treated as a disposal of a subsidiary.

Details of the disposals are as follows:

	RMB'000
Consideration of disposals	
– Non-cash settlement of other payables due to the Anhui Songjia	425,000
– Fair value of 15.00% equity interest of Anhui Songjia	75,264
	500,264
Less: net assets of Anhui Songjia at the disposal date	(499,998)
Gains on disposals	266
Cash proceeds from disposals, net of cash disposed of	
– Cash consideration received	–
– Less: cash and cash equivalents in Anhui Songjia disposed of	(1,020)
Net cash outflow on disposals	(1,020)

18 FINANCIAL INSTRUMENTS BY CATEGORY

	At FVTPL		At amortised cost	
	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)	**31 December 2021 RMB'000**	31 December 2020 RMB'000 (Restated)
Assets as per consolidated statement of financial position				
Trade and other receivables (excluding prepayments)	**–**	–	**5,791,674**	6,715,611
Deposits paid for acquisitions	**–**	–	**1,263,025**	1,150,157
Short-term bank deposits	**–**	–	**332,321**	–
Restricted bank deposits	**–**	–	**723,024**	2,002,900
Cash and cash equivalents	**–**	–	**8,775,042**	9,151,057
Financial assets at fair value through profit or loss	**956,884**	1,092,919	**–**	–
	956,884	1,092,919	**16,885,086**	19,019,725
Liabilities as per consolidated statement of financial position				
Trade and other payables (excluding business and other tax payables, payroll payables)	**–**	–	**5,833,237**	6,681,173
Lease liabilities	**–**	–	**8,131**	9,595
Bank and other borrowings	**–**	–	**13,070,214**	13,604,666
Senior notes	**–**	–	**9,240,598**	8,753,017
Convertible bonds	**–**	–	**581,456**	–
Derivative financial instruments	**172,331**	190,913	**–**	–
	172,331	190,913	**28,733,636**	29,048,451

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at FVTPL are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
Debt instruments:		
Debt instruments in Hong Kong	**109,923**	263,875
Debt instruments in overseas (a)	**723,967**	680,560
Deposits paid for a life insurance policy	**16,499**	16,604
Equity instruments:		
Listed equity investments in Hong Kong	**106,495**	131,880
	956,884	1,092,919
Less: Non-current portion	**(850,390)**	(961,039)
	106,494	131,880

(a) Debt instruments in overseas represent investments in private funds in overseas.

(b) During the year, the following gains/(losses) and income were recognised in profit or loss in respect of financial assets at fair value through profit or loss:

	2021 RMB'000	2020 RMB'000 (Restated)
Fair value change on equity instruments	**(21,445)**	(24,508)
Fair value change on debt instruments	**(32,627)**	28,202
Interest income	**14,176**	107,670
	(39,896)	111,364

(c) Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

20 DEPOSITS PAID FOR ACQUISITIONS

The Group from time to time enters into agreements with various parties in relation to the acquisition of interest in certain entities which are principally engaged in property development in the PRC. As at 31 December 2021, the Group had made total deposits of RMB1,276,370,000 (2020: RMB1,161,656,000) in relation to these acquisitions. An impairment provision of RMB13,345,000 (2020: RMB11,499,000) was made against the total deposits paid for acquisitions. According to these agreements, the deposits paid will be fully refunded to the Group if the acquisitions cannot be completed.

21 DEFERRED INCOME TAX

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the years prior to offsetting:

Deferred tax assets

	Accrued LAT RMB'000	Timing difference of revenue recognition RMB'000	Tax losses RMB'000	Impairment losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	**639,194**	**152,793**	**78,299**	**56,116**	**9,980**	**936,382**
Recognised in profit or loss	**195,796**	**(49,328)**	**258,870**	**3,143**	**46,099**	**454,580**
Disposals of subsidiaries	**(7,087)**	**–**	**(7,350)**	**(1,172)**	**(25,117)**	**(40,726)**
At 31 December 2021	**827,903**	**103,465**	**329,819**	**58,087**	**30,962**	**1,350,236**
At 1 January 2020 (Restated)	403,960	143,641	56,412	23,832	2,032	629,877
Recognised in profit or loss	235,234	9,152	21,887	32,284	7,948	306,505
At 31 December 2020 (Restated)	639,194	152,793	78,299	56,116	9,980	936,382

Deferred tax liabilities

	Fair value of investment properties RMB'000	Revaluation due to business combination RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	**(727,488)**	**(237,173)**	**(5,246)**	**(969,907)**
Acquisitions of subsidiaries	**–**	**(195,461)**	**–**	**(195,461)**
Recognised in profit or loss	**68,113**	**33,826**	**1,689**	**103,628**
Disposals of subsidiaries	**–**	**147,934**	**–**	**147,934**
Transfers	**3,332**	**–**	**(3,332)**	**–**
At 31 December 2021	**(656,043)**	**(250,874)**	**(6,889)**	**(913,806)**
At 1 January 2020 (Restated)	(722,543)	(76,197)	(5,188)	(803,928)
Acquisitions of subsidiaries	–	(160,976)	–	(160,976)
Recognised in profit or loss	(4,945)	–	(58)	(5,003)
At 31 December 2020 (Restated)	(727,488)	(237,173)	(5,246)	(969,907)

21 DEFERRED INCOME TAX (CONTINUED)

Deferred tax liabilities (Continued)

Analysed for reporting purpose after netting off:

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
Deferred tax assets		
– Gross amounts	**1,350,236**	936,382
– Net off against deferred tax liabilities	**(318,392)**	(243,395)
– Net amounts	**1,031,844**	692,987
Deferred tax liabilities		
– Gross amounts	**913,806**	969,907
– Net off against deferred tax assets	**(318,392)**	(243,395)
– Net amounts	**595,414**	726,512

Under the EIT Law of Mainland China, withholding tax is imposed on dividends declared in respect of profits earned by Mainland China subsidiaries from 1 January 2008 onwards. As at 31 December 2021, the retained earnings of the Group's subsidiaries not yet remitted to holding companies incorporated outside the Mainland China, for which no deferred income tax liability had been provided, were approximately RMB11,329,796,000 (2020: RMB11,555,237,000). Based on management's estimation of overseas funding requirements, such earnings are expected to be retained by the subsidiaries in the Mainland China for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future.

At 31 December 2021, the Group had unused tax losses of RMB1,884,409,000 (2020: RMB676,223,000), available to offset against future profits. Deferred tax assets have been recognised in respect of tax losses of RMB1,323,571,000 (2020: RMB313,196,000). No deferred tax asset has been recognised for the remaining tax losses due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years:

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
2021	**–**	5,306
2022	**35,402**	35,402
2023	**10,933**	10,933
2024	**84,523**	91,026
2025	**154,501**	220,360
2026	**275,479**	–
	560,838	363,027

22 INVENTORIES OF PROPERTIES

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
Properties under development (a)		
At cost	**40,160,932**	34,053,503
At NRV	**1,367,121**	524,258
	41,528,053	34,577,761
Properties held for sale (b)		
At cost	**5,554,225**	8,308,143
At NRV	**3,300,795**	1,977,560
	8,855,020	10,285,703
Total	**50,383,073**	44,863,464

The operating cycle of the Group's property development projects generally ranges from one to three years.

The Group's inventories of properties are situated in the Mainland China, Hong Kong, Macao and Cambodia.

Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

(a) Carrying amounts of properties under development comprise:

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
– Construction costs including depreciation and staff cost capitalised	**12,561,872**	7,403,898
– Land use rights	**25,568,547**	24,265,408
– Borrowing costs capitalised	**3,552,448**	3,105,962
Total costs	**41,682,867**	34,775,268
Less: write-down	**(154,814)**	(197,507)
Carrying amounts	**41,528,053**	34,577,761

As at 31 December 2021, properties under development of RMB13,641,590,000 (2020: RMB14,046,568,000) were expected to be completed beyond one year.

The capitalisation rate used to capitalise interest on general borrowings in 2021 was 10.19% (2020: 10.06%) per annum.

22 INVENTORIES OF PROPERTIES (CONTINUED)

(b) Carrying amounts of properties held for sale comprise:

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
Total properties held for sale	**8,916,653**	10,524,501
Less: write-down	**(61,633)**	(238,798)
Carrying amounts	**8,855,020**	10,285,703

(c) Movements of write-down of the carrying amount of inventories of properties:

	2021 RMB'000	2020 RMB'000 (Restated)
At 1 January	**436,305**	–
Write-down due to decrease in NRV	**214,809**	436,305
Reversal due to sales (i)	**(428,756)**	–
Reversal due to increase in NRV	**(5,911)**	–
Total charged to cost of sales	**(219,858)**	436,305
At 31 December	**216,447**	436,305

(i) Following the recovery of property market better than expected in certain regions during the year, the Group was able to sell these inventories of properties in these regions over their NRV.

