China Properties Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1838

Annual Report 2021

POWER VISION

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive Director

Mr. Kwan Kai Cheong

Independent Non-executive Directors

Mr. Warren Talbot Beckwith
Mr. Luk Koon Hoo
Dr. Garry Alides Willinge

COMMITTEES

Audit Committee

Mr. Warren Talbot Beckwith *(Chairman)*
Mr. Luk Koon Hoo
Dr. Garry Alides Willinge

Remuneration Committee

Dr. Garry Alides Willinge *(Chairman)*
Dr. Wang Shih Chang, George
Mr. Luk Koon Hoo

Nomination Committee

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Warren Talbot Beckwith
Dr. Garry Alides Willinge (appointed on May 25, 2022)

AUTHORIZED REPRESENTATIVES

Dr. Wang Shih Chang, George
Mr. Wong Sai Chung

COMPANY SECRETARY

Ms. Yu Ling Ling

STOCK CODE

1838

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14th Floor, Wheelock House
20 Pedder Street
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank

AUDITOR

BDO Limited
Certified Public Accountants and Registered Public Interest Entity Auditor
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

COMPANY'S WEBSITE

www.cpg-group.com

In response to the exceptionally harsh operating environment, what the Group considers is the actions to be taken for our success instead of the results we will have if we lose.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Group Strategies

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

Key property development projects are as follows:

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

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

- ***Modern and upscale theme shopping street developments***

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

BUSINESS ENVIRONMENT

Overview of the Mainland Property Market

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

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

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

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

Overview of the Shanghai Property Market

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

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

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

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

Overview of the Chongqing Property Market

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

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

Overall consumption levels in 2021 outperformed that of 2020 as retail sales increased 20.0% YOY. 12 new projects were launched in 2021, adding about 1.06 million square meter of new supply to the market. Vacancy rates slightly increased by 0.2% YOY to 13.5%, and average rent of first floor retail units fell by 0.1% YOY. Large amounts of stock coupled with new supply intensified the market competition. Therefore, the retail market may experience a period of adjustment.

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

Outlook of the Mainland Property Market

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

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

In 2022, new supply of prime retail properties in China is expected to remain strong. Over 12 million square meters of new supply is expected to enter the market, and the retail market in each city will continue to expand. Among the first-tier cities, new supply in Beijing and Shanghai is expected to exceed one million square meters. Further, new supply is expected to remain high in four cities located in western China, namely Chongqing, Chengdu, Kunming, and Xi’an. Land development in the core area is limited, driving the development of retail market in emerging business districts. In the future, stock renewal and new development will be carried out simultaneously.

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

FINANCIAL REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

LIQUIDITY AND FINANCING

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

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

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

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

TREASURY POLICIES

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

The other borrowings and senior notes are on a fixed-rate basis.

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

CHARGE ON ASSETS

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

CONTINGENT LIABILITIES

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

Legal disputes

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

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

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

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

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

(b) On November 17, 2017, Chongqing Riverside Real Estate Co., Ltd. ("Chongqing Riverside"), a wholly-owned subsidiary of the Company, as borrower entered into an entrusted loan agreement with 深圳市平安德成投資有限公司 ("PinganDecheng"), a fellow subsidiary of PinganDahua, whereby an entrusted loan in the aggregate amount of RMB500 million was granted to Chongqing Riverside (the "PinganDecheng Entrusted Loan") repayable by February 2, 2020. The PinganDecheng Entrusted Loan was secured by guarantee provided by each of Shanghai Jingan and Shanghai Minhang. Since the 4th quarter of 2018, the above parties have been in negotiations on new repayment arrangements. PinganDecheng without notice to Chongqing Riverside, obtained an enforcement order from Chongqing Fifth Intermediate People's Court on April 15, 2019 against Chongqing Riverside, Shanghai Jingan and Shanghai Minhang in respect of the principal amount of RMB500 million under the PinganDecheng Entrusted Loan together with interest and legal costs incurred. Since then, the above parties had been in negotiations on new repayment arrangements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Winding up petition against the Company

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

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

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

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

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

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

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

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

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

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

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

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

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

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2021, the Group had 298 employees (2020: 367 employees) in Hong Kong and the PRC. The related employees' cost for the year amounted to approximately RMB30 million (2020: RMB38 million). The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry and prevailing market conditions. In addition, share options may be granted from time to time in accordance with the terms of the Group's approved share option scheme to provide incentives and rewards to the employees.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. Wang Shih Chang, George, aged 87
Dr. Wang is the Chairman of our Board and has been with the Group since 1992. He is the Chairman of the nomination committee and the member of the remuneration committee of the Company. Dr. Wang is jointly responsible for the formulation of the overall corporate direction and business strategies for the Group with the Managing Director. Dr. Wang has extensive experience in property development and management in the PRC. Prior to joining the Group, Dr. Wang served as a vice president of various companies owned by or associated with Bechtel Group, Inc. from 1962 to 1984 and Fluor Corporation from 1984 to 1986. Bechtel and Fluor are construction and project management companies in the United States of America. Dr. Wang has many years of experience in the operation and management of global conglomerates. He obtained a Master Degree in Civil Engineering and Nuclear Engineering from the University of Michigan and a Ph.D. Degree in Engineering from the University of California, Los Angeles. He is the brother of Mr. Wong Sai Chung, the Managing Director of the Company. Dr. Wang also serves as a director of U.S. Concord (Holding) Limited and Pacific Concord Holding Limited ("PCH") (de-listed).

Wong Sai Chung (汪世忠), aged 71
Mr. Wong is the Managing Director of the Company, and has been with the Group since 1992. Mr. Wong is jointly responsible for the formulation of the overall corporate direction and business strategies for the Group with the Chairman, and has overall responsibility for the Group's policy and management. Mr. Wong has over 20 years of experience in property development and management in the PRC, and has extensive experience in identifying and acquiring precious sizable lands and developing the land into highly marketable properties in top-tier cities in the PRC. Throughout the years, Mr. Wong has established strong and solid connections and contacts in the property industry in the PRC. Mr. Wong founded the PCH Group in March 1982 and has served as the Chairman of PCH Group since its establishment. He is the brother of Dr. Wang Shih Chang, George, the Chairman of the Board. Mr. Wong also serves as a director of U.S. Concord (Holding) Limited and PCH (de-listed). In 1996, he was appointed as the executive director of Concord Land Development Company Limited (de-listed).

Xu Li Chang (徐禮昌), aged 81
Mr. Xu is an Executive Director of the Company. Mr. Xu has been responsible for the project management since joining the Group in September 1998. He pursued his studies at the University of Chongqing (重慶大學) (formerly The Chongqing Institute of Civil Engineering and Architecture) (重慶建築工程學院) and qualified as a senior engineer in the PRC. Mr. Xu was appointed the officer-in-charge of the Neijiang City Municipal Foreign Economic and Technological Co-operation Office in the PRC in 1987. Mr. Xu also worked as the vice general manager at a well-known property development company in 1997 and was responsible for the overall management of the construction projects of that company.

Non-executive Director

Kwan Kai Cheong (關啟昌), aged 71
Mr. Kwan is a Non-executive Director of the Company and has joined the Group for more than ten years. He is also a Director of HK Electric. He is President of Morrison & Company Limited, a business consultancy firm. Mr. Kwan is also the chairman of the board of Utopa Limited, a commercial property company in the People's Republic of China. Mr. Kwan worked for Merrill Lynch & Co., Inc. for over 10 years during the period from 1982 to 1993, with his last position as President for its Asia Pacific region. He was formerly Joint Managing Director of Pacific Concord Holding Limited. Mr. Kwan is an Independent Non-executive Director of Greenland Hong Kong Holdings Limited, Henderson Sunlight Asset Management Limited (as manager of Sunlight Real Estate Investment Trust), United Photovoltaics Group Limited, Win Hanverky Holdings Limited and CK Life Sciences, all being listed companies (except Sunlight Real Estate Investment Trust being a listed real estate investment trust). He was previously an Independent Non-executive Director of Galaxy Resources Limited, a listed company. Mr. Kwan holds a Bachelor of Accountancy (Honours) degree and is a fellow of the HKICPA, The Institute of Chartered Accountants in Australia and The Hong Kong Institute of Directors Limited. He completed the Stanford Executive Program in 1992.

Independent Non-executive Directors

Warren Talbot Beckwith, aged 81
Mr. Beckwith was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the Chairman of the audit committee and the member of the nomination committee of the Company. Mr. Beckwith has business management experience in Australia, London and Hong Kong in various industries, including mining, petroleum, property and technology development. Mr. Beckwith is a Fellow of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants, the Australian Institute of Company Directors and the Taxation Institute of Australia. In the past, Mr. Beckwith held directorships and executive positions in public companies listed on stock exchanges in Australia and Hong Kong. Mr. Beckwith formerly served as an independent non-executive director on each of the boards of the then listed Pacific Concord Holding Limited and Concord Land Development Company Limited, both property development companies. Mr. Beckwith was a director and shareholder of Avon Real Estate Pty Ltd., a property development company, and he was also a director of Sentinel Investments Pty Ltd, an Australian-based property development company. He was formerly a non-executive director of Brockman Mining Limited, a mining company listed in both Hong Kong and Australia, and is currently the chairman of Westralian Group Pty Ltd., a Western Australian investment company and corporate financial advisor, and is executive chairman of Gondwana Resources Limited, an Australian mining company.

Luk Koon Hoo (陸觀豪), aged 69
Mr. Luk was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee and the remuneration committee of the Company. Mr. Luk is a retired banker, and served Hang Seng Bank Limited from 1975 as a trainee officer and as a director and deputy chief executive in 1994. He was re-designated as managing director in 1996 and retired from Hang Seng Bank Limited in May 2005. Mr. Luk is currently an independent non-executive director of Computime Group Limited, Hung Hing Printing Group Limited and i-Cable Communications Limited, shares of which are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Wheelock Properties Limited and Octopus Holdings Limited, an non-executive director of Wharf T & T Limited and AXA General Insurance Hong Kong Limited. In public duties, Mr. Luk serves as a council member and treasurer of the Chinese University of Hong Kong, a member of Town Planning Board, a member of Witness Protection Review Board Panel and a non-official member of the Operations Review Committee of ICAC. Mr. Luk was born and educated in Hong Kong. He holds a Bachelor of Social Sciences Degree in Statistics from the University of Hong Kong and a Master Degree in Business Administration from the Chinese University of Hong Kong. He is a Fellow of the Hong Kong Institute of Bankers and the Hong Kong Institute of Directors. Mr. Luk is a Non-official Justice of the Peace.

Garry Alides Willinge, aged 71
Dr. Willinge was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is a member of the audit committee, Chairman of the remuneration committee and member of nomination committee of the Company.

He is a Fellow of the Australian Institute of Company Directors (AICD) and the Hong Kong Institute of Directors. He chairs the AICD Executive Committee in Hong Kong. He is an experienced company director in public listed, unlisted and not for profit companies in Australia, London and Hong Kong for over 13 years. He graduated with a Bachelor Degree in Science from the University of Melbourne and then attained a Graduate Diploma in Applied Finance and Investment from the Securities Institute Education in Australia (known as "The Securities Institute of Australia") in 1995 and a Graduate Diploma Company Director from the University of New England in 1992. He also attended the INSEAD Asia International Executive Programme in 2004.