23 TRADE AND OTHER RECEIVABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
Trade receivables, net (a)	**297,693**	524,773
Other receivables, net (b)	**5,493,981**	6,190,838
Prepayments (c)	**894,401**	1,251,895
	6,686,075	7,967,506
Less: Non-current portion of other receivables	**(29,894)**	(38,450)
Current portion of trade and other receivables	**6,656,181**	7,929,056

(a) Details of trade receivables are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
Trade receivables	**358,848**	560,091
Less: allowance for impairment	**(61,155)**	(35,318)
Trade receivables – net	**297,693**	524,773

Trade receivables mainly arise from properties rental and provision of properties management services. Customers are generally granted credit terms of nil to 1 month. The ageing analysis of trade receivables based on invoice date is as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
0-60 days	**51,841**	381,423
61-180 days	**89,285**	51,950
181-365 days	**78,800**	68,107
Over 1 year	**138,922**	58,611
	358,848	560,091

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2021 and 2020, trade receivables were mainly denominated in RMB.

(b) Details of other receivables are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
Advances to related parties (i) *(Note 39)*	**2,737,400**	3,171,273
Advances to non-controlling interests (ii)	**1,062,326**	1,140,932
Loan receivables (iii)	**490,249**	509,971
Projects related deposits (iv)	**399,356**	488,556
Deposits paid for acquisitions of land use rights (v)	**339,112**	446,923
Interest receivable (iii)	**170,967**	62,243
Deposits for trust financing arrangements (vi)	**35,320**	60,178
Advance to staff	**10,853**	37,609
Other deposits (vii)	**168,564**	186,869
Other receivables	**199,048**	187,141
	5,613,195	6,291,695
Less: allowance for impairment	**(119,214)**	(100,857)
	5,493,981	6,190,838
Less: Non-current portion of deposits for trust financing arrangements (vi)	**(29,894)**	(38,450)
Current portion of other receivables – net	**5,464,087**	6,152,388

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) (Continued)

(i) The amounts mainly represent advances to joint ventures and associates as at 31 December 2021.

(ii) The amounts represent advances made by certain non-wholly owned subsidiaries to their non-controlling shareholders pursuant to the terms of the respective cooperation agreements. These advances are unsecured, interest-free and repayable on demand.

(iii) The amounts represent loans to third parties which are interest-bearing at a fixed interest rate of 23% per annum.

(iv) The amounts mainly represent deposits placed at the request of local governments. The deposits will be refunded to the Group upon the completion of the relevant projects.

(v) The amounts mainly represent deposits placed at the request of local governments. The deposits will be refunded to the Group when the land use rights are not obtained in the bidding process.

(vi) The amounts are deposited in trust financing companies for raising trust loans to the Group. The deposits will be refunded to the Group upon final repayments of the trust loans or on demand.

(vii) Other deposits mainly represent temporary payments for acquisitions of property development projects under negotiation. There is no fixed repayment term for these other deposits and the directors of the Company consider the amounts are repayable on demand.

The above other receivables are unsecured and non-interest bearing, except for the loan receivables of RMB490,249,000 (2020: RMB509,971,000) which are interest-bearing at a fixed interest rate of 23% (2020: 23%) per annum.

(c) Prepayments mainly represent prepayments for construction costs, and business and other taxes.

24 RESTRICTED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
Cash at banks and on hand	**9,830,387**	11,153,957
Less: short-term bank deposits (a)	**(332,321)**	–
Less: restricted bank deposits		
– Pledged for mortgage guarantees (b)	**(40,607)**	(76,128)
– Pledged for acquisitions of land use rights (c)	**–**	(800,000)
– Restricted in use (d)	**(682,417)**	(1,126,772)
	(723,024)	(2,002,900)
Cash and cash equivalents (e) (f)	**8,775,042**	9,151,057

(a) The term of the deposits is over 3 months and with interest rates ranging from 1% to 2.75% per annum.

(b) These deposits were pledged to the banks to secure the mortgage guarantees provided to customers and will be released upon obtaining building ownership certificates by customers.

(c) The amounts represented deposits placed in banks and pledged for business partners to acquire certain land use rights. The deposits were released upon completion of the bidding of process.

(d) Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for use in specific property development projects, and carry prevailing interest at a rate of 0.3% (2020: 0.57%) per annum as at 31 December 2021.

(e) As at 31 December 2021, the amount included deposits in banks of RMB220,921,000 (2020: RMB240,526,000) for the construction of pre-sold properties.

(f) Cash at banks carry prevailing market interest rates ranging from 0.01% to 2.75% (2020: 0.01% to 2.75%) per annum as at 31 December 2021.

24 RESTRICTED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS (CONTINUED)

As at 31 December 2021, the cash at banks are denominated in the following currencies:

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
RMB	**8,425,582**	9,455,494
HK$	**1,331,606**	1,229,860
US$	**72,909**	467,080
Others	**290**	1,523
	9,830,387	11,153,957

The conversion and the remittance of RMB out of the Mainland China are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC governments.

25 TRADE AND OTHER PAYABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
Trade payables (a)	**2,309,599**	3,019,258
Advances from non-controlling interests (b)	**1,032,052**	819,719
Advances from related parties *(Note 39)*	**977,879**	1,021,120
Business and other taxes payable	**920,727**	703,706
Deposits related to sales of properties	**480,849**	425,465
Consideration payable for acquisitions of entities	**235,264**	689,045
Accrued charges	**171,738**	129,817
Payroll payables	**128,779**	121,378
Receipts on behalf of property residents	**61,538**	156,594
Provisions for financial guarantee contracts	**47,281**	–
Other deposits received (c)	**290,537**	193,655
Other consideration payables (d)	**226,500**	226,500
	6,882,743	7,506,257

25 TRADE AND OTHER PAYABLES (CONTINUED)

(a) Trade payables are for construction costs and other project-related expenses which are due for payment based on project progress measured by the Group. The average credit period of trade payables is 30 days.

The following is an ageing analysis of trade payables, presented based on the invoice date:

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
0-60 days	**1,249,279**	2,312,315
61-180 days	**431,097**	293,135
181-365 days	**330,436**	103,678
Over 1 year	**298,787**	310,130
	2,309,599	3,019,258

(b) The amounts represent advances made by certain non-controlling shareholders to non-wholly subsidiaries pursuant to the terms of the respective shareholders' agreements. These advances are unsecured, interest-free and repayable on demand.

(c) The amounts mainly represent various deposits received from contractors in relation to tendering and execution of construction contracts.

(d) The Group in 2018 acquired Guoyang Xinggang Development Co., Ltd. (渦陽縣星港置業有限公司) from an independent third-party vendor. Pursuant to the sale and purchase agreement, as a part of the considerations, the Group is required to transfer 50,000 sq.m. of the completed properties to the vendor. The amount represented the fair value of the properties to be delivered to the vendor on completion.

26 PRE-SALE DEPOSITS RECEIVED

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
Contract liabilities related to sales of properties (a)	**19,837,992**	17,907,643
Contract liabilities related to property management services	**129,848**	87,853
Value-added tax payable	**1,704,251**	1,463,513
	21,672,091	19,459,009
Less: non-current portion	**(354,811)**	(540,412)
Current portion	**21,317,280**	18,918,597

(a) The Group receives 30%-100% of the contract value as deposits from customers when they sign the sale and purchase agreements for properties. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the sale of the completed property is recognised.

27 BANK AND OTHER BORROWINGS

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
Bank borrowings		
– secured	**259,889**	304,338
– secured and guaranteed	**8,497,064**	7,938,978
– unsecured and guaranteed	**1,059,293**	–
	9,816,246	8,243,316
Trust and other borrowings		
– secured	**105,679**	–
– secured and guaranteed	**3,148,289**	5,361,350
	3,253,968	5,361,350
Total bank and other borrowings	**13,070,214**	13,604,666
Less: amounts due within one year or on demand shown under current liabilities	**(3,627,753)**	(1,380,497)
Amounts shown under non-current liabilities	**9,442,461**	12,224,169

27 BANK AND OTHER BORROWINGS (CONTINUED)

(a) The borrowings are repayable:

	31 December 2021			
	Bank borrowings RMB'000	**Trust borrowings RMB'000**	**Other borrowings RMB'000**	**Total RMB'000**
Within one year or on demand	**2,833,231**	**128,145**	**666,377**	**3,627,753**
More than one year, but not exceeding two years	**6,067,935**	**1,230,850**	**1,037,316**	**8,336,101**
More than two year, but not exceeding five years	**915,080**	**–**	**191,280**	**1,106,360**
	9,816,246	**1,358,995**	**1,894,973**	**13,070,214**
Less: amounts due within one year or on demand shown under current liabilities	**(2,833,231)**	**(128,145)**	**(666,377)**	**(3,627,753)**
Amount shown under non-current liabilities	**6,983,015**	**1,230,850**	**1,228,596**	**9,442,461**

	31 December 2020			
	Bank borrowings RMB'000 (Restated)	Trust borrowings RMB'000 (Restated)	Other borrowings RMB'000 (Restated)	Total RMB'000 (Restated)
Within one year or on demand	879,887	1,050	499,560	1,380,497
More than one year, but not exceeding two years	5,306,547	3,659,895	505,846	9,472,288
More than two year, but not exceeding five years	2,056,881	–	695,000	2,751,881
	8,243,315	3,660,945	1,700,406	13,604,666
Less: amounts due within one year or on demand shown under current liabilities	(879,887)	(1,050)	(499,560)	(1,380,497)
Amount shown under non-current liabilities	7,363,428	3,659,895	1,200,846	12,224,169

(b) Trust borrowings are in the form of trust arrangement with trust financing companies. The conventional loan arrangements are loan agreements entered into between the Group and trust financing companies.

(c) Other borrowings mainly represent secured and guaranteed loans obtained from asset management companies and securitisation arrangements.

27 BANK AND OTHER BORROWINGS (CONTINUED)

(a) The borrowings are repayable: (Continued)

(d) Fixed-rate borrowings amounting to RMB5,586,343,000 (2020: RMB9,700,464,000) carry interest ranging from 1.55% to 12.92% (2020: 1.55% to 14.00%) per annum at 31 December 2021. The remaining borrowings amounting to RMB7,483,871,000 (2020: RMB3,904,202,000) are arranged at variable rates with effective interest rates ranging from 1.60% to 9.8% (2020: 3.65% to 12.00%) per annum at 31 December 2021.

(e) The range of effective interest rates at the end of each reporting period is as follows:

	31 December 2021	31 December 2020 (Restated)
Bank borrowings	**1.55% to 11.70%**	1.55% to 11.70%
Trust borrowings	**10.00% to 12.00%**	12.00% to 14.00%
Other borrowings	**7.10% to 12.92%**	7.10% to 12.92%

(f) Except for bank and other borrowings of RMB2,478,602,000 (2020: RMB2,347,418,000) which are denominated in HK$ and RMB497,009,000 (2020: RMB1,061,449,000) which are denominated in US$ as at 31 December 2021, all the bank and other borrowings are denominated in RMB.

28 SENIOR NOTES

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
Issued in 2019 and due March 2022	*(a)*	**866,686**	1,757,054
Issued in 2019 and due May 2022	*(b)*	**638,212**	747,265
Issued in 2019 and due February 2023	*(c)*	**1,128,039**	2,139,166
Issued in 2020 and due June 2021		**–**	954,730
Issued in 2020 and due October 2022	*(d)*	**1,283,131**	1,241,069
Issued in 2020 and due April 2023	*(e)*	**1,915,928**	1,913,733
Issued in 2021 and due July 2023	*(f)*	**1,955,767**	–
Issued in 2021 and due February 2024	*(g)*	**1,452,835**	–
		9,240,598	8,753,017
Less: amounts due and demandable for repayment within one year shown under current liabilities		**(2,842,463)**	(5,687,872)
Included in non-current liabilities		**6,398,135**	3,065,145

28 SENIOR NOTES (CONTINUED)

The movement of senior notes for the year is set out below:

	2021 RMB'000	2020 RMB'000 (Restated)
At 1 January	**8,753,017**	5,274,776
Derivative financial instruments recognised	**–**	(51,434)
Issue of new senior notes	**3,403,703**	5,178,336
Repayment	**(3,115,351)**	(1,394,203)
Extinguish upon repurchasing	**30,815**	30,585
Exchange differences	**(146,171)**	(560,884)
Interest expense *(Note 10)*	**1,394,317**	1,222,730
Interest paid	**(1,079,732)**	(946,889)
At 31 December	**9,240,598**	8,753,017

(a) In 2019, the Company issued senior notes (the "March 2022 Senior Notes") with a principal amount of US$255,000,000 (equivalent to approximately RMB1,756,046,000), bearing interest at a fixed interest rate of 13.75% per annum and will mature in March 2022. A portion of the March 2022 Senior Notes was used to exchange for a total of US$174,671,000 in principal amount of the senior notes due October 2020.

In 2020, the Company issued the March 2022 Senior Notes with a principal amount of US$67,500,000 (equivalent to approximately RMB472,891,500), which were consolidated with and formed a single series with the March 2022 Senior Notes.

In 2020, the Company repurchased the March 2022 Senior Notes in an aggregate principal amount of US$60,000,000 (equivalent to approximately RMB402,168,000), representing 18.60% of the aggregate principal amount of the notes originally issued.

In 2021, the Company repurchased the March 2022 Senior Notes in an aggregate principal amount of US$129,870,000 (equivalent to RMB841,430,000), representing 40.27% of the aggregate principal amount of the notes originally issued.

28 SENIOR NOTES (CONTINUED)

(b) In 2019, the Company issued senior notes (the "May 2022 Senior Notes") with a principal amount of US$250,000,000 (equivalent to approximately RMB1,691,013,000), bearing interest at a fixed interest rate of 11.375% per annum, will mature in May 2022. A portion of the May 2022 Senior Notes was used to exchange for all of the outstanding US$160,000,000 senior notes due October 2019, i.e., the 2018 senior notes due October 2019.

In 2020, the Company repurchased the May 2022 Senior Notes in an aggregate principal amount of US$135,000,000 (equivalent to approximately RMB904,878,000), representing 54% of the aggregate principal amount of the notes originally issued.

In 2021, the Company repurchased the May 2022 Senior Notes in an aggregate principal amount of US$12,000,000 (equivalent to RMB77,582,000), representing 4.8% of the aggregate principal amount of the notes originally issued.

(c) In 2019, the Company issued senior notes (the "February 2023 Senior Notes") with a principal amount of US$237,500,000 (equivalent to approximately RMB1,677,136,000), bearing interest at a fixed interest rate of 13.75% per annum and will mature in February 2023.

In 2020, the Company issued the February 2023 Senior Notes with a principal amount of US$90,000,000 (equivalent to approximately RMB629,947,000), which were consolidated with and formed a single series with the February 2023 Senior Notes.

In 2021, the Company repurchased the February 2023 Senior Notes in an aggregate principal amount of US$151,785,000 (equivalent to RMB979,315,000), representing 46.34% of the aggregate principal amount of the notes originally issued.

(d) In 2020, the Company issued senior notes (the "October 2022 Senior Notes") with a principal amount of US$200,000,000 (equivalent to approximately RMB1,314,260,000), bearing interest at a fixed interest rate of 12% per annum and will mature in October 2022.

(e) In 2020, the Company issued senior notes (the "April 2023 Senior Notes") with a principal amount of US$300,000,000 (equivalent to approximately RMB1,997,690,000), bearing interest at a fixed interest rate of 12.5% per annum and will mature in April 2023.

(f) In 2021, the Company issued senior notes (the "July 2023 Senior Notes") with a principal amount of US$300,000,000 (equivalent to approximately RMB1,957,470,000), bearing interest at a fixed interest rate of 12.50% per annum and will mature in July 2023.

(g) In 2021, the Company issued senior notes (the "February 2024 Senior Notes") with a principal amount of US$230,000,000 (equivalent to approximately RMB1,488,587,000), bearing interest at a fixed interest rate of 11.00% per annum and will mature in February 2024.

28 SENIOR NOTES (CONTINUED)

(h) Early redemption call options:

The Company has the right, at its option, to redeem the above senior notes in whole but not in part of the respective principal amount at any time prior to the mature date, at a redemption price equal to 100% of the respective principal amount, plus accrued and unpaid interest, if any, to the date of redemption.

The Company has the right, at its option, to redeem up to 35% of certain senior notes at any time prior to the mature dates, at redemption prices ranging from 111% to 112.5% of the respective principal amount, plus accrued and unpaid interest, if any, to the date of redemption.

The Company has the right, at its option, to redeem the February 2024 Senior Notes at any time and from time to time on or after 17 May 2023, in whole or in part, at the redemption price equal to 102.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

As at 31 December 2021, these call options were not recognised as derivative financial instruments since their fair value amounts are immaterial (31 December 2020: nil).

29 SHARE CAPITAL

	Number of shares	Nominal value HK$'000	RMB'000
Ordinary shares of HK$0.01 each			
Authorised			
At 1 January 2021 and 31 December 2020	10,000,000,000	100,000	
Issued and fully paid			
At 1 January 2021	4,055,734,623	40,557	34,876
Issue of shares for Luyuan Acquisition *(Note 1.3)*	840,000,000	8,400	6,994
Issue of shares upon scrip dividend scheme (a)	14,094,525	141	117
At 31 December 2021	4,909,829,148	49,098	41,987
At 1 January 2020	3,944,252,161	39,443	33,870
Issue of shares upon scrip dividend scheme	111,482,462	1,114	1,006
At 31 December 2020	4,055,734,623	40,557	34,876

(a) Share scrip alternative were offered in respect of dividends declared during the year (Note 14). In July 2021, 14,094,525 shares were issued at HK$3.59 each to shareholders who had elected to receive new shares in lieu of cash dividend of HK$50,599,000 (equivalent to RMB42,130,000) (2020: RMB313,377,000) in respect of the 2020 final dividend under the scrip dividend scheme. The amount in excess of share capital issued is taken to share premium account.