Dr. Willinge had served as director, Global Services, of IBM China/Hong Kong Limited until January 2005. He previously held management positions in a number of IBM Asia Pacific and European business units, including director of New Business Ventures of the Asia Pacific, where he was responsible for forging alliances and joint ventures across Asia in order to expand IBM's services business portfolio. He was a director, Information Technology, for the Sydney Olympic Games 2000. He was assigned to the West Australian Premier in 1990, where he led the Office of Public Sector Management, which focused on leading public sector reform and developing CEO leadership within the sector.

He also serves as an Adjunct Professor of Business Studies at Curtin University in Australia. He received the Honorary Degree of Doctor of Technology from Curtin University in February 2014.

The Executive Directors of the Company are also the Senior Management of the Group.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") and the management of the Company are committed to a high standard of corporate governance. The Company considers such commitment is essential for the effective management, a healthy corporate culture, a successful business growth, balancing of business risk and enhancing of shareholders' value.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

THE BOARD

Responsibilities

The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company. The delegated functions and work tasks are reviewed by the Board periodically.

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises seven members with three executive directors, one non-executive director and three independent non-executive directors (the "INEDs"). The Board at all times meets the requirements of the Listing Rules relating to appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise.

Executive Directors

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive Director

Mr. Kwan Kai Cheong

Independent Non-executive Directors

Mr. Warren Talbot Beckwith
Mr. Luk Koon Hoo
Dr. Garry Alides Willinge

The relationship among members of the Board and the biographies of the directors were disclosed under the "Directors' and Senior Management's Profile" section of the 2021 Annual Report.

The Company has appointed a Managing Director who performs similar functions as a chief executive officer. The position of the Chairman and Managing Director are held by two different persons in order to maintain an effective segregation of duties, independence and a balanced judgment of views. The Chairman provides leadership and is responsible for effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner.

The Managing Director focuses on implementing objectives, policies and strategies approved and delegated by the Board. He has the executive responsibilities over the Company's day-to-day management and operations. He is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

The Independent Non-executive Directors are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, finance and business. Their skills, expertise and number in the Board ensure that strong independent views and judgement are brought in the Board's deliberations and that such views and judgement carry weight in the Board's decision-making process. Their presence and participation also enable the Board to maintain high standards of compliance in financial and other mandatory reporting requirements and provide adequate checks and balances to safeguard the interests of shareholders of the Company and the Company.

The Company annually assesses the independence of each Independent Non-executive Director during their terms of appointment. The Company has received from each of the Independent Non-executive Directors a written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the Independent Non-executive Directors are independent during the year and up to the date of this report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All Directors (including non-executive Directors) of the Company are currently appointed with specific terms for 2 years commencing from February 23, 2019, which are also subject to retirement in accordance with the articles of association of the Company ("Articles"). According to the Articles, at each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment of directors and assessing the independence of INEDs.

The Board reviews from time to time its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirement and regulations.

In accordance with the Articles, Dr. Wang Shih Chang, Mr. Kwan Kai Cheong and Mr. Warren Talbot Beckwith will retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company's circular contains detailed information of the directors standing for re-election.

BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy which sets out the approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of a diverse Board with a balance of skills, experience and diversity of perspectives to enhance the quality of its performance. All Board appointments will be considered against selection criteria.

The Company seeks to achieve board diversity through the consideration of a range of diversity perspectives in the Board members' selection process, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will review and monitor the implementation of the Board Diversity Policy, to ensure the effectiveness of the Board Diversity Policy and discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

TRAINING AND CONTINUING DEVELOPMENT

The Chairman has assessed the development needs of the Board as a whole, with a view to build its effectiveness as a team and to assist in the development of individual skills, knowledge and expertise.

Arrangements have been made to provide each new director a comprehensive, formal and tailored induction on the first occasion of his appointment and continuing briefing and professional development when necessary.

According to the code provision A.6.5 of the CG Code, all Directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on Director's training.

For the year ended December 31, 2021, the Directors participated in the following continuous professional development:

Name of Directors	Attended trainings or briefing/ Reading materials updating on new rules and regulations
Executive Directors	
Dr. Wang Shih Chang, George	✓
Mr. Wong Sai Chung	✓
Mr. Xu Li Chang	✓
Non-executive Director	
Mr. Kwan Kai Cheong	✓
Independent non-executive Directors	
Mr. Warren Talbot Beckwith	✓
Mr. Luk Koon Hoo	✓
Dr. Garry Alides Willinge	✓

The Company Secretary has taken no less than 15 hours of relevant professional training during the year under review.

BOARD MEETINGS

The Board aims to meet in person or by means of electronic communication, at least 4 times a year, if necessary, as well as on an ad hoc basis. The individual attendance record of each director at the meetings of the Board, Audit Committee, Remuneration Committees and Nomination Committee during the year ended December 31, 2021 is set out below.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to all directors in advance. Notices of regular meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board paper together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep them apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the management whenever necessary.

The company secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors and members of committees for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to the current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

Upon reasonable request, the Company should provide separate independent professional advice to directors to assist them to discharge their duties in the appropriate circumstance.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affair. The Board committees of the Company are established with defined written terms of reference. The majority of the members of the Board committees are INEDs and the list of the chairman and members of each Board committees are set out under "Corporate Information" in the 2021 Annual Report.

Meeting attendance during the year ended December 31, 2021 is as follows:

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Dr. Wang Shih Chang, George	2/4	N/A	2/2	2/2
Mr. Wong Sai Chung	4/4	N/A	N/A	N/A
Mr. Xu Li Chang	2/4	N/A	N/A	N/A
Mr. Kwan Kai Cheong	4/4	5/5	N/A	N/A
Mr. Warren Talbot Beckwith	4/4	5/5	N/A	2/2
Mr. Luk Koon Hoo	4/4	5/5	2/2	N/A
Dr. Garry Alides Willinge	4/4	5/5	2/2	N/A

In accordance with code provision A.2.7 of the CG Code, the Chairman held one meeting with the INEDs without the presence of other Directors in 2021.

The Audit Committee

Composition of the Audit Committee
Mr. Warren Talbot Beckwith *(Chairman)*
Mr. Luk Koon Hoo
Dr. Garry Alides Willinge

The Company established an Audit Committee comprising 3 INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Mr. Warren Talbot Beckwith, who possesses a professional accounting qualification and relevant accounting experience, is the Chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) To review the Company's financial statements and report, and to consider any significant or unusual items raised by the corporate accounting department or external auditor before submission to the Board.

(b) To review the relationship with the external auditor by reference to the work performed by the auditor, the fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditor.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system (including anti-fraud) and risk management system and associated procedures.

During the year ended December 31, 2021, the Audit Committee met five times to review the financial results and reports, financial reporting and compliance procedures. The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

The Audit Committee has not taken a different view from the Board regarding the selection and re-appointment of external auditor.

The Company's annual results for the year ended December 31, 2021 have been reviewed by the Audit Committee.

The Remuneration Committee

Composition of the Remuneration Committee
Dr. Garry Alides Willinge *(Chairman)*
Dr. Wang Shih Chang, George
Mr. Luk Koon Hoo

The Company established a Remuneration Committee comprising an executive director and two INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Dr. Garry Willinge is the Chairman of the Remuneration Committee.

The main duties of the Remuneration Committee include the following:

(a) To make recommendation to the Board on the policy and structure for all remuneration of the directors and senior management and on the establishment of a formal and transparent procedures for developing policy on such remuneration.

(b) To determine, review and approve the specific remuneration packages of all executive directors and make recommendations to the Board of the remuneration of non-executive directors, taking into account those factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere and desirability of performance-based remuneration.

(c) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

During the year ended December 31, 2021, the Remuneration Committee held two meetings to review the existing terms of reference for the Remuneration Committee and compensation arrangements relating to dismissal or removal of directors for misconduct.

The remuneration of the directors for the year ended December 31, 2021 was set out in note 11 to the consolidated financial statements.

The Nomination Committee

Composition of the Nomination Committee
Dr. Wang Shih Chang, George *(Chairman)*
Mr. Warren Talbot Beckwith
Dr. Garry Alides Willinge (appointed on May 25, 2022)

As at the date of this report, the Company has established a Nomination Committee comprising an executive director and two INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Dr. Wang Shih Chang, George is the Chairman of the Nomination Committee.

The main duties of the Nomination Committee include the following:

(a) To formulate the policy for the nomination of directors in compliance with the requirements of the Listing Rules including but not limited to the following for consideration by the Board and implement the nomination policy laid down by the Board:

  (i) all directors shall be subject to re-election at regular intervals as set out in the articles of association of the Company (as amended from time to time);

  (ii) the Company must comply with the disclosure requirements in relation to the appointment, resignation or removal of directors under the Listing Rules;

  (iii) non-executive directors should be appointed for a specific term, subject to re-election and the term of appointment of the non-executive directors must be disclosed in the Corporate Governance Report under the Listing Rules;

  (iv) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

During the year ended December 31, 2021, the Nomination Committee held two meetings to review the structure, size and composition of the board of directors and the INEDs.

Nomination Policy

The Company has adopted a Nomination Policy for the Nomination Committee to consider and make recommendations to Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies.

Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

(1) reputation for integrity;

(2) accomplishment and experience in the business in which the Group is engaged in;

(3) commitment in respect of available time and relevant interest;

(4) diversity in all its aspects, including but not limited to race, gender, age (18 years or above), educational background, professional experience, skills and length of service;

(5) qualifications which include professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(6) the number of existing directorships and other commitments that may demand the attention of the candidate;

(7) requirement for the Board to have Independent Non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules;

(8) Board Diversity Policy of the Company and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

(9) such other perspectives appropriate to the Company's business.

Director Nomination Procedure

Subject to the provisions in the Articles of Association of the Company and the Listing Rules, if the Board recognizes the need for an additional Director or a member of senior management, the following procedure will be followed:

(1) The Nomination Committee and/or Board will identify potential candidates based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors;

(2) The Nomination Committee and/or the Company Secretary of the Company will then provide the Board with the biographical details and details of the relationship between the candidate and the Company and/or Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Act of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;

(3) The Nomination Committee would then make recommendation to the Board on the proposed candidate(s) and the terms and conditions of the appointment;

(4) The Nomination Committee should ensure that the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;

(5) In the case of the appointment of an Independent Non-executive Director, the Nomination Committee and/or the Board should obtain all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and

(6) The Board will then deliberate and decide on the appointment based upon the recommendation of the Nomination Committee.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. The obligation to follow the Listing Rules is set out in the terms of the service contracts of each executive director and the letters of appointment of the non-executive directors and each INED.

The Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards as set out in Model Code during the year ended December 31, 2021 and up to the date of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is accountable for overseeing the Group's risk management and internal control systems and reviewing its effectiveness, while Management are responsible for implementing and maintaining the internal controls systems that covers governance, compliance, risk management, financial and operational controls to safeguard the Group's assets and stakeholders' interests. The system is designed to mitigate 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.

During the year ended December 31, 2021, the Company has identified, evaluated and managed risks via the following process:

- reviewing the organizational and strategic objectives;
- assessing the risk management philosophy to determine the risk tolerant level of the Group; and
- performing an entity-level risk assessment.