30 CONVERTIBLE BONDS

(a) Convertible Bonds for Acquisition

As disclosed in Note 1.3, on 30 June 2021, as a part of the consideration for Luyuan Acquisition, the Company issued convertible bonds (the "Convertible Bonds for Acquisition") in an aggregate principal amount of HK$3,420,640,000 (equivalent to RMB2,848,025,000) to the Ultimate Shareholder, entitling the Ultimate Shareholder to convert at the conversion price of HK$3.30 per conversion share (subject to adjustment for dilutive events) into 1,036,557,575 ordinary shares. The Convertible Bonds for Acquisition will mature in five years and bear no interest. The bond holder shall have the right, but not the obligation, to convert in whole or in part, the outstanding principal amount of the Convertible Bonds for Acquisition into such number of fully paid shares of the Company. Unless previously converted, the then outstanding principal amount of the Convertible Bonds for Acquisition shall be fully converted at 100% of their principal amount on the maturity date. The Company will not receive further consideration when the bondholders determine to convert the bonds into ordinary shares of the Company at the maturity date. The Convertible Bonds for Acquisition is non-redeemable by the Company or the bondholders.

As the Company has no contractual obligation to deliver cash or other financial assets nor to deliver a variable number of shares, the Convertible Bonds for Acquisition is recognised and included in equity upon initial recognition.

(b) 2025 Convertible Bonds

In July 2021, the Company issued convertible bonds with a principal total amount of US$100,000,000 (equivalent to RMB646,380,000) at 100% issue price, bearing interest at a fixed interest rate of 7.0% per annum and maturing in January 2025 (the "2025 Convertible Bonds"). The cash proceeds related to the issuance of US$97,417,000 (equivalent to RMB629,687,000) were received by the Group after deducting the issue cost of RMB16,693,000. The 2025 Convertible Bonds contains three embedded derivatives arising from the holders' conversion rights, the holders' put options and the Company's call options as follows:

The holders' conversion rights and holders' put options will significantly modify the cash flow of the host contract and are not closely related to economic characteristics and risks of the host contract. Conversely, as the Company's call option price approximates the principle together with accrued interest on call option date, the Company's call options do not significantly modify the cash flows of the host contract and are closely related to economic characteristics and risks of the host contract. Hence, holders' conversion rights and the holders' put options are separated from the host contract, while the Company's call options are not separated from the host contract.

The initial fair value of the host contract of the 2025 Convertible Bonds was determined using a market interest rate for an equivalent non-convertible straight bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion, early redemption or maturity of the bonds.

30 CONVERTIBLE BONDS (CONTINUED)

(b) 2025 Convertible Bonds (Continued)

As the conversion currency is different from the Company's functional currency, the conversion right will not be settled by the Company exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. Hence, the holders' conversion rights are treated as financial liabilities.

The holders' put options and holders' conversion rights are treated as a single compound embedded derivative financial liability as they are contained in a single contract. An amount of RMB72,849,000 was allocated to holders' conversion rights and holders' put options and recognised as derivative financial instruments.

The movement of the 2025 Convertible Bonds are as follows:

	Derivative financial instruments RMB'000	**Host liabilities** RMB'000
Proceeds from issue of new convertible bonds	–	629,687
Derivative financial instruments recognised	72,849	(72,849)
Fair value change of derivative financial instruments	101,704	–
Exchange differences	(2,222)	(7,958)
Interest expense *(Note 10)*	–	32,576
As at 31 December 2021	172,331	581,456

31 RESERVES

	Share premium RMB'000	Special reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2021	7,110,300	(2,088,068)	824,014	(2,945)	1,097,325	9,228,732	16,169,358
Total comprehensive income for the year	–	–	–	(12,268)	–	2,419,877	2,407,609
Dividends *(Note 14)*	(523,405)	–	–	–	–	–	(523,405)
Dividend paid by entities under common control before acquisition *(Note 14)*	–	–	–	–	–	(154,700)	(154,700)
Issue of shares upon scrip dividend scheme *(Note 14)*	42,013	–	–	–	–	–	42,013
Transfer to reserves *(a)*	–	–	–	–	461,405	(461,405)	–
Capital contribution from the Ultimate Shareholder *(Note 1.3)*	–	3,960,000	–	–	–	–	3,960,000
Acquisitions of entities under common control *(b)*	2,300,973	(6,413,821)	379,503	–	–	–	(3,733,345)
Capital contribution from non-controlling interests *(Note 36)*	–	–	174,998	–	–	–	174,998
Acquisitions of non-controlling interests *(Note 36)*	–	–	225,852	–	–	–	225,852
At 31 December 2021	8,929,881	(4,541,889)	1,604,367	(15,213)	1,558,730	11,032,504	18,568,380

31 RESERVES (CONTINUED)

	Share premium RMB'000	Special reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2020 (Restated)	7,209,580	(4,597,687)	260,642	(1,124)	580,848	6,367,382	9,819,641
Total comprehensive income for the year	–	–	–	(1,821)	–	3,377,827	3,376,006
Dividends *(Note 14)*	(391,651)	–	–	–	–	–	(391,651)
Issue of shares upon scrip dividend scheme *(Note 14)*	312,371	–	–	–	–	–	312,371
Transfer to reserves *(a)*	–	–	–	–	516,477	(516,477)	–
Capital contribution from the Ultimate Shareholder	–	2,509,619	–	–	–	–	2,509,619
Capital contribution from non-controlling interests *(Note 36)*	–	–	592,377	–	–	–	592,377
Acquisition of entities under common control	(20,000)	–	–	–	–	–	(20,000)
Acquisitions of non-controlling interests *(Note 36)*	–	–	(29,005)	–	–	–	(29,005)
At 31 December 2020 (Restated)	7,110,300	(2,088,068)	824,014	(2,945)	1,097,325	9,228,732	16,169,358

(a) The Company's subsidiaries registered in the PRC are required to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends.

(b) As explained in Note 1.3, the total consideration for the Luyuan Acquisition was RMB6,034,318,000. The net asset value of Luyuan at the acquisition date of RMB6,413,821,000 was taken to the special reserve and the difference between the consideration and the net asset value was recorded in the other reserves.

32 CASH FLOW INFORMATION

(a) Cash generated from operations:

	Note	2021 RMB'000	2020 RMB'000 (Restated)
Operating activities			
Profit before taxation		**4,582,949**	6,254,464
Adjustments for:			
Interest income	*8*	**(157,502)**	(342,268)
Finance costs	*10*	**216,268**	318,547
Net impairment losses on financial assets and guarantee contracts	*3(b)*	**98,294**	62,121
Share of results of investments accounted for using the equity method	*17*	**48,777**	(125,041)
Depreciation and amortisation	*12*	**42,447**	31,897
Fair value change on investment properties	*16*	**272,452**	177,503
Other gains and losses	*9*	**(383,250)**	(860,495)
Operating cash flows before movements in working capital		**4,720,435**	5,516,728
Inventories of properties		**(4,176,124)**	186,057
Payment for deposits for land use rights		**–**	(487,262)
Trade and other receivables		**996,999**	2,288,779
Financial assets at fair value through profit or loss		**193**	51
Contract acquisition costs		**–**	799
Trade and other payables		**(1,344,046)**	(1,088,049)
Pre-sale deposits received		**5,706,603**	(6,437,227)
Restricted bank deposits		**667,343**	938,587
Cash generated from operations		**6,571,403**	918,463

32 CASH FLOW INFORMATION (CONTINUED)

(b) In the consolidated statement of cash flow, proceeds from disposals of property and equipment and investment properties comprise:

	Property and equipment		Investment properties	
	2021 RMB'000	2020 RMB'000 (Restated)	**2021 RMB'000**	2020 RMB'000 (Restated)
Net book amount disposed of	**716**	526	**175,082**	–
Gains/(losses) on disposals (Note 9)	**279**	–	**(29,076)**	–
Proceeds from disposals	**995**	526	**146,006**	–

(c) Cash paid for acquisition of subsidiaries

	2021 RMB'000	2020 RMB'000 (Restated)
Settlement of consideration payables for acquisitions of subsidiaries in prior years	**(67,220)**	–
Net cash flow on acquisitions of subsidiaries (Note 37)	**68,408**	222,553
Proceeds	**1,188**	222,553

(d) Non-cash investing and financing activities

Major non-cash transactions during the year represented the payment of dividend under scrip dividend scheme (Note 14) and JY StanGroup Transaction (Note 36).