The Group adopted the standards set out in the Model Code and received confirmation from all directors that they have complied with the Model Code throughout the period under review.

Risk Management and Internal Control Systems Review

The management team of the Company meets regularly to review the effectiveness of the risk management and internal control systems of the Group and to resolve (if any) material internal control defects of the Group for the year ended December 31, 2021. The review is designed to enhance the risk management of the Group through a holistic and integrated framework so that all material risks faced by the Group are identified and appropriately managed. The risk management system:

- promotes consistent risk identification, measurement, reporting and mitigation;
- sets a common risk language to avoid any conflicting terminology or confusion in risk reporting;
- consists of risk management and internal control policies that are aligned with the business strategy; and
- enhances reporting to provide transparency of risks across the Group.

During the review, the Company conducted the following procedures:

- interviewing department heads and management to identify the risks over the Company business units;
- quantifying risks by financial data and market searches; and
- prioritizing the identified risks as high, medium and low risk.

The Company will perform ongoing assessment to update the entity-level risk factors and report to the Board on a regular basis.

Internal Audit Function

During the year ended December 31, 2021, the Company has appointed an internal control advisor (the "IC Advisor") to perform internal audit function for the Group. The IC Advisor reported to the Audit Committee and communicated to the Company's management. Based on the agreed internal audit plan, the IC Advisor conducted the internal audit review scope during the year ended December 31, 2021. The IC Advisor reported and communicated the internal audit findings and recommendations to the Audit Committee and the management of the Group respectively. The management of the Group agreed on the internal audit findings and planned to adopt the recommendations from the IC Advisor accordingly.

With regards to the internal controls and procedures for the handling and dissemination of inside information, the Group complies with under the Part XIVA and relevant parts of the Securities and Future Ordinances and Listing Rules.

Management's report on risk management

Based on the risk management mechanism and internal audit review activities mentioned in the aforementioned paragraphs, the management of the Group had reported to the Board that the Group had maintained an effective risk management mechanism and internal control system during the year ended December 31, 2021.

MANAGEMENT FUNCTION

The management team of the Company meets regularly to review and discuss with the executive directors on day-to-day operational issues, financial and operating performance as well as to monitor and ensure the management is carrying out the directions and strategies set by the Board properly.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2021.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 43 to 47.

There is a material uncertainty relating to the outcomes of the events or conditions as disclosed in note 1 to the consolidated financial statements that may cast significant doubt on the Company's ability to continue as a going concern.

The remuneration paid and payable to the external auditor of the Group in respect of audit services and non-audit services for the year ended December 31, 2021 are set out below:

	Year ended December 31, 2021 RMB'000
Services rendered	
— Audit services	2,555
— Non-audit services	—
	2,555

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The rights of shareholders are contained in the Company's Articles. Details of the poll procedures will be explained to shareholders during the proceedings of any general meetings, if necessary.

Poll results are published on the websites of the Stock Exchange and the Company before the designated time on any business day following the meeting in accordance with the Listing Rules.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board (also chairman of the Nomination Committee for the time being) as well as chairmen of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, will be available to answer questions at the shareholders' meetings.

Any enquiries by shareholders requiring the Board's attention can be sent in writing to the company secretary at the Company's principal place of business in Hong Kong.

OTHERS

Annual Confirmation from Mr. Wong Sai Chung

The Board received a confirmation from Mr. Wong Sai Chung ("Mr. Wong") that during the year ended December 31, 2021 and up to the date of this report, Mr. Wong has complied with the non-compete undertaking as set out in the prospectus of the Company dated February 9, 2007 (the "Prospectus").

New Business Opportunities

During the year ended December 31, 2021 and up to the date of this report, there have been no new business opportunities which are required to be referred to the INEDs under the deed of undertaking dated February 8, 2007 entered into between Mr. Wong and the Company.

Properties under the Beijing Concord Option and the General Option (collectively the "Options")

During the year ended December 31, 2021 and up to the date of this report, no options for the acquisition of the properties under the Beijing Concord Option and the General Option are exercised. The INEDs have considered the respective status of the Beijing Concord Option and the General Option and decided that it is not the appropriate time for the Company to exercise these options. Details of the Options are set out in the Prospectus.

The Beijing Cannes Option previously granted by Mr. Wong had automatically lapsed in accordance with the terms of the Option Agreement as Mr. Wong had ceased to be interested in the Beijing Cannes site. Please refer to the Company's announcement dated February 7, 2013 for further details.

The General Option in respect of the Zhuhai Property previously granted by Mr. Wong had automatically lapsed in accordance with the terms of the Option Agreement as Mr. Wong had ceased to be interested in the Zhuhai Property. Please refer to the Company's announcement dated September 21, 2011 for further details.

First Right of Refusal for the Properties under the Options

During the year ended December 31, 2021 and up to the date of this report, the Company is entitled to the first right of refusal for the properties under the Options.

Dividend Policy

The Company has adopted a Dividend Policy that aims to provide the guidelines for the Board to determine whether dividends are to be declared and paid to the Shareholders and the level of dividend to be paid. Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others,

(1) the Group's actual and expected financial performance;

(2) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(3) retained earnings and distributable reserves of the Company and each of the members of the Group;

(4) the Group's liquidity position;

(5) interest of shareholder;

(6) taxation consideration;

(7) potential effect on creditworthiness;

(8) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(9) any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Act of the Cayman Islands, the Listing Rules, the laws of Hong Kong and the Company's Memorandum and Articles of Association and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended December 31, 2021.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

The Group is principally engaged in the property development and property investment business in the People's Republic of China (the "PRC" or "China").

BUSINESS REVIEW

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 4 to 16 of this annual report. This discussion forms part of this directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 48.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the year, the Group revalued all of its investment properties at the year end date. The net decrease in fair value of investment properties, which has been debited directly to the consolidated statement of profit or loss amounted to RMB1,182,350,000.

During the year, the addition of investment properties under construction of the Group amounted to approximately RMB39,216,000.

Details of these and other movements during the year in property, plant and equipment and investment properties of the Group are set out in notes 14 and 15 to the consolidated financial statements, respectively.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five years ended December 31, 2021 is set out on page 150.

PROPERTIES

Particulars of major properties held by the Group are set out on pages 151 to 152.

SHARE PREMIUM AND RESERVES

Details of the movements in the share premium and reserves of the Group for the year ended December 31, 2021 are set out in the consolidated statement of changes in equity on page 51.

SHARE CAPITAL

Details of the movements in Company's share capital during the year are set out in note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at December 31, 2021 were as follows:

	RMB'000
Share premium	**7,967,070**
Accumulated losses	**(3,874,765)**
	4,092,305

Under the Companies Act of the Cayman Islands, the share premium of the Company may be distributed subject to the provisions of the Company's Memorandum or Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible property developer, we are dedicated to reducing the environmental impact of buildings as well as enhancing the quality of life of our residents. We strive to incorporate the idea of sustainability in every steps of our business, from initial environmental impact assessment of project sites, product design stage, construction stage to operational stage. With the implementation of various environmental initiatives and practices, we strive to prevent negative impacts on the environment and to maximise the resource efficiency in our property development and property management business. During the year ended December 31, 2021, the Group was not aware of any material non-compliance with the applicable environmental laws and regulations that have a significant impact on the Group.

Looking ahead, we will continually raise our environmental performance.

KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group has maintained a good relationship with its employees, customers, suppliers and contractors:

Employees:	We recognise the importance of our employees and value their every contributions. We strive to create a safe, motivated and respectful workplace for our employees. We offer attractive remuneration and benefit packages to our employees based on their qualifications, experience and market standards to reward their efforts and contribution. To foster our employees' career development and maximise their potentials, we arrange various training programmes for our employees to acquire professional knowledge and technical skills.
Customers:	We aim to gain our customers trust by delivering safe properties and high-quality property management services. Through our close monitoring and on-site inspections, the quality and safety of our properties is properly maintained. To protect our customers' interests, we ensure accurate information is provided in our advertisements and sales brochures, and a defect warranty period is offered for our sold properties. We also have set up a complaint handling procedure to ensure all our customers' needs and expectations are appropriately addressed and handled.
Suppliers & Contractors:	We select suitable supplies and contractors through our standardised selection procedure and tendering management. Apart from complying with the relevant national laws and regulations, our contractor are required to follow the requirements of our quality, safety and environmental management standards in order to prevent serious building structural defects, work injuries and safety and environmental incidents during construction works. Additionally, to uphold the highest business integrity, we require our suppliers and contractors to observe our anti-corruption practices in our business partnerships.

DIRECTORS

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

Executive Directors:
Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive Director:
Mr. Kwan Kai Cheong

Independent non-executive Directors:
Mr. Warren Talbot Beckwith
Mr. Luk Koon Hoo
Dr. Garry Alides Willinge

Details of the Directors' and senior management's biographies have been set out on pages 17 to 19.

Each of the executive Directors has entered into a service agreement with the Company for a term of two years commencing from February 23, 2019. The Company has entered into a letter of appointment with each of the non-executive Director and the independent non-executive Directors for a term of two years commencing from February 23, 2019.

In accordance with article 87 of the Company's Articles of Association, Dr. Wang Shih Chang, George, Mr. Kwan Kai Cheong and Mr. Warren Talbot Beckwith will retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

Directors' and Chief Executives' Interests in Securities of the Company

As at December 31, 2021, the interests and/or short positions of the directors and chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were 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 have taken or deemed to have taken 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, pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in ordinary shares of HK$0.1 each of the Company

As at December 31, 2021, the long position in ordinary shares and underlying shares of the Company of the directors and the chief executives are as follows:

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Wong Sai Chung ("Mr. Wong")	Corporate	1,356,800,000 shares	75%

Note:

Of these shareholding interests, 1,356,800,000 shares of the Company are directly held by Hillwealth Holdings Limited ("Hillwealth") whose entire issued share capital is owned by Mr. Wong.

(b) Long position in shares of associated corporations of the Company

Name of director	Nature of interest	Name of associated corporation	Number of issued ordinary shares held	Percentage of the issued share of the same class in the associated corporation	Note
Mr. Wong	Corporate	Concord Properties Holding (Shanghai) Limited ("CPH (Shanghai)")	100 non-voting deferred class "B" shares of HK$1.00 each	100%	(iii)
	Personal	Hillwealth	1 share of US$1.00	100%	(iv)

Notes:

(iii) CPH (Shanghai) is an indirectly owned subsidiary of the Company. It has in issue 100 non-voting deferred class "B" shares (the rights attached to which are set out in the Prospectus), all of which are beneficially owned by Concord China Land Holdings Limited which is in turn beneficially and wholly owned by Pacific Concord Holding Limited ("PCH") (which is wholly owned by Mr. Wong).

(iv) As Hillwealth directly holds approximately 75% of the total issued share capital of the Company and thus being the holding company of the Company, Hillwealth is an associated corporation of the Company under the SFO. The entire issued share capital of Hillwealth is owned by Mr. Wong.

As at December 31, 2021, Mr. Wong was a director of Hillwealth, Concord China Land Holdings Limited and PCH, and Dr. Wang Shih Chang, George was also director of PCH.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 33 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes as disclosed in note 33 to the consolidated financial statements, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company or their respective spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Details of the related party transactions during the year are set out in note 34 to the consolidated financial statements. For those related party transactions which constituted connected transactions of the Company under the Listing Rules, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Other than as disclosed above, no transactions, arrangements or contracts of significance to which the Company, its holding company, fellow subsidiaries or subsidiaries 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.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in "Directors' and chief executives' interests in shares and underlying shares and debentures", the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued capital of the Company as at December 31, 2021 and as at the date of this report.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities in the year ended December 31, 2021.

CONNECTED TRANSACTIONS

During the year ended December 31, 2021, the Group has not entered into any new connected transactions.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Mr. Wong, managing director of the Company, is interested in certain property development projects in the PRC. Pursuant to the option agreements entered into between the Company and Mr. Wong on February 8, 2007, the Company has the right to acquire most of the properties held, whether directly or indirectly, by Mr. Wong. In addition, pursuant to the non-competition deed dated February 8, 2007 signed by Mr. Wong in favour of the Company (the "Non-competition Deed"), Mr. Wong has undertaken to the Company to make necessary arrangements as stated in the Non-competition Deed to avoid competing with the business of the Group. Details of such arrangements are set out in the Prospectus.

The Company has received confirmation from Mr. Wong that he has complied with the terms of the Deed of Undertaking since the Listing and up to the date of this report. Furthermore, there was no new business opportunities referred from Mr. Wong to the Company during the same period.

Saved as disclosed above, during the year ended December 31, 2021 and up to the date of this report, none of the directors, the substantial shareholders or the management shareholders had any interests in any business which competed with or might compete with the business of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's five largest customers were less than 30% of total revenue.

The largest supplier of the Group by itself and taken together with the next four largest suppliers accounted for 11% and 35.4% respectively of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director, or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers.

EMOLUMENT POLICY

As at December 31, 2021, the Group had 298 employees in Hong Kong and in the PRC. The total staff costs incurred were approximately RMB30 million.

The Group remunerates its employees mainly with reference to individual performance, qualification, experience and the prevailing industry practice. Apart from basic remuneration and statutory retirement benefit scheme, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as individual performance. In addition, share options may be granted from time to time in accordance with the terms of the Company's approved share option scheme to provide incentives and rewards to the employees.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's 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.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintain high standards of corporate governance. A report on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 20 to 33.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of 25% of the Company's issued shares as required under the Listing Rules as at the latest practicable date prior to the issue of this report.

AUDITOR

BDO Limited continued in office as the Company's auditor for the year ended December 31, 2021. A resolution will be submitted to the annual general meeting to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Dr. Wang Shih Chang, George
Chairman

Hong Kong, September 30, 2022

BDO

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Hong Kong

TO THE MEMBERS OF CHINA PROPERTIES GROUP LIMITED
(incorporated in Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Properties Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 48 to 149, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR DISCLAIMER OF OPINION

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

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

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

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

BASIS FOR DISCLAIMER OF OPINION — Continued

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

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

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

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

BASIS FOR DISCLAIMER OF OPINION — Continued

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

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

We modified our audit opinion on the consolidated financial statements of the Group for the year ended December 31, 2020 as we were not provided with explanation nor information that was in sufficient detail to support the probabilities applied by the directors of the Company that the Target Land would be found to be idle land or not idle land. These probabilities were used to determine the fair value of the Target Land as at December 31, 2020. We were accordingly unable to determine whether the fair value of the Target Land of RMB13,339,850,000 and the deferred tax liabilities of RMB2,654,662,000 as at December 31, 2020 and the fair value changes of the Target Land of RMB8,893,233,000 and the income tax credit of RMB2,223,308,000 for the year ended December 31, 2020 were fairly stated.

During the year ended December 31, 2021, PinganDahua exercised its rights to dispose of the Target Land by way of public auction on July 14, 2021 for RMB2,468,390,000 to partially settle long outstanding loans due to them. Hence, the Group recognised a loss on disposal of the Target Land of approximately RMB11,767,912,000 in the consolidated statement of profit or loss and other comprehensive income.

However, since the abovementioned limitation of scope remained unresolved during the audit for the consolidated financial statements for the year ended December 31, 2021, we were unable to determine whether: (1) the fair value of the Target Land of RMB13,339,850,000 as at December 31, 2020 and January 1, 2021; (2) the deferred tax liabilities of RMB2,654,662,000 as at December 31, 2020 and January 1, 2021; (3) the fair value changes of the Target Land of RMB8,893,233,000 for the year ended December 31, 2020; (4) the income tax credit of RMB2,223,308,000 for the year ended December 31, 2020; and (5) the loss on disposal of the Target Land of RMB11,767,912,000 for the year ended December 31, 2021, and the related disclosures are fairly stated.

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

BASIS FOR DISCLAIMER OF OPINION — Continued

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

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards 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 directors are assisted by the audit committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and to issue an auditor's report. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents

However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

BDO Limited
Certified Public Accountants
Jonathan Russell Leong
Practising Certificate Number P03246
Hong Kong
September 30, 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
Revenue	6	**181,053**	403,997
Cost of sales		**(140,250)**	(717,674)
Gross profit/(loss)		**40,803**	(313,677)
Other income, gains and losses, net	6	**266**	(641,775)
Loss on disposal of property, plant and equipment, investment properties and properties under development for sale	7	**(18,815,971)**	—
Net exchange gain		**58,824**	116,610
Selling expenses		**(3,671)**	(3,210)
Administrative expenses		**(135,723)**	(128,204)
Provision for settlement fee and other relevant cost	10	**(411,403)**	(695,626)
Finance costs	8	**(710,305)**	(393,187)
Loss from operation before changes in fair value of investment properties		**(19,977,180)**	(2,059,069)
Changes in fair value of investment properties	15	**(1,182,350)**	(17,065,536)
Loss before tax	10	**(21,159,530)**	(19,124,605)
Income tax credit	9	**3,492,072**	4,648,339
Loss and total comprehensive income for the year attributable to the owners of the Company		**(17,667,458)**	(14,476,266)
Loss per share			
Basic and diluted (RMB)	13	**(9.77)**	(8.00)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**294,345**	539,677
Investment properties	15	**13,819,100**	36,764,976
		14,113,445	37,304,653
Current assets			
Properties under development for sale	16	**4,664,017**	5,419,849
Properties held for sale	17	**364,763**	485,040
Other receivables, deposits and prepayments	18	**157,030**	152,373
Pledged/restricted bank deposits	19	**24,750**	25,119
Bank balances and cash	19	**4,257**	2,521
		5,214,817	6,084,902
Current liabilities			
Contract liabilities	20	**300,942**	381,820
Construction costs accruals		**194,278**	222,578
Other payables and accruals	27	**1,444,585**	1,488,783
Amount due to a shareholder	21	**4,190,663**	4,152,073
Lease liabilities	31	**2,604**	2,795
Tax payables		**205,546**	205,907
Borrowings	22	**4,120,751**	5,843,406
15.0% fixed-rate senior notes	23	**1,599,716**	1,518,440
		12,059,085	13,815,802
Net current liabilities		**(6,844,268)**	(7,730,900)
Total assets less current liabilities		**7,269,177**	29,573,753
Non-current liabilities			
Lease liabilities	31	**1,550**	4,282
Deferred tax liabilities	24	**2,144,771**	6,779,157
		2,146,321	6,783,439
Net assets		**5,122,856**	22,790,314

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
EQUITY			
Capital and reserves			
Share capital	25	**170,073**	170,073
Share premium and reserves		**4,952,783**	22,620,241
Total equity		**5,122,856**	22,790,314

The consolidated financial statements on pages 48 to 149 were approved and authorised for issue by the directors on September 30, 2022.

Dr. Wang Shih Chang, George
Director

Wong Sai Chung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

	Attributable to owners of the Company								
	Share capital	**Share premium**	**Revaluation reserve**	**Special reserve**	**Other reserve**	**General reserve**	**Shareholder contribution reserve**	**Retained earnings**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(note a)	(note b)	(note c)	(note d)		
At January 1, 2020	170,073	1,331,968	6,259	782,789	2,468,576	51,223	188,137	32,267,555	37,266,580
Loss and total comprehensive income for the year	—	—	—	—	—	—	—	(14,476,266)	(14,476,266)
At December 31, 2020	170,073	1,331,968	6,259	782,789	2,468,576	51,223	188,137	17,791,289	22,790,314
Loss and total comprehensive income for the year	—	—	—	—	—	—	—	(17,667,458)	(17,667,458)
At December 31, 2021	170,073	1,331,968	6,259	782,789	2,468,576	51,223	188,137	123,831	5,122,856

Notes:

(a) Special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the corporate reorganisation ("Corporate Reorganisation") to rationalise the Group structure prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

(b) Other reserve arose from the acquisition by Mr. Wong Sai Chung ("Mr. Wong"), the ultimate controlling shareholder of the Company, of the interests in the Company's subsidiaries owned by other shareholders and the implementation of the Corporate Reorganisation.

(c) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the subsidiaries established in the PRC may make an allocation to the general reserve from its profit for the year (prepared under the generally accepted accounting principles in the PRC) at a rate determined by directors of the relevant subsidiaries. The general reserve can only be used upon approval by the board of directors of the relevant subsidiaries to offset accumulated losses or increase capital.

(d) Shareholder contribution reserve represents the deemed contribution arising from the loan from a shareholder, Mr. Wong.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(21,159,530)**	(19,124,605)
Adjustments for:		
Depreciation of property, plant and equipment	**4,021**	4,948
Changes in fair value of investment properties	**1,182,350**	17,065,536
Finance costs	**710,305**	393,187
Interest income	**(7)**	(45)
Loss on disposal of investment properties and properties under development for sale	**18,815,971**	643,182
Gain on disposal of property, plant and equipment	**—**	(815)
Provision for impairment of properties under development for sale and properties held for sale	**3,440**	421,879
Provision for settlement fee and other relevant cost	**411,403**	659,626
Unrealised exchange gain, net	**(58,074)**	(112,426)
Operating cash flows before movements in working capital	**(90,121)**	(49,533)
Increase in properties under development for sale	**(120,788)**	(10,498)
Decrease in properties held for sale	**121,541**	279,415
(Increase)/decrease in other receivables, deposits and prepayments	**(4,657)**	59,931
Decrease in contract liabilities	**(80,878)**	(343,489)
Decrease in construction costs accruals	**(43,311)**	(70,540)
Increase/(decrease) in other payables and accruals	**266,004**	(35,576)
Cash generated from/(used in) operations	**47,790**	(170,290)
PRC taxes paid	**(3,675)**	(8,012)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**44,115**	(178,302)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(675)**	(773)
Additions to investment properties	**(26,936)**	(5,094)
Proceeds received from disposal of property, plant and equipment	**—**	926
Proceeds received from disposal of investment properties and properties under development for sale	**—**	97,520
Withdrawal of pledged/restricted bank deposits	**369**	7,423
Interest received	**7**	45
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	**(27,235)**	100,047

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

	2021	2020
	RMB'000	RMB'000
FINANCING ACTIVITIES		
New borrowings raised	**95,540**	176,740
Repayment of borrowings	**(14,736)**	(101,800)
Advance from a shareholder	**48,843**	269,703
Repayment of principal portion of the lease liabilities	**(2,723)**	(3,167)
Interest paid	**(142,068)**	(276,602)
Repayment upon exercise of option of senior note holder	**—**	(2,780)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(15,144)**	62,094
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,736**	(16,161)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**2,521**	18,682
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
represented by bank balances and cash	**4,257**	2,521

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

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

The Company acts as an investment holding company. The subsidiaries of the Company are principally engaged in property development and property investment in the PRC. The principal activities of its principal subsidiaries are set out in note 37.