32 CASH FLOW INFORMATION (CONTINUED)

(e) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Lease liabilities RMB'000	Bank and other borrowings RMB'000	Senior notes RMB'000	Advances from non-controlling interests RMB'000	Advances from related parties RMB'000	Convertible bonds RMB'000	Derivative financial instruments RMB'000	Total RMB'000
As at 1 January 2021	9,595	13,604,666	8,753,017	819,719	1,021,120	–	190,913	24,399,030
Cash flows								
– Financing cash flows	(10,856)	(858,557)	309,808	212,333	(1,560,931)	629,687	–	(1,278,516)
– Interest paid	–	(1,040,721)	(1,079,732)	–	–	–	–	(2,120,453)
Non-cash flows								
– Disposals of subsidiaries	–	(34,262)	–	–	–	–	–	(34,262)
– Acquisitions of a joint venture	–	–	–	–	12,500	–	–	12,500
– Elimination against amounts due from related parties	–	–	–	–	(667,009)	–	–	(667,009)
– Gains on extinguishment upon repurchasing	–	–	(21,456)	–	–	–	–	(21,456)
– Derivative liability component of convertible bonds	–	–	–	–	–	(72,849)	72,849	–
– Change in fair value of derivative financial instruments	–	–	–	–	–	–	(57,346)	(57,346)
– Extinguish upon repurchase	–	–	30,815	–	–	–	(30,815)	–
– Foreign exchange translation	–	(90,597)	(146,171)	–	–	(7,958)	(3,270)	(247,996)
– Interest expense	1,004	1,169,685	1,394,317	–	–	32,576	–	2,597,582
– Lease contract addition, modification and termination	8,388	–	–	–	–	–	–	8,388
– Transferred from a joint venture to subsidiary	–	320,000	–	–	–	–	–	320,000
– Acquisitions of joint ventures	–	–	–	–	2,172,199	–	–	2,172,199
As at 31 December 2021	8,131	13,070,214	9,240,598	1,032,052	977,879	581,456	172,331	25,082,661

32 CASH FLOW INFORMATION (CONTINUED)

(e) Reconciliation of liabilities arising from financing activities (Continued)

	Lease liabilities RMB'000	Bank and other borrowings RMB'000	Senior notes RMB'000	Advances from non–controlling interests RMB'000	Advances from related parties RMB'000	Derivative financial instruments RMB'000	Total RMB'000
As at 1 January 2020 (Restated)	10,914	12,404,991	5,274,776	729,885	261,979	238,387	18,920,932
Cash flows							
– Financing cash flows	(7,619)	(840,488)	3,784,133	(90,686)	1,848,107	–	4,693,447
– Interest paid	–	(1,578,586)	(946,889)	(9,820)	(17,913)	–	(2,553,208)
Non–cash flows							
– Acquisitions of subsidiaries	–	2,524,100	–	180,520	–	–	2,704,620
– Transferred from amounts due to third parties upon acquisition of a joint venture	–	–	–	–	219,403	–	219,403
– Elimination against amounts due from related parties	–	–	–	–	(1,309,644)	–	(1,309,644)
– Derivative liability component of senior notes	–	–	(51,434)	–	–	51,434	–
– Change in fair value of derivative financial instruments	–	–	–	–	–	(54,053)	(54,053)
– Extinguish upon repurchase the senior notes	–	–	30,585	–	–	(30,585)	–
– Foreign exchange translation	–	(236,120)	(560,884)	–	–	(14,270)	(811,274)
– Interest expense	806	1,330,769	1,222,730	9,820	19,188	–	2,583,313
– Lease contract modification	5,494	–	–	–	–	–	5,494
As at 31 December 2020 (Restated)	9,595	13,604,666	8,753,017	819,719	1,021,120	190,913	24,399,030

33 PLEDGE OF ASSETS

The following assets were pledged to secure mortgage guarantees provided to customers and certain banking and other facilities granted to the Group at the end of the year:

	2021 RMB'000	2020 RMB'000 (Restated)
Inventories of properties	**17,852,117**	18,196,452
Investment properties	**2,104,600**	3,462,100
Pledged bank deposits	**40,607**	876,111
Property and equipment	**73,131**	72,395
Financial assets at fair value through profit or loss	**16,499**	16,604
	20,086,954	22,623,662

34 COMMITMENTS

As at 31 December 2021, the Group had the following commitments:

Commitments for capital expenditures

	2021 RMB'000	2020 RMB'000 (Restated)
Contracted but not provided for:		
Contribution to investments accounted for using the equity method	**143,081**	143,774
Construction of investment properties	**86,807**	84,811
Acquisitions of entities	**–**	269,811

35 FINANCIAL GUARANTEES

	2021 RMB'000	2020 RMB'000 (Restated)
Mortgage guarantees provided to customers	**11,284,483**	11,041,907
Financial guarantees provided to joint ventures	**2,861,227**	300,000

The Group provided guarantees in respect of mortgage bank loans granted to purchasers of the Group's properties. Guarantees are given to banks with respect of loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the purchasers obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

As at 31 December 2021, the Group provided guarantees to the extent of RMB2,861,227,000 (2020: RMB300,000,000) in respect of credit facilities granted to joint ventures.

These credit facilities provided to joint ventures are secured by the Group's equity interests with a total carrying value of RMB3,965,927,000. The joint venture partners provided counter-guarantees to the Group in the proportion to their respective equity interests.

In the opinion of the Directors of the Company, the fair values of these financial guarantee contracts are insignificant at initial recognition and at relevant reporting dates, accordingly no value has been recognised for these contracts. Refer Note 3(b) for credit risk assessment on these contracts.

36 TRANSACTION WITH NON-CONTROLLING INTERESTS

The aggregate effects of transactions with non-controlling interests on the equity attributable to owners of the Group for the year ended 31 December 2021 are as follows:

	2021 RMB'000	2020 RMB'000 (Restated)
Changes in equity attributable to owners of the Company arising from:		
Capital contribution from non-controlling interests (a)	**174,998**	592,377
Acquisition of non-controlling interests		
– JY StanGroup Transaction (b)	**504,293**	–
– Other transactions (c)	**(278,441)**	(29,005)
	225,852	(29,005)
	400,850	563,372

36 TRANSACTION WITH NON-CONTROLLING SHAREHOLDERS (CONTINUED)

(a) During the year, third parties injected a total of RMB1,524,787,000 (2020: RMB2,089,092,000) to subsidiaries of the Group without loss of control to obtain equity interests in these subsidiaries. The Group recognised an increase in reserve of RMB174,998,000 (2020: RMB592,377,000) and increase in non-controlling interests of RMB1,349,789,000 (2020: RMB1,496,715,000).

(b) JY StanGroup Transaction

Before November 2021, Jiayuan StanGroup Development Company Limited ("JY StanGroup"), an investment holding company, was a 70.1% equity-owned subsidiary of the Group. The other 29.9% equity interest of JY Stan Group was owned by a non-controlling shareholder ("NCS"). Top Galaxy Limited ("Top Galaxy") and Sino Harbour Holdings Limited ("Sino Harbour"), were wholly-owned subsidiaries of JY StanGroup and held property projects in Hong Kong.

In November 2021, the Group and JY StanGroup entered into transfer agreements with the NCS to acquire 100% equity interest of Top Galaxy from JY StanGroup with consideration of (a) the Group to dispose of 70.1% equity interest in JY StanGroup with its wholly-owned subsidiary Sino Harbour to the NCS; and (b) the Group to settle the amount other receivables or other payables with the NCS. These transactions were completed in November 2021.

The disposal of 70.1% equity interest in JY StanGroup together with its wholly-owned subsidiary, Sino Harbour ("Disposal Group") was treated as disposals of subsidiaries and the difference between the fair value of the consideration and the carry amount of 70.1% equity interest of the Disposal Group was recognised as gains on disposals. The management has determined the fair value of the consideration as the fair value of 70.1% equity interest of the Disposal Group which was made by reference to the fair value of the underlying property projects.

Details of the transactions are as follows:

(i) Disposal of 70.1% equity interest of the Disposal Group:

	RMB'000
Fair value of the consideration	68,325
Less: 70.1% equity interest of the Disposal Group at the completion date	(60,859)
Gains on disposals recognised in consolidated income statements	7,466

36 TRANSACTION WITH NON-CONTROLLING SHAREHOLDERS (CONTINUED)

(b) JY StanGroup Transaction (Continued)

(ii) Acquisition of 100% equity interest of Top Galaxy:

The acquisition of 100% equity interest of Top Galaxy from JY StanGroup, was treated as transactions with non-controlling interest. The consideration of this acquisition comprised of the fair value of 70.1% equity interest of the Disposal Group, other receivables due from the NCS and other payables due to the NCS. The difference between the fair value of the consideration and the carry amount of 29.9% equity interest of Top Galaxy was recognised as reserves.

	RMB'000
Carry amount of 29.9% equity interest of Top Galaxy	592,302
Less: consideration	
– Fair value of 70.1% equity interest of the Disposal Group	(68,325)
– Non-cash settlement of other receivables due from the NCS	(221,027)
– Non-cash settlement of other payables due to the NCS	201,343
	(88,009)
Amount recognised as reserve	504,293

The changes in non-controlling interests of the JY StanGroup Transaction includes a decrease of non-controlling interests of Top Galaxy in the amount of RMB592,302,000 and a decrease of non-controlling interests of the Disposal Group in the amount of RMB289,565,000.