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

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

In addition, the borrowings and 15% US$ Senior Notes referred to above with the total principal and interest amounting to RMB4,120,751,000 and US$251,184,000 (equivalent to RMB1,599,716,000), respectively, were overdue pursuant to the borrowing agreements and in default, and have not been repaid up to the date of the approval of these consolidated financial statements while its cash and cash equivalents amounted to RMB4,257,000. Some of these lenders have taken legal action to demand repayment of these borrowings and some of these lenders have exercised their right to sell the pledged assets, details of which are set out in note 35. The Group also had commitments for future construction contracted but not provided for in the consolidated financial statements of approximately RMB1,524,778,000 as set out in note 36. In addition, a winding-up petition was filed to the court by one of the lenders, 中建投信託股份有限公司 (the "JIC Trust") against the Company on February 28, 2022.

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

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

1) the Company has been actively negotiating with several financial institutions to obtain new borrowings of RMB3,500,000,000 (the "First Refinancing") to fully settle amounts due (including accrued interest and penalties) to (a) 平安大華匯通財富管理有限公司 and its fellow subsidiaries ("PinganDahua Group"), where PinganDahua Group has assigned all its rights thereunder to 西藏瓴達信投資管理有限公司 (Tibet Lingdaxin Investment Management Co., Ltd.); and (b) JIC Trust, further details of which are set out in note 35. If the First Refinancing is successful, certain pledged properties located in Shanghai and Chongqing currently pledged as security to these lenders are expected to be released. The carrying value of these properties at 31 December 2021 is approximately RMB7,195,082,000. It is the Group's intention to seek additional borrowings of approximately RMB4,240,000,000 (the "Second Refinancing") from other financial institutions using certain properties in Shanghai and Chongqing as collateral (including but not limited to the aforementioned pledged properties). The directors believe the Second Refinancing should be sufficient to settle all amounts due (including accrued interest and penalties) under the 15% US$ Senior Notes (further details of which are set out in note 39), the entrusted loan granted by 陸家嘴國際信託有限公司 ("Lujiazui") (further details of which are set out in note 35) and other loans and/or borrowings of the Group, and any remaining balance will be used to finance the Group's general working capital;

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

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

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

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

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

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

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

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

(2) the successful dismissal of the Petition;

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

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

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

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

Adoption of revised HKFRSs — effective January 1, 2021

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

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

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

New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 16	Property, plant and equipment — Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction[2]

1 Effective for annual periods beginning on or after January 1, 2022
2 Effective for annual periods beginning on or after January 1, 2023
3 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.
4 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022

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

Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have a material impact on the consolidated financial statements.

Amendments to HKAS 16 — Property, plant and equipment — Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company do not anticipate that the application of the amendments will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 37 — Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company do not anticipate that the application of the amendments will have a material impact on the Group's consolidated financial statements.

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

Amendments to HKFRS 3 — Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of this standard in the future will have a material impact on the consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of this standard in the future will have a material impact on the consolidated financial statements.

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

Amendments to HKFRSs — Annual Improvements to HKFRSs 2018–2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have a material impact on the consolidated financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

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

Amendments to HKAS 8 — Definition of Accounting Estimates

The amendments to HKAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The directors of the Company do not anticipate that the application of the amendments in the future will have a material impact on the consolidated financial statements.

Amendments to HKAS 12 — Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

The amendments require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained profits, or another component of equity, as appropriate.

HKAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. For entities which may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The directors of the Company do not anticipate that the application of the amendments in the future will have a material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Subsidiaries — Continued

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, investments in subsidiaries is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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.

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Revenue recognition — Continued

For revenue from sale of properties and pre-completion contracts for the sale of development properties in the ordinary course of business, customers obtain control of the properties when the properties are delivered to and have been accepted. Revenue is thus recognised when the customers accept the properties. There is no other goods or services agreed to be provided in the contract and in practice. There is generally only one performance obligation. Payments are usually received in advance and recognised as contract liabilities.

Service income is recognised over time as those services are provided and customers simultaneously receives and consumes the benefits provided by the Group. Invoices are usually payable on presentation.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. For financial assets measured at amortised cost that are not credit-impaired at the date of acquisition, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial asset, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance described in the accounting policy for financial instruments below) of the asset.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Cost comprises both the prepaid lease payments for the land and development cost for the property. Net realisable value takes into account the price ultimately expected to be realised, less the cost necessary to make the sale and the anticipated costs to completion.

Development cost of property comprises construction costs, borrowing costs capitalised according to the Group's accounting policy and directly attributable cost incurred during the development period. On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development costs attributable to the properties held for sale, other costs that have been incurred in bringing the properties to their existing condition such as finance costs are capitalised.

Financial instruments

Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

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

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments — Continued

Financial assets — 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. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): 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. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments — Continued

Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECLs") on trade receivables, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) twelve months ECLs: these are the ECLs that result from possible default events within the twelve months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the twelve-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments — Continued

Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of profit or loss and other comprehensive income. The net fair value gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including construction costs accruals, other payables and accruals, borrowings, amount due to a shareholder and 15.0% fixed-rate senior notes are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss or, where certain conditions are met, capitalised in qualifying assets.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments — Continued

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of its assets with finite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. However, the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months, if any. The lease payments associated with those leases have been expensed in straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Leasing — Continued

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. Right-of-use assets are generally depreciated over the shorter of the assets' useful life and the lease term (including the extension option period, as appropriate) on a straight-line basis. If the Group is reasonably certain to exercise a purchase option (if any), the right-of-use asset is depreciated over the underlying asset's useful life.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 as investment properties and are carried at fair value. The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are amortised over the shorter of assets' useful life and the lease term on a straight-line basis.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Leasing — Continued

Accounting as a lessor

The Group has leased out certain of its investment properties to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Capitalisation of borrowing costs

Borrowing costs including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs which are 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.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects any uncertainty related to income tax.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Taxation — Continued

For the purposes of measuring deferred taxes for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred taxes for such investment properties are measured in accordance with the above general principles set out in HKAS 12 "Income taxes" (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at that date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes (both are defined contribution retirement schemes) are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Given Covid-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

Except as disclosed elsewhere in the consolidated financial statements, the following is the critical judgment that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. Accordingly, deferred taxation in relation to the Group's investment properties has been measured based on the tax consequences of recovering the carrying amounts entirely through use.

Going concern basis

As disclosed in note 1, the consolidated financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into account of all relevant available information about the future of the Group, including cash flow forecast of the Group covering a period up to December 31, 2023. Such forecast about the future inherently involve various assumptions and uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis not appropriate.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY — Continued

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Land use right and valuation — Shanghai Concord City Phase II — Southern portion

In April 1999, the PRC Ministry of Land and Resources introduced certain rules ("Rules on the Disposal of Idle Land" or "Rules") to deal with state-owned land designated for development purposes, where the land owner did not commence construction within a reasonable time. These Rules were subsequently revised in 2012. The Rules were introduced to tackle government corruption in land hoarding and prevent abuse of administrative power, but also introduced a mechanism for the authorities to take back state-owned land with no compensation if development of the land had not commenced within an agreed/reasonable time.

On November 6, 2019, Shanghai Jingan District Planning and Natural Resources Bureau ("Jingan Bureau") published on its official website that Jingan Bureau issued a determination letter of idle land identification on July 15, 2018 (the "Letter") to a subsidiary of the Company, Shanghai Jingan Concord Real Estate Co., Ltd ("Shanghai Jingan") (the "Determination"). The Determination referred to a parcel of land (lot #4) with total site area of 19,800 square meters which is located in the southern portion of Shanghai Concord City Phase II (the "Target Land" or "Lot #4 Land"). The overall Concord City Project comprised several adjacent pieces of land comprising Land Lots #1, #3, #4, #5 & #7 located at Yongyuanbang, Nanjing West Road, Shanghai, which were acquired by the Group from 1992 to 1994. Phase I of Concord City Project comprising of Land Lot #1 & #7 was developed into a residential and shopping complex and was completed in around 2002. Phase II comprising Land Lot #3, #4 & #5 was intended to be developed in two parts — North Concord City (Land Lot #3 & #5) was to be developed into a hotel and retail complex and South Concord City was to be developed into a commercial/residential complex. Construction on North Concord City commenced in 2008 and was completed in around 2015. South Concord City represents Lot #4 Land (also referred to as Target Land) and no construction has commenced to date as there are several changes for the Zoning Plan from Jingan Bureau and relevant government departments.

The Determination identified the Target Land as idle land for the reason that the land parcel has not been developed and constructed by Shanghai Jingan to at least 60% of the construction area by June 30, 1997.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY — Continued

Key sources of estimation uncertainty — Continued

Land use right and valuation — Shanghai Concord City Phase II — Southern portion — Continued

However, the directors of the Company did not at any time receive the Letter, which is a critical part of the legal procedure under the Rules and only became aware of this matter when Jingan Bureau published the Determination on its website on November 6, 2019. In addition, the directors consider the requirement to complete at least 60% of construction on Target Land by June 30, 1997 to be invalid because amongst other things, the Lot #4 Land was significantly enlarged by way of supplementary agreement with Shanghai authorities in 2000, invalidating the original land transfer agreement and the Target Land was only handed over to the Group in 2003.

For the year ended 31 December 2019, with the advice of its legal advisors, the directors of the Company were of the view that the Group had sound legal grounds to argue the Target Land does not constitute idle land as alleged in the Determination, as the Jingan Bureau did not follow the required legal procedure amongst other things.

During the year ended 31 December 2020, the Jingan Bureau convened a hearing with Shanghai Jingan on 20 August 2020 (the "Hearing") to discuss whether Lot #4 Land was idle land. The Hearing is a required step under the normal legal procedure to make a determination as to whether Lot #4 Land was idle land. At the Hearing, both sides exchanged views as to who was at fault for the long delay in the development of the land. From Shanghai Jingan's perspective there were many delays/changes in the delivery of land, approval of development plans and zoning plan changes, including a 2007 detailed regulatory plan for Lot #4 Land which disallowed the land to be used for residential purposes which Shanghai Jingan did not agree to. From Jingan Bureau's perspective, the change in plans at city/municipal level over time is normal and usual given that Shanghai Jingan has held the land for over 20 years. In addition, Jingan Bureau claimed the delay in development was due to Shanghai Jingan's own changes in plans and not due to the fault of the Shanghai Government.

In order for the land not be held as idle, it is required to be developed to at least 60% of gross floor area above ground. Critically, the Group held the view that in determining whether the land is idle, Lot #1, #3, #4, #5 and #7 should be taken together as a whole when area developed is calculated, given these lots were subject to same planning parameters and were planned to be developed as a whole (all the lots are adjacent to each other). Jingan Bureau disagreed and claimed Lot #4 Land had a separate land grant contract and land use right certificate. Accordingly, the area developed should be determined on a standalone basis. If the various lots of land the Group owns under Shanghai Concord City project are aggregated together and taken as a whole, then the Group meets the required minimum threshold area that is required to be developed. If Lot #4 Land is evaluated separately on a standalone basis then it does not.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY — Continued

Key sources of estimation uncertainty — Continued

Land use right and valuation — Shanghai Concord City Phase II — Southern portion — Continued

The Group's legal advisors are of the view that if the above matter were to be resolved in court, Shanghai Jingan would have a good chance of succeeding. However, the Directors are cognizant that there is a risk of the court not finding in favour of Shanghai Jingan, in which case the land could be taken back by Shanghai Government for no compensation. Although the Directors believe the outcome is a binary one, the two outcomes give very different results. The Group's independent valuers have determined the fair value of Lot #4 Land to be approximately RMB22,233,083,000. However the valuers did not make any adjustment for the potential risk that the land would be determined to be idle land as they said no formal adjudication on the issue had been made and in any case they did not have sufficient information to make such adjustment. In that light, the Directors have, taking into account the report of the independent valuers, the view of their legal advisors and the information available to them, estimated that there was a 60% probability that the Lot #4 Land would not be found to be idle land and 40% probability that it would and be taken back by Jingan Bureau for no compensation. The Directors accordingly used a weighted probability approach to determine the fair value of Lot #4 Land at 31 December 2020 and made an adjustment to reduce the fair value of Lot #4 Land by RMB8,893,233,000 for the year ended 31 December 2020. This adjustment also resulted in a corresponding deferred tax credit to profit and loss of RMB2,223,308,000.

During the year ended December 31, 2021, on 14 July 2021, Lot #4 Land was sold by way of public auction for RMB2,468,390,000 to partially satisfy the debt due to a lender, to whom Lot #4 Land was mortgaged as security. Further details are set out in notes 7 and 35.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY — Continued

Key sources of estimation uncertainty — Continued

Estimate of fair value of investment properties under construction

As described in note 15, investment properties under construction are mainly measured at fair value at the end of each reporting period using a residual method with the assistance of independent professional valuers. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the assumptions used in the valuation are appropriate, reasonable and reflect market conditions. Where there are any changes in the assumptions due to the market conditions in the PRC, the estimate of fair value of investment properties under construction may be significantly affected. As at December 31, 2021, investment properties under construction revalued using the residual method amounted to approximately RMB11,642,616,000 (2020: RMB43,299,573,000).

Estimate of net realisable value of properties under development for sale and properties held for sale

As at December 31, 2021, properties under development for sale of approximately RMB4,664,017,000 (2020: RMB5,419,849,000) and properties held for sale of approximately RMB364,763,000 (2020: RMB485,040,000) are stated at lower of cost and net realisable value. Cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is determined by estimating the selling price less the cost necessary to make the sale and costs of completion (if any), which are estimated based on best available information. Where there are any decrease in the estimated selling price arising from any change to the market conditions in the PRC, there may be change in provision for impairment recognised on the properties under development for sale and properties held for sale.

Land appreciation taxes

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

The Group is subject to LAT in the PRC which has been included in income tax expense of the Group. Significant judgment is required in determining the amount of land appreciation and the related taxes. The Group recognises these liabilities based on the management's best estimates. Where the final outcome of this matter is different from the amounts that were initially recorded, such differences will impact the income tax expense in the period in which such determination is made. As at December 31, 2021, the Group has LAT payable of approximately RMB65,140,000 (2020: RMB65,500,000) included in tax payable.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY — Continued

Key sources of estimation uncertainty — Continued

Provision for legal disputes and contingent liabilities under construction contracts

As at December 31, 2021, the Group is subjected to several legal claims mainly in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business. Determining whether provision for construction costs in dispute is necessary requires an estimation of probability that an outflow of resources embodying economic benefits is required to settle the obligation and an estimation of the amount of the obligation which can be measured reliably at the end of the reporting period. Based on advice from the Group's independent legal advisors or internal legal counsel, those outstanding legal claims that are still in preliminary stage and the final outcome of which it is not possible to determine at this stage amounted to approximately RMB117 million (2020: RMB68 million) in aggregate. In the opinion of the directors of the Company, the Group has possible obligation in relation to these legal disputes; however, a sufficiently reliable estimate of the amount of the obligation cannot be made at the end of the reporting period. Disclosure of such contingent liabilities has been made in note 35.

5. SEGMENT INFORMATION

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

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

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

Information regarding the above segments is presented below.

5. SEGMENT INFORMATION — Continued

(a) — Continued

Segment revenue and results

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

For the year ended December 31, 2021

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

For the year ended December 31, 2020

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by/(loss incurred from) each segment including the changes in fair value of investment properties and loss on disposal of property, plant and equipment, investment properties and properties under development for sale, without allocation of other income, gains and losses, net, net exchange gain, finance costs, selling expenses and administrative expenses including directors' emoluments. This is the measure reported to the Company's CODM for the purposes of resource allocation and performance assessment.

5. SEGMENT INFORMATION — Continued

(a) — Continued

Segment assets and liabilities

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

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

5. SEGMENT INFORMATION — Continued

(a) — Continued

Segment assets and liabilities — Continued

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

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

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

Other segment information

For the year ended December 31, 2021

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

5. SEGMENT INFORMATION — Continued

(a) — Continued

Other segment information — Continued

For the year ended December 31, 2020

	Property development		Property investment			Segment		
	Shanghai	Chongqing	Shanghai	Chongqing	Others	Total	Adjustments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
							(Note (a))	
Amounts included in the measure of segment profit or loss or segment assets:								
Changes in fair value of investment properties	—	—	14,578,683	2,486,853	—	17,065,536	—	17,065,536
Additions to non-current assets (Note b)	—	—	137,725	34,830	—	172,559	7,973	180,532
Depreciation of property, plant and equipment	—	—	—	—	3,129	3,129	6,112	9,241
Loss on disposal of investment properties and properties under development held for sale	—	366,646	—	276,536	—	643,182	—	643,182

Notes:

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

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

Geographical information

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

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

5. SEGMENT INFORMATION — Continued

(a) — Continued

Information about major customer

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

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

Disaggregation of revenue

For the year ended December 31

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

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

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

7. LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT FOR SALE

During the year ended 31 December 2021, the Group disposed certain investment properties, properties under development for sale, and property, plant and equipment through public auctions and recognised a net loss on disposal of approximately RMB18,815,971,000 in relation to legal disputes with certain borrowers for Lot #4 Land, Lot #3 Land & Lot #5 Land, and Huashan Building. Further details for legal disputes and auctions are set out in note 35.

Carrying amount of assets at the date of disposal were as follows:

	Lot #4 Land (see note 4)	Lot #3 Land and Lot #5 Land	Huashan Building	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Investment properties (note 15)	13,339,850	7,198,795	1,264,097	21,802,742
Properties under development for sale (note 16)	854,857	—	—	854,857
Property, plant and equipment (note 14)	29,468	191,072	21,050	241,590
	14,224,175	7,389,867	1,285,147	22,899,189
Net proceeds received from disposal were as follow:				
Proceeds received from disposal	2,468,390	1,299,140	335,690	4,103,220
Less: other expenses	(12,127)	(6,530)	(1,345)	(20,002)
	2,456,263	1,292,610	334,345	4,083,218
Loss on disposal	**11,767,912**	**6,097,257**	**950,802**	**18,815,971**

Use of net proceeds from disposal included payment for tax and other expenses, repayment of borrowings and settlement fee and other relevant cost which are non-cash transactions during the year.

8. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on other borrowings	**468,126**	500,033
Effective interest expense on 15.0% fixed-rate senior notes	**241,370**	248,978
Interest on lease liabilities	**809**	1,372
Total finance costs (Note 26(a))	**710,305**	750,383
Less: Amount capitalised in construction in progress included in property, plant and equipment, investment properties under construction and properties under development for sale	**—**	(357,196)
	710,305	393,187

Borrowing costs capitalised during the year ended December 31, 2020 arising on specific borrowings amounted to approximately RMB33,660,000. Borrowing costs capitalised during the year ended December 31, 2020 arising on the general borrowing pool amounted to approximately RMB323,536,000 and was calculated by applying a capitalisation rate of 10.01% per annum to expenditure on qualifying assets.

9. INCOME TAX CREDIT

	2021 RMB'000	2020 RMB'000
Current tax:		
Enterprise Income Tax ("EIT")		
— Provision for the year	**(156)**	(1,984)
— Over-provision in prior years	**—**	33,216
	(156)	31,232
Land Appreciation Tax ("LAT")		
— Provision for the year	**(1,142,158)**	(6,730)
— Over-provision in prior years	**—**	510,983
	(1,142,158)	504,253
	(1,142,314)	535,485
Deferred tax credit (Note 24):		
Current year	**4,634,386**	4,112,854
	3,492,072	4,648,339

9. INCOME TAX CREDIT — Continued

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

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

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

Income tax credit for the year can be reconciled from the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021	2020
	RMB'000	RMB'000
Loss before tax	**(21,159,530)**	(19,124,605)
Tax at PRC enterprise income tax rate of 25%	**5,289,883**	4,781,151
Tax at PRC LAT rates ranging from 30% to 60%	**(1,142,158)**	(6,730)
Tax effect of expenses not deductible for tax purpose	**(659,393)**	(469,102)
Tax effect of income not taxable for tax purpose	**14,533**	29,164
Tax loss not recognised	**(14,825)**	(238,158)
Tax loss utilised	**4,032**	7,815
Over-provision in prior years	**—**	544,199
Income tax credit for the year	**3,492,072**	4,648,339

10. LOSS FOR THE YEAR

	2021 RMB'000	2020 RMB'000
Loss for the year has been arrived at after charging/(crediting):		
Directors' emoluments (Note 11)	**1,040**	1,096
Other staff costs		
— salaries and other benefits	**24,555**	33,237
— contributions to retirement benefits schemes	**4,114**	3,515
Total staff costs	**29,709**	37,848
Less: Amount capitalised in investment properties under construction and properties under development for sale	**(7,115)**	(9,209)
	22,594	28,639
Auditors' remuneration	**2,555**	2,808
Depreciation of property, plant and equipment (Note 14)	**6,936**	9,241
Less: Amount capitalised in properties under development for sale	**(2,915)**	(4,293)
	4,021	4,948
Cost of properties sold (included in cost of sales)	**126,405**	283,542
Gain on disposal of property, plant and equipment	**—**	(815)
Gross rental income from investment properties	**2,359**	3,201
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**(1)**	—
	2,358	3,201
Provision for settlement fee and other relevant cost incurred in respect of the litigations with certain lenders (Note 27)	**411,403**	695,626
Provision for impairment of properties under development for sale and properties held for sale (included in cost of sales) (Notes 16 and 17)	**3,440**	421,879

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

	2021	2020
	RMB'000	RMB'000
Fees	**800**	856
Salaries and allowances	**240**	240
	1,040	1,096

Directors' and chief executive's emoluments

The emoluments paid to the directors and chief executive were as follows:

For the year ended December 31, 2021

	Fee	**Salaries and allowances**	**Retirement benefits scheme contribution**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Executive directors:				
Dr. Wang Shih Chang, George	—	—	—	—
Mr. Wong (Note (a))	—	—	—	—
Mr. Xu Li Chang	—	**240**	—	**240**
	—	**240**	—	**240**
Non-executive director:				
Mr. Kwan Kai Cheong	**200**	—	—	**200**
Independent non-executive directors:				
Mr. Warren Talbot Beckwith	**200**	—	—	**200**
Mr. Luk Koon Hoo	**200**	—	—	**200**
Dr. Garry Alides Willinge	**200**	—	—	**200**
	600	—	—	**600**
	800	**240**	—	**1,040**

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS — Continued

Directors' and chief executive's emoluments — Continued

For the year ended December 31, 2020

	Fee RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
Executive directors:				
Dr. Wang Shih Chang, George	—	—	—	—
Mr. Wong (Note (a))	—	—	—	—
Mr. Xu Li Chang	—	240	—	240
	—	240	—	240
Non-executive director:				
Mr. Kwan Kai Cheong	214	—	—	214
Independent non-executive directors:				
Mr. Warren Talbot Beckwith	214	—	—	214
Mr. Luk Koon Hoo	214	—	—	214
Dr. Garry Alides Willinge	214	—	—	214
	642	—	—	642
	856	240	—	1,096

Notes:

(a) Mr. Wong is also the chief executive of the Company and no emoluments for his services rendered as the chief executive was provided by the Group.