(c) Other transactions

Apart from the JY StanGroup Transaction, the Group acquired additional equity interests in other subsidiaries from non-controlling interests for a total consideration of RMB1,468,562,000 during the year (2020: RMB60,000,000). The Group recognised a decrease in reserve of RMB278,441,000 (2020: RMB29,005,000) and decrease in non-controlling interest of RMB1,190,121,000 (2020: RMB30,995,000), respectively, for these acquisitions.

37 BUSINESS COMBINATIONS

During the year ended 31 December 2021, the Group had the below business combinations:

	Consideration RMB'000	Net cash flow on acquisitions RMB'000	Non-controlling interests impact RMB'000	Gains arising from bargain purchase RMB'000	Gains on disposals of investments accounted for using the equity method RMB'000
Transfer of joint ventures to subsidiaries (a)	936,995	181,803	250,383	84,588	93,983
Acquisition of subsidiaries with negative goodwill (b)	65,000	–	68,433	37,649	–
Acquisition of subsidiaries with positive goodwill (c)	149,438	(113,395)	1,866	–	–
	1,151,433	68,408	320,682	122,237	93,983

(a) Before June 2021, the Group held 50% equity interest of Gang Yuan (Cambodia) Development Co., Ltd. ("Gang Yuan"), which was a joint venture of the Group. In June 2021, the Group acquired from the joint venture partner's 50% equity interests in Gang Yuan at a consideration of US$30,000,000 (equivalent to approximately RMB193,914,000). As a result, the equity interest of Gang Yuan held by the Group increased from 50% to 100% and Gang Yuan became a subsidiary of the Group.

Before July 2021, the Group held 65% equity interest of Yancheng Xingzhou Jiayuan Real Estate Development Co., Ltd. ("Yancheng Xingzhou"), which was a joint venture of the Group. In July 2021, the Group and the joint venture partner of Yancheng Xingzhou, revised the Articles of Association of Yancheng Xingzhou, resulting that the Group obtained control on Yancheng Xingzhou. The transaction was treated as a business combination of subsidiary.

Before July 2021, the Group held 51% equity interest of Zhejiang Xingjia Property Service Co., Ltd. ("Zhejiang Xingjia"), which was a joint venture of the Group. In July 2021, the Group and the joint venture partner of Zhejiang Xingjia, revised the Articles of Association of Zhejiang Xingjia and the Group obtained control of Zhejiang Xingjia. The transaction was treated as a business combination of subsidiary.

37 BUSINESS COMBINATIONS (CONTINUED)

(a) Details of the purchase consideration and the financial information of the Gang Yuan, Yancheng Xingzhou and Zhejiang Xingjia on the acquisition date are summarised as follows:

	RMB'000
Consideration	
Cash consideration paid	193,803
Fair value of investments in joint ventures held before business combination	743,192
Total consideration	936,995
Total amounts of identifiable assets acquired and liabilities assumed:	
Property and equipment	8,266
Inventories of properties	2,382,365
Trade and other receivables	527,879
Prepaid income tax	12,754
Restricted bank deposits	176,090
Cash and cash equivalents	375,606
Trade and other payables	(1,103,535)
Pre-sale deposits received	(658,856)
Current income tax liabilities	(68)
Bank and other borrowings	(320,000)
Deferred tax liabilities	(128,535)
Total identifiable net assets	1,271,966
Non-controlling interests	(250,383)
Net assets acquired	1,021,583
Gains arising from bargain purchase	84,588

37 BUSINESS COMBINATIONS (CONTINUED)

(a) (Continued)

	RMB'000
Fair value of investments in joint ventures held before business combination	743,192
Less: carrying amount of investments in joint ventures held before business combination	(649,209)
Gains on deemed disposals	93,983
Cash flows on business combination, net of cash acquired:	
– Cash consideration paid	(193,803)
– Cash and cash equivalents in the subsidiaries acquired	375,606
Net cash inflow on acquisition	181,803

The acquired business contributed total revenue of RMB67,916,000 and net profit of RMB21,537,000 to the Group for the period from its acquisition date to 31 December 2021. Had the acquisition been completed on 1 January 2021, the revenue of the Group for the year would be RMB18,947,637,000 and net profit of the Group for the year would be RMB2,672,926,000.

The Group elected to recognise the non-controlling interests at its proportionate share of the acquired identifiable assets.

Gain arising from bargain purchase was mainly due to the fact that the other shareholder of Gang Yuan had the intention to exit from its investment in the acquired business due to change of operational strategy.

37 BUSINESS COMBINATIONS (CONTINUED)

(b) In April 2021, the Group acquired 60% equity interests in the Shenzhen Jiashengyuan Real Estate Development Co., Ltd. ("Shenzhen Jiashengyuan") at a cash consideration of RMB65,000,000 from a third party.

Details of the purchase consideration and the financial information of the Shenzhen Jiashengyuan on the acquisition date are summarised as follows:

	RMB'000
Consideration	
Settled in 2021	–
Outstanding as at 31 December 2021	65,000
Total cash consideration	65,000
Total amounts of identifiable assets acquired and liabilities assumed:	
Property and equipment	523
Inventories of properties	836,000
Prepaid income tax	22,813
Trade and other receivables	46,236
Restricted bank deposits	11,377
Pre-sale deposits received	(313,147)
Trade and other payables	(374,651)
Deferred tax liabilities	(58,069)
Total identifiable net assets	171,082
Non-controlling interests	(68,433)
Net assets acquired	102,649
Gains arising from bargain purchase	37,649
Cash flows on business combination, net of cash acquired:	
– Cash consideration paid	–
– Cash and cash equivalents in the subsidiaries acquired	–
Net cash outflow on acquisition	–

37 BUSINESS COMBINATIONS (CONTINUED)

(b) (Continued)

The acquired business contributed total revenue of RMB582,910,000 and net profit of RMB127,654,000 to the Group for the period from the acquisition date to 31 December 2021. Had the acquisition been completed on 1 January 2021, revenue of the Group for the year would be RMB18,946,856,000 and net profit of the Group for the year would be RMB2,666,250,000.

The Group elected to recognise the non-controlling interests at its proportionate share of the acquired identifiable assets.

Gain arising from bargain purchase of Shenzhen Jiashengyuan was mainly due to the fact that the vendor had the intention to exit from its investment in Shenzhen Jiashengyuan due to the operational strategy of the vendor.

(c) In April 2021, the Group acquired 100% equity interest in Shanghai Baoji Property Management Company Limited ("Shanghai Baoji") at a consideration of RMB139,238,000 from a third party. In October 2021, the Group acquired 51% equity interest in Hunan Yahua Property Services Company Limited ("Hunan Yahua") at a consideration of RMB10,200,000 from a third party.

Details of the purchase consideration and the financial information of the Shanghai Baoji and Hunan Yahua on the acquisition date are summarised as follows:

	RMB'000
Consideration	
Settled in 2021	120,599
Outstanding as at 31 December 2021	28,839
Total cash consideration	149,438
Total amounts of identifiable assets acquired and liabilities assumed:	
Property and equipment	5,317
Intangible assets – property management contracts	35,430
Trade and other receivables	92,297
Cash and cash equivalents	7,204
Pre-sale deposits received	(24,180)
Trade and other payables	(43,741)
Current income tax liabilities	(4,069)
Deferred tax liabilities	(8,857)

37 BUSINESS COMBINATIONS (CONTINUED)

(c) (Continued)

	RMB'000
Total identifiable net assets	**59,401**
Non-controlling interests	**(1,866)**
Goodwill	**91,903**
Net assets acquired	**149,438**
Cash flows on business combination, net of cash acquired:	
– Cash consideration paid in 2021	**(120,599)**
– Cash and cash equivalents in the subsidiaries acquired	**7,204**
Net cash outflow on acquisition	**(113,395)**

The acquired business contributed total revenue of RMB77,682,000 and net profit of RMB1,939,000 to the Group for the period from the acquisition date to 31 December 2021. Had the acquisitions been completed on 1 January 2021, revenue of the Group for the year would be RMB18,986,653,000 and net profit of the Group for the year would be RMB2,677,797,000.

The Group elected to recognise the non-controlling interests at its proportionate share of the acquired identifiable assets.

The goodwill arose from the acquisition of Shanghai Baoji was mainly attributable to the expected synergies from combining the operations of the Group and the acquired entity.

38 DISPOSALS OF SUBSIDIARIES

During the year ended 31 December 2021, the Group disposed of the below subsidiaries:

	Consideration RMB'000	Net cash flow on disposals RMB'000	Non-controlling interests impact RMB'000	Gains on disposals of subsidiaries RMB'000
Zhengzhou Mingchuan and Guoyang Mingbang (a)	667,000	(936,716)	(500,344)	36,193
Guoyang Jiayuan and Fengtai Mingyuan *(Note 17(b)(ii))*	431,917	(52,738)	–	30,267
Anhui Songjia *(Note 17(b)(iii))*	500,264	(1,020)	–	266
JY StanGroup *(Note 36(b))*	68,325	–	(289,565)	7,466
Total	1,667,506	(990,474)	(789,909)	74,192

(a) Zhengzhou Mingchuan and Guoyang Mingbang

Zhengzhou Mingchuan Real Estate Development Co., Ltd. ("Zhengzhou Mingchuan") and Guoyang Mingbang Real Estate Co., Ltd. ("Guoyang Mingbang") were both 51% owned subsidiaries of the Group before 2021. In 2021, the Group disposed of its entire equity interests in Zhengzhou Mingchuan and Guoyang Mingbang for cash consideration of RMB616,000,000 and RMB51,000,000 respectively to third parties.