The executive director's emolument shown above was for his service in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' and non-executive director's emoluments shown above were for their services as directors of the Company.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS — Continued

Employees' emoluments

The emoluments for the five individuals with the highest emoluments in the Group did not include any director and chief executive of the Company for both years, details of whose emoluments are set out above.

The emoluments of the five highest paid individuals (2020: five) were as follows:

	2021 **RMB'000**	2020 RMB'000
Salaries and allowances	**4,665**	4,709
Retirement benefits scheme contributions	**91**	90
	4,756	4,799

Their emoluments were within the following bands:

	2021 **Number of employees**	2020 Number of employees
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**3**	3
HK$1,500,001 to HK$2,000,000	**1**	1
	5	5

	2021 **Number of employees**	2020 Number of employees
Nil to RMB1,000,000	**4**	3
RMB1,000,001 to RMB1,500,000	**1**	2
	5	5

During both years, no remuneration was paid by the Group to any of the directors and chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and chief executive waived any remuneration during both years.

12. DIVIDEND

No dividend was paid or declared during the year ended December 31, 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

13. LOSS PER SHARE

(a) Basic loss per share

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

(b) Diluted loss per share

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

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Right-of-use asset: Leasehold land	Right-of-use asset: Properties leased for own use	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At January 1, 2020	19,953	41	11,740	9,328	391,589	178,042	6,454	617,147
Additions	—	—	406	—	20,730	—	7,977	29,113
Disposals	—	(33)	(628)	(606)	—	—	—	(1,267)
Exchange adjustment	—	—	—	—	—	—	(530)	(530)
At December 31, 2020	19,953	8	11,518	8,722	412,319	178,042	13,901	644,463
Additions	—	—	8	—	3,398	—	—	3,406
Disposals	—	—	(45)	(68)	(210,944)	(57,789)	—	(268,846)
Exchange adjustment	—	—	—	—	—	—	(184)	(184)
At December 31, 2021	19,953	8	11,481	8,654	204,773	120,253	13,717	378,839
DEPRECIATION								
At January 1, 2020	13,423	41	10,030	8,834	—	60,597	3,776	96,701
Provided for the year (Note 10)	968	—	190	—	—	4,488	3,595	9,241
Disposals	—	(33)	(578)	(545)	—	—	—	(1,156)
At December 31, 2020	14,391	8	9,642	8,289	—	65,085	7,371	104,786
Provided for the year (Note 10)	968	—	269	40	—	2,960	2,699	6,936
Disposals	—	—	(17)	(68)	—	(27,143)	—	(27,228)
At December 31, 2021	15,359	8	9,894	8,261	—	40,902	10,070	84,494
CARRYING VALUES								
At December 31, 2021	4,594	—	1,587	393	204,773	79,351	3,647	294,345
At December 31, 2020	5,562	—	1,876	433	412,319	112,957	6,530	539,677

14. PROPERTY, PLANT AND EQUIPMENT — Continued

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	Over the lease terms
Buildings	Shorter of lease terms and 4.5%
Leasehold improvements	Shorter of the remaining term of the land lease on which the buildings are located and 4.5%
Office equipment, furniture and fixtures	18%–19%
Motor vehicles	18%–19%
Properties lease for own use	Over the lease term

Certain of the Group's leasehold land, buildings and construction in progress as at 31 December 2021 with a carrying value of approximately Nil (2020: RMB32,204,000), RMB4,594,000 (2020: RMB5,562,000) and RMB90,535,000 (2020: RMB307,486,000) respectively were pledged to secure certain borrowing facilities granted to the Group.

15. INVESTMENT PROPERTIES

	2021 RMB'000	2020 RMB'000
FAIR VALUE		
Completed properties held for rental purpose:		
At the beginning of the year	**2,358,636**	2,582,935
Net changes in fair value recognised in profit or loss	**(182,152)**	(114,647)
Transfer to properties held for sale	**—**	(109,652)
At the end of the year	**2,176,484**	2,358,636
Investment properties under construction:		
At the beginning of the year	**34,406,340**	51,560,021
Additions	**39,216**	151,419
Disposal (Note 7)	**(21,802,742)**	(302,316)
Net changes in fair value recognised in profit or loss	**(1,000,198)**	(16,950,889)
Transfer to properties under development	**—**	(38,938)
Transfer to properties held for sale	**—**	(12,957)
At the end of the year	**11,642,616**	34,406,340
Total	**13,819,100**	36,764,976
Unrealised loss on properties revaluation included in profit or loss for the financial year	**(1,182,350)**	(17,065,536)

The investment properties are under Level 3 fair value measurements. At the end of each reporting period, the senior management works closely with an independent qualified professional valuer to establish and determine the appropriate valuation techniques and inputs. Discussion of valuation process and results are held between senior management and the directors of the Company at least twice a year.

The fair values of the Group's investment properties at December 31, 2021 and 2020 were determined with the assistance of Vincorn Consulting and Appraisal Limited ("Vincorn") in respect of the properties situated in Shanghai and Chongqing, the PRC. Vincorn is an independent qualified professional valuer not connected with the Group, a member of the Institute of Valuers and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

15. INVESTMENT PROPERTIES — Continued

The fair values of investment properties in Shanghai and Chongqing as at December 31, 2021 determined with the assistance of independent professional valuer were approximately RMB5,607,503,000 (2020: RMB36,802,743,000) and RMB8,211,597,000 (2020: RMB8,855,466,000) respectively. For completed investment properties, the valuations have been arrived at using the capitalisation of net income method based on the present value of the income to be derived from the properties. For the completed properties which are currently vacant, the valuation was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term. For investment properties under construction, the valuations have been arrived at using the residual approach by making reference to recent sales transactions of completed properties or rental information in the relevant market as publicly available to determine the potential rental income of the completed investment properties, less estimated costs to completion and expected developer profit margin so as to determine the value of the proposed development as if these were completed as at the date of valuation. The rental income included in the residual method was principally based on income approach by taking into account the current rents passing and the reversionary income potential of tenancies.

The Group owns a piece of land situated in Chongqing under the project name "Chongqing International Commerce Centre ("CQ ICC"). This project covers a total expected construction area of 1,400,000 square meters and comprises a mix of residential, office and retail space. The Group intends to sell the residential portion once developed, while the office and retail portion will be kept for long term rent/capital appreciation. During the year ended December 31, 2020, the Chongqing Municipal Bureau of Planning and Natural Resources ("CQ Bureau") passed a resolution in March 2020 whereby the planned construction area for CQ ICC project was reduced from 1,400,000 square meters to not more than 760,000 square meters. This was in line with the Chongqing Municipality "Two Rivers and Four Riversides governance improvement plan" which sought to limit the height at which developers could build in order to preserve the scenic beauty of the city. The Group did not agree with this resolution and is entitled to claim compensation for this change. In the opinion of the directors, the Group will seek to claim compensation from the CQ Bureau either in the form of cash or additional land use right equal to the difference in value arising from this change. In the previous year ended December 31, 2020, the Group had determined the fair value of this investment property based on the reduced construction area. The Group applied the same basis in the current year.

For the year ended December 31, 2020, the Directors made an adjustment to the fair value determined by the Group's independent professional valuer in respect of Lot #4 Land, a parcel of land which forms part of Phase 2, Shanghai Concord City in the amount of RMB8,893,233,000. Further details of this adjustment are set out in note 4.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

15. INVESTMENT PROPERTIES — Continued

There was no transfer between different levels of the fair value hierarchy for the years ended December 31, 2021 and 2020. Details of the Group's investment properties and information about the valuations under Level 3 of the fair value hierarchy as at December 31, 2021 and 2020 are as follows:

	2021 **RMB'000**	2020 RMB'000
Investment Properties		
Retail	**11,956,516**	33,473,283
Office	**1,862,584**	3,291,693
Total	**13,819,100**	36,764,976

Information about fair value measurements using significant unobservable inputs

Description	Fair value as at December 31, 2021 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(1) Completed properties — fair values determined by Vincorn					
Shanghai Cannes and Phase 1 of Shanghai Concord City					
Retail	**2,176,484**	Income capitalisation approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Shanghai Cannes) 3% (for Phase 1 of Shanghai Concord City)	The higher the gross capitalization rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB388 per square meter per month (for Shanghai Cannes) RMB1,544 per square meter per month (for Phase 1 of Shanghai Concord City)	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	50%–80% (for Shanghai Cannes) 40%–80% (for Phase 1 of Shanghai Concord City)	The higher the expected occupancy rate, the higher the fair value.
			(iv) Discount rate	9% (for Shanghai Cannes) 8% (for Phase 1 of Shanghai Concord City)	The higher the discount rate, the lower the fair value.
			(v) Rental growth rate	5% (for Shanghai Cannes) 6% (for Phase 1 of Shanghai Concord City)	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2021 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn					
Shanghai Commercial Street at Minhang District ("Minhang")					
Retail	**3,431,019**	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB616 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	80%–90%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	20%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB9,500 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	9%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	5%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2021 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing Manhattan City					
Retail	**1,695,247**	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	8%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB229 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	65%–85%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	25%–30%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB6,564 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	5%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2021 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing Concord City					
Retail	**2,474,746**	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB852 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	65%–85%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB9,954 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2021 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing Concord City — Continued					
Office	**1,301,354**	Residual approach	(i) Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB30,023 per square meter	The higher the selling price, the higher the fair value.
			(ii) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii) Construction cost	RMB9,400 per square meter	The higher the cost, the lower the fair value.
			(iv) Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2021 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing International Commerce Centre					
Retail	**2,179,020**	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB493 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	60%–85%	The higher the expected occupancy rates, the higher the fair value.
			(iv) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vi) Construction cost	RMB10,600 per square meter	The higher cost, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2021 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing International Commerce Centre — Continued					
Office	**561,230**	Residual approach	(i) Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB22,914 per square meter	The higher the selling price, the higher the fair value.
			(ii) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii) Construction cost	RMB9,400 per square meter	The higher the cost, the lower the fair value.
			(iv) Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
	13,819,100				