Details of the disposals are as follows:

	RMB'000
Total consideration of the disposals	
– Cash received in 2021	117,000
– Outstanding and included in other payables	550,000
	667,000
Less: total carry amount of equity interests in subsidiaries	(630,807)
Gains on disposals	36,193
Cash proceeds from disposals, net of cash disposed of	
– Total cash consideration received in 2021	117,000
– Less: total cash and cash equivalents in subsidiaries	(1,053,716)
Net cash outflow on disposals	(936,716)

39 RELATED PARTY TRANSACTIONS AND BALANCES

The Company is ultimately controlled by Mr. Shum Tin Ching, the Ultimate Shareholder.

(a) Related party transactions

Apart from those related party transactions disclosed above in the consolidated financial statements, the following transactions were carried out with related parties.

	2021 RMB'000	2020 RMB'000 (Restated)
(i) Entities controlled by the Ultimate Shareholder and the close family members of the Ultimate Shareholder		
Procurement of intelligent system equipment	47,347	64,251
Procurement of architectural design services	5,323	9,725
Provision of property management services	47,926	46,677
Settlement of lease liabilities	166	151
Interest expense on lease liabilities	12	20
Additions of right-of-use assets	–	475
Procurement of property rental management services	5,890	–
Procurement of electrical appliances	–	6,305
Subscription the Company's senior notes	195,510	–
Interest expense of senior notes	6,351	–
Provision of financial guarantees to the Group	8,709,456	11,074,445
(ii) Entities jointly controlled by the Ultimate Shareholder		
Provision of property management services	2,593	512
(iii) Entities over which the Ultimate Shareholder has significant influence		
Provision of landscape construction	173,194	140,569
Provision of property management services	1,066	–
(iv) Joint ventures		
Provision of property management services	6,142	4,423
Provision of financial guarantees to the Group	7,990	9,079
Financial guarantees from the Group	2,861,227	300,000
(v) Associates		
Provision of property management services	1,444	–

39 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related party transactions (Continued)

On 13 January 2021, the Company entered into a sale and purchase agreement with the Ultimate Shareholder whereby the Company conditionally agreed to acquire and the Ultimate Shareholder agreed to sell the 100% equity interest of Luyuan. On 30 June 2021, the Company issued ordinary shares, convertible bonds and paid as the consideration. Details of the Luyuan Acquisition are set out in Note 1.3.

As at 31 December 2021, 100% equity interests of a company controlled by the Ultimate Shareholder have been pledged to secure bank borrowings of RMB352,212,146 (2020: RMB306,661,000) of the Group.

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

(b) Key management compensation

	2021 RMB'000	2020 RMB'000 (Restated)
Short-term benefits	**26,240**	21,038
Post-employment benefits	**231**	205
	26,471	21,243

The remuneration of directors and other members of key management is determined with reference to performance of individuals and market trends.

39 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Related party balances

At the end of the reporting period, the Group has the following significant balances with related parties:

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
(i) Entities controlled by the Ultimate Shareholder		
Trading in nature and included in:		
– Trade receivables	**58,024**	53,075
– Other receivables	**4,522**	3,381
– Prepayments	**70**	2,311
– Trade payables	**82,210**	63,218
– Other payables	**1,192**	2,251
– Lease liabilities	**156**	310
Non-trading in nature and included in:		
– Other payables	**402,531**	667,317
– Other receivables	**190,906**	2,023,095
(ii) Joint ventures		
Trading in nature and included in:		
– Trade receivables	**3,195**	–
– Other payables	**164**	–
Non-trading in nature and included in:		
– Other receivables	**1,918,265**	1,104,746
– Other payables	**575,348**	130,800
(iii) Associates		
Non-trading in nature and included in:		
– Other receivables	**628,229**	43,432
– Other payables	**–**	223,003
(iv) Entities over which the Ultimate Shareholder has significant influence		
Trading in nature and included in:		
– Trade receivables	**1,469**	–
– Prepayments	**60,456**	19,266
– Trade payables	**107,564**	31,519
– Other payables	**30,117**	–

For trading balances due from related parties, they were determined in accordance with the terms of her underlying agreements. For non-trading balance, they were interest free, unsecured and repayable on demand.

40 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position

	Note	As at 31 December 2021 RMB'000	2020 RMB'000 (Restated)
Non-current assets			
Investments in subsidiaries		**11,635,673**	5,221,852
Current assets			
Other receivables and prepayments		**592,386**	644,135
Amounts due from subsidiaries		**7,127,162**	9,087,586
Cash and cash equivalents		**4,344**	3,377
		7,723,892	9,735,098
Current liabilities			
Other payables and accrued expenses		**218,564**	91,482
Bank and other borrowings		**299,672**	33,595
Derivative financial instruments		**–**	190,913
Senior notes	*28*	**2,842,463**	5,687,872
		3,360,699	6,003,862
Net current assets		**4,363,193**	3,731,236
Total assets less current liabilities		**15,998,866**	8,953,088
Non-current liabilities			
Senior notes	*28*	**6,398,135**	3,065,145
Derivative financial instruments	*30(b)*	**172,331**	–
Convertible bonds	*30(b)*	**581,456**	–
Bank and other borrowings		**–**	273,065
		7,151,922	3,338,210
Equity			
Share capital	*29*	**41,987**	34,876
Convertible bonds	*30(a)*	**2,848,025**	–
Reserves	*40(b)*	**5,956,932**	5,580,002
Total equity		**8,846,944**	5,614,878
Total equity and non-current liabilities		**15,998,866**	8,953,088

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2022 and was signed on its behalf:

Zhang Yi
Director

Cheuk Hiu Nam
Director

40 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

(b) Reserves movements of the Company

	Note	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021		**7,110,300**	**(1,530,298)**	**5,580,002**
Dividends	*14*	**(523,405)**	**–**	**(523,405)**
Issue of shares upon scrip dividend scheme	*14*	**42,013**	**–**	**42,013**
Issue of shares for acquisitions of entities under common control	*1.3*	**2,300,973**	**–**	**2,300,973**
Loss and total comprehensive loss for the year		**–**	**(1,442,651)**	**(1,442,651)**
At 31 December 2021		**8,929,881**	**(2,972,949)**	**5,956,932**
At 1 January 2020 (Restated)		7,189,580	(1,067,733)	6,121,847
Dividends	*14*	(391,651)	–	(391,651)
Issue of shares upon scrip dividend scheme	*14*	312,371	–	312,371
Loss and total comprehensive loss for the year		–	(462,565)	(462,565)
At 31 December 2020 (Restated)		7,110,300	(1,530,298)	5,580,002

41 BENEFITS AND INTERESTS OF DIRECTORS

(a) Director's emoluments

The remuneration of every director and chief executive officer of the Company is set out below:

Year ended 31 December	Salary and other allowances		Performance related bonuses		Retirement benefit scheme contributions		Total	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Executive directors								
Mr. Zhang Yi	3,070	3,060	1,234	1,080	15	15	4,319	4,155
Ms. Cheuk Hiu Nam	166	183	–	–	–	1	166	184
Mr. Huang Fuqing	2,113	1,109	622	1,085	15	36	2,750	2,230
Mr. Wang Jianfeng	1,554	1,383	663	250	15	15	2,232	1,648
Non-executive directors								
Mr. Shum Tin Ching	796	785	–	–	15	15	811	800
Mr. Shen Xiaodong	813	855	415	500	12	15	1,240	1,370
Independent non-executive directors								
Mr. Tai Kwok Leung, Alexander	250	250	–	–	–	–	250	250
Dr. Cheung Wai Bun, Charles, JP	250	250	–	–	–	–	250	250
Mr. Gu Yunchang	250	250	–	–	–	–	250	250
	9,262	8,125	2,934	2,915	72	97	12,268	11,137

(b) Other information

During the year ended 31 December 2021, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries (2020: nil).

During the year ended 31 December 2021, no payments to the directors of the Company as compensation for the early termination of appointment (2020: nil).

41 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Other information (Continued)

During the year ended 31 December 2021, there were no considerations provided to or receivable by any third party for making available the services of a person as a director of the Company (2020: nil).

During the year ended 31 December 2021, there were no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors (2020: nil).

Except for the transactions disclosed in Note 39(a), 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 (2020: nil).

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the years. The directors' emoluments shown above were for their services in connection with the management of the affairs of the Company.

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiaries at 31 December 2021, all of these are limited liability companies:

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2021	Equity interest attributable to the Group 2020 (Restated)	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Indirectly held by the Company:						
Yangzhou Guoyuan Property Development Co., Ltd 揚州國源房地產開發有限公司	Mainland China	**100%**	100%	RMB100,000,000	Mainland China	Property development
Jiayuan (Hong Kong) Holdings Limited 佳源（香港）控股有限公司	BVI	**100%**	100%	US$1	Hong Kong	Investment and property holding
Hong Kong Jia Yuan Holdings Limited 香港佳源集團有限公司	Hong Kong	**100%**	100%	HK$990,000	Hong Kong	Investment holding
Xiangyuan Property Development Limited 祥源地產開發有限公司	Macau	**100%**	100%	Pataca de Macau 25,000	Macau	Property development
Ninggang Jiayuan Investment Consulting Group Limited 寧港佳源投資諮詢集團有限公司	Mainland China	**100%**	100%	RMB50,000,000	Mainland China	Investment holding
Shanghai Jiayuan Hucheng Real Estate Group Co., Ltd 上海佳源滬城房地產集團有限公司	Mainland China	**90%**	90%	RMB1,000,000,000	Mainland China	Investment holding
Anhui Jiayuan Real Estate Group Co., Ltd 安徽佳源房地產集團有限公司	Mainland China	**100%**	100%	RMB200,000,000	Mainland China	Investment holding
Jiayuan South (Shenzhen) Group Co., Ltd 佳源南方（深圳）集團有限公司	Mainland China	**100%**	100%	RMB714,285,700	Mainland China	Investment holding
Shenzhen Jiayuan Pengcheng Real Estate Group Co., Ltd 深圳市佳源鵬城房地產集團有限公司	Mainland China	**100%**	100%	RMB100,000,000	Mainland China	Investment holding

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group		Issued and fully paid share capital/ register capital	Place of operations	Principal activities
		2021	2020 (Restated)			
Qingdao Jiayuan Real Estate Group Co., Ltd 青島佳源房地產集團有限公司(i)	Mainland China	100%	–	RMB1,000,000,000	Mainland China	Investment holding
Jiayuan Services Holdings Limited 佳源服務控股有限公司	Cayman Islands	75%	75%	HK$20,000,000	Hong Kong	Property management
Taixing Guangyuan Property Development Co., Ltd 泰興市廣源房地產開發有限公司	Mainland China	100%	100%	RMB300,000,000	Mainland China	Property development
Enping Empire Resort and Spa Development Limited 恩平市帝都溫泉旅遊區發展有限公司	Mainland China	90%	90%	RMB133,000,000	Mainland China	Property development
Hefei Shuoyuan Real Estate Development Co., Ltd 合肥市碩源房地產開發有限公司	Mainland China	100%	100%	RMB100,000,000	Mainland China	Property development
Xinjiang Jiayuan Building Development Co. Ltd 新疆佳源創建房地產開發有限公司	Mainland China	90%	90%	RMB216,300,000	Mainland China	Property development
Yangzhou Haoyuan Real Estate Development Co., Ltd 揚州浩源房地產開發有限公司	Mainland China	100%	100%	RMB20,000,000	Mainland China	Property development
Zhejiang Jiayuan Anhui Real Estate Development Co., Ltd 浙江佳源安徽房地產開發有限公司(ii)	Mainland China	100%	100%	RMB800,000,000	Mainland China	Property development
Nanjing Xinhaoning Property Development Co., Ltd 南京新浩寧房地產開發有限公司(iii)	Mainland China	100%	70%	US$141,428,600	Mainland China	Property development

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2021	2020 (Restated)	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Hexian Jiayuan Real Estate Development Co., Ltd 和縣佳源房地產開發有限公司	Mainland China	**100%**	78.5%	RMB50,000,000	Mainland China	Property development
Bengbu Mingyuan Real Estate Development Co., Ltd 蚌埠明源房地產開發有限公司	Mainland China	**100%**	82.5%	RMB171,250,000	Mainland China	Property development
Nanjing Kangxing Technology Industrial Park Operation Management Co., Ltd 南京康星科技產業園運營管理有限公司	Mainland China	**51%**	66%	RMB100,000,000	Mainland China	Property development
Hefei Suyuan Real Estate Development Co., Ltd 合肥溯源房地產開發有限公司	Mainland China	**100%**	100%	RMB100,000,000	Mainland China	Property development
Guangzhou Zhengyuan Real Estate Development Co., Ltd 廣州政源房地產開發有限公司	Mainland China	**100%**	100%	RMB100,000,000	Mainland China	Property development
Zhongwei (Qingdao) Real Estate Development Co., Ltd 中巍(青島)房地產開發有限公司(i)	Mainland China	**80%**	80%	RMB3,139,656,810	Mainland China	Property development
Yancheng Xingzhou Jiayuan Real Estate Development Co., Ltd. 鹽城星洲佳源房地產開發有限公司(i)	Mainland China	**65%**	–	RMB720,000,000	Mainland China	Property development
Jiangsu Derun Hongxiang Real Estate Co., Ltd 江蘇德潤鴻翔置業有限公司	Mainland China	**100%**	100%	RMB20,000,000	Mainland China	Property development
Qingdao Jiazhi Investment Co., Ltd 青島嘉智投資有限公司(i)(ii)	Mainland China	**100%**	–	US$5,000,000	Mainland China	Investment holding

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2021	Equity interest attributable to the Group 2020 (Restated)	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Jiaxing Jiagang Enterprise Management Co., Ltd 嘉興市嘉港企業管理有限公司(ii)	Mainland China	**100%**	100%	US$5,000,000	Mainland China	Investment holding
Jiayuan International Holding (Zhuhai) Group Co., Ltd 佳源國際控股(珠海)集團有限公司(ii)	Mainland China	**100%**	100%	RMB100,000,000	Mainland China	Investment holding

(i) These subsidiaries are newly established or acquired by the Group during the year.

For those subsidiaries with equity interest of 50% or less, as the Group has the rights to variable returns from its involvement with these companies, and has the ability to affect those returns through its majority voting position of the Board of Directors of these companies and the power to determine the budget, pricing and promotion strategies of these companies. The Group thus has control over these companies.

The directors of the Company consider that none of the non-controlling interests of the individual subsidiaries were significant to the Group and thus the individual financial information of these subsidiaries is not disclosed.

(ii) Registered as wholly foreign owned enterprises under PRC law.

(iii) Registered as sino-foreign equity joint venture under PRC law.

(iv) Significant restrictions
Cash and short-term deposits held in Mainland China are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital, other than through normal dividends.

The carrying amount of the assets included within the consolidated financial statements to which these restrictions apply is RMB8,446,167,000 (2020: RMB9,841,618,000).

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2017 RMB'000 (Note 1)	2018 RMB'000 (Note 2)	2019 RMB'000 (Note 2)	2020 RMB'000 (Note 3)	**2021 RMB'000 (Note 3)**
Revenue	7,606,548	13,616,003	16,070,171	19,157,405	**18,946,856**
Profit before taxation	2,366,386	4,493,202	4,789,537	6,254,464	**4,582,949**
Income tax expense	(1,022,270)	(2,141,018)	(2,329,054)	(2,635,727)	**(1,908,940)**
Profit for the year	1,344,116	2,352,184	2,460,483	3,618,737	**2,674,009**
Attributable to:					
Owners of the Company	1,332,501	2,234,821	2,050,664	3,377,827	**2,419,877**
Non-controlling interests	11,615	117,363	409,819	240,910	**254,132**
	1,344,116	2,352,184	2,460,483	3,618,737	**2,674,009**

ASSETS AND LIABILITIES

	As at 31 December				
	2017 RMB'000 (Note 1)	2018 RMB'000 (Note 2)	2019 RMB'000 (Note 2)	2020 RMB'000 (Note 3)	**2021 RMB'000 (Note 3)**
Total assets	36,420,441	60,667,668	61,735,580	77,708,930	**84,862,792**
Total liabilities	(29,427,758)	(50,130,988)	(49,898,422)	(56,904,561)	**(59,977,149)**
Net assets	6,992,683	10,536,680	11,837,158	20,804,369	**24,885,643**
Equity attributable to owners of the Company	6,948,556	9,066,515	9,859,480	16,204,234	**21,458,392**
Non-controlling interests	44,127	1,470,165	1,977,678	4,600,135	**3,427,251**
	6,992,683	10,536,680	11,837,158	20,804,369	**24,885,643**

Note 1: The assets and liabilities as at 31 December 2017 and the results for the year then ended are extracted from our audited consolidated financial statements as at and for the year ended 31 December 2017, which have not been restated to present the effect of the acquisitions of Chuangyuan Holdings Limited, Huiyuan Investment Holdings Limited and Luyuan Group.

Note 2: The assets and liabilities as at 31 December 2018 and 2019 and the results for the both years then ended are extracted from our audited consolidated financial statements as at and for the year ended 31 December 2019, which have not been restated to present the effect of the acquisitions of Luyuan Group.

Note 3: The assets and liabilities as at 31 December 2020 and 2021 and the results for the both years then ended are extracted from our audited consolidated financial statements as at and for the year ended 31 December 2021.