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2020 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(1) Completed properties — fair values determined by Vincorn					
Shanghai Cannes and Phase 1 of Shanghai Concord City					
Retail	2,358,636	Income capitalisation approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Shanghai Cannes) 3% (for Phase 1 of Shanghai Concord City)	The higher the gross capitalization rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB393 per square meter per month (for Shanghai Cannes) RMB1,614 per square meter per month (for Phase 1 of Shanghai Concord City)	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	50%–80% (for Shanghai Cannes) 40%–80% (for Phase 1 of Shanghai Concord City)	The higher the expected occupancy rate, the higher the fair value.
			(iv) Discount rate	9% (for Shanghai Cannes) 8% (for Phase 1 of Shanghai Concord City)	The higher the discount rate, the lower the fair value.
			(v) Rental growth rate	5% (for Shanghai Cannes) 6% (for Phase 1 of Shanghai Concord City)	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2020 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn					
Shanghai Commercial Street at Minhang District ("Minhang"), Huashan Building ("Huashan") and Phase 2 of Shanghai Concord City ("Phase 2 of SH Concord City")					
Retail	32,451,863*	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Minhang) 3–4% (for Huashan and Phase 2 of SH Concord City)	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB620 per square meter per month (for Minhang) RMB1,954 per square meter per month (for Huashan and Phase 2 of SH Concord City)	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	50%–98%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	10%–20%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB10,816 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	8%–9%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%–6%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	5%–6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2020 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Shanghai Phase 2 of Shanghai Concord City					
Office	1,992,244*	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	4%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB414 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	85%–95%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	20%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB7,900 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	9%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	6%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2020 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing Manhattan City					
Retail	1,699,431	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	8%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB233 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	65%–85%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	25%–30%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB6,370 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	5%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2020 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing Concord City					
Retail	2,629,013	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB860 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	65%–85%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB9,854 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2020 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing Concord City — Continued					
Office	1,451,012	Residual approach	(i) Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB30,885 per square meter	The higher the selling price, the higher the fair value.
			(ii) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii) Construction cost	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv) Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2020 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing International Commerce Centre					
Retail	2,430,676	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB495 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	60%–85%	The higher the expected occupancy rates, the higher the fair value.
			(iv) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vi) Construction cost	RMB10,580 per square meter	The higher cost, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2020 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing International Commerce Centre — Continued					
Office	645,334	Residual approach	(i) Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB23,255 per square meter	The higher the selling price, the higher the fair value.
			(ii) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii) Construction cost	RMB8,900 per square meter	The higher the cost, the lower the fair value.
			(iv) Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
	45,658,209				

* Before adjustments are made by the Directors set out in note 4.

As at December 31, 2021, majority of the Group's investment properties with a carrying value of approximately RMB12,914,738,000 (2020: RMB35,208,919,000) were pledged to secure certain borrowings and facilities granted to the Group.

All the Group's properties interests held under operating leases to earn rental income or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Various retail properties are leased to tenants under operating leases with rentals payable monthly. There are no significant variable lease payments that depend on an index or rate.

For minimum lease receivable on leases of investment properties, please refer to note 31.

16. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2021 RMB'000	2020 RMB'000
Cost		
At the beginning of the year	**5,419,849**	6,242,285
Additions	**103,729**	167,372
Disposal (Note 7)	**(854,857)**	(400,826)
Impairment	**(4,704)**	(387,893)
Transfer from investment properties	**—**	38,938
Transfer to properties held for sale	**—**	(240,027)
At the end of the year	**4,664,017**	5,419,849
Properties under development for sale of which:		
— expected to be completed within twelve months	**1,895,777**	1,810,046
— expected to be completed after twelve months after the end of the reporting period	**2,768,240**	3,609,803
	4,664,017	5,419,849

As at December 31, 2021, certain of the Group's properties under development for sale with a carrying value of approximately RMB2,700,390,000 (2020: RMB2,498,642,000) were pledged to secure certain borrowing facilities granted to the Group.

17. PROPERTIES HELD FOR SALE

	2021 RMB'000	2020 RMB'000
Properties held for sale	**397,485**	519,026
Less: provision for impairment	**(32,722)**	(33,986)
Properties held for sale, net	**364,763**	485,040

As at December 31, 2021, certain of the Group's properties held for sale with a carrying value of approximately RMB167,157,000 (2020: RMB158,129,000) were pledged to secure certain borrowing facilities granted to the Group.

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

The Group recognised impairment loss based on the accounting policy stated in note 3 for financial instruments. Further details on the Group's credit policy and credit risk arising from other receivables, deposits and prepayments are set out in note 30.

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

19. PLEDGED/RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

At December 31, 2021, bank deposits of approximately RMB24,400,000 (2020: RMB24,400,000) were pledged as securities against certain short term borrowings which are overdue. These pledged bank deposits have accordingly been classified under current assets.

The pledged bank deposits carry effective interest rates which is at 0.03% (2020: 1.50%) per annum. The pledged bank deposits will be released upon the settlement of the relevant borrowings. Bank balances carry interest at market rates which range from 0.01% to 0.39% (2020: 0.01% to 0.39%) per annum.

At December 31, 2021, bank deposits of approximately RMB350,000 (2020: RMB719,000) were restricted for the use of setting certain potential claims.

At December 31, 2021, pledged/restricted bank deposits and bank balances and cash with banks in the PRC amounted to approximately RMB29,007,000 (2020: RMB27,640,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

20. CONTRACT LIABILITIES

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

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sales of properties

100% of payments are usually received in advance and recognised as contract liabilities.

Movements in contract liabilities is as follows:

	2021 RMB'000	2020 RMB'000
Balance as at January 1	**381,820**	725,309
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(94,757)**	(350,090)
Increase in contract liabilities as a result of funds received in advance from sales of properties	**13,879**	6,601
Balance as at December 31	**300,942**	381,820

The contract liabilities mainly relate to the deposits received from customers for sales of properties. RMB94,757,000 (2020: RMB350,090,000) of the contract liabilities as of December 31, 2020 has been recognised as revenue for the year ended December 31, 2021 from acceptance of properties by customers.

As at December 31, 2021, contract liabilities or the aggregated amount of the deposits received from the remaining performance obligations under the Group's existing contracts was RMB300,942,000 (2020: RMB381,820,000). This amount represents revenue expected to be recognised in the future from acceptance of properties by customers.

20. CONTRACT LIABILITIES — Continued

The directors expected the Group would satisfy the remaining performance obligations under the contracts within one year as at December 31, 2020. However, the original expected timing of satisfying the remaining performance obligations were unexpectedly delayed due to city-wide lockdown and other social distancing measures implemented by the local government in Shanghai and Chongqing to control the outbreak of COVID-19 in PRC during the year ended December 31, 2021. As at December 31, 2021, the directors consider the Group will recognise expected revenue in future, which is expected to occur in the next 12 months from the end of the reporting period.

The Group has applied the practical expedient to its contracts with customers and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

21. AMOUNT DUE TO A SHAREHOLDER

Amount due to a shareholder, Mr. Wong, is non-trade in nature, unsecured, interest-free and repayable on demand while request for payment will only be made when the Company has excess cash to repay.

22. BORROWINGS

	Notes	**2021** **RMB'000**	2020 RMB'000
PinganDahua Group	35(1)	**1,811,306**	2,808,787
Lujiazui	35(2)	**1,412,370**	1,327,896
JIC Trust	35(3)	**500,732**	1,423,887
Other borrowings		**396,343**	282,836
Total borrowings, secured		**4,120,751**	5,843,406

22. BORROWINGS — Continued

The Group's borrowings are all denominated in RMB for the year ended December 31, 2021 and 2020.

	2021	2020
	RMB'000	RMB'000
Carrying amount of the fixed-rate other borrowings repayable based on contractual term#:		
On demand or within one year	**4,120,751**	5,843,406
More than one year, but not exceeding two years	**—**	—
More than two years, but not exceeding five years	**—**	—
Amount due within one year or on demand shown under current liabilities	**4,120,751**	5,843,406

The amounts due are based on scheduled repayment dates set out in the loan agreements.

The borrowings are secured and have fixed interest rates ranging from 7.2% to 36% (2020: 7.2% to 36%) per annum. The weighted average rate is 10.74% (2020: 10.26%) per annum.

As at December 31, 2021, the significant secured fixed rate borrowings from PinganDahua Group, Lujiazui and JIC Trust are denominated in RMB, carrying interests at fixed rates ranging from 7.2% to 13.9% (2020: 7.2% to 13.9%) per annum. At December 31, 2021 and 2020, borrowings of RMB3,724,408,000 and RMB5,560,570,000 respectively were past due and for which the lenders have demanded repayment. Further details are set out in note 35. Movement in borrowings for the year is set out in note 26(a).

23. 15.0% FIXED-RATE SENIOR NOTES

On October 11, 2018, the Group issued approximately US$226 million (equivalent to RMB1,550,559,000) principal amount of the 15% US$ Senior Notes which contain two components, liability and early redemption options.

The notes bear interest at a fixed-rate of 15.00% per annum. The interest charged for the year is calculated by applying an effective interest rate of approximately 16.49% per annum. Interest on the notes is payable on April 15 and October 15 of each year. The notes were matured on October 15, 2021 but the Group did not repay the notes and accrued interest, and accordingly was considered in default. Further information is set out in note 26(a) and 39(c). The notes are guaranteed by certain of the Company's subsidiaries and Mr. Wong Sai Chung, the managing director of the Company.

23. 15.0% FIXED-RATE SENIOR NOTES — Continued

At any time and from time to time on or after April 15, 2020, the Group may redeem the 15% US$ Senior Notes, in whole or in part, at a redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the 15% US$ Senior Notes redeemed, to (but not including) the applicable date of redemption, if redeemed during the 6-month period commencing on the periods indicated below:

6-month period commencing on	Percentage
April 15, 2020	107.500%
October 15, 2020	103.750%
April 15, 2021	101.875%

At any time prior to April 15, 2020, the Group may at its option redeem the 15% US$ Senior Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 15% US$ Senior Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Up to December 31, 2021 and date of issuance of these consolidated financial statements, the Group did not redeem any 15% US$ Senior Notes.

The Group shall, at the option of any holder of the 15% US$ Senior Notes, repurchase all of the 15% US$ Senior Notes held by such holder of the 15% US$ Senior Notes at any time on or after April 15, 2020 at 100% of the principal amount of such 15% US$ Senior Notes plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

During the year ended 31 December 2020, certain holders of the notes exercised their option and the Group repurchased RMB2,780,000 of 15% US$ Senior Notes with principal amount of US$400,000 accordingly. Movement of 15% US$ Senior Notes for the year is set out in note 26(a).

The directors of the Company consider that the fair values of the redemption options at December 31, 2020 are insignificant.

24. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Fair value adjustment of investment properties RMB'000	Provision RMB'000	Other temporary differences RMB'000	Total RMB'000
At January 1, 2020	(10,986,413)	153,530	(59,128)	(10,892,011)
Credited to profit or loss (note 9)	4,266,384	(153,530)	—	4,112,854
At December 31, 2020	(6,720,029)	—	(59,128)	(6,779,157)
Credited to profit or loss (note 9)	4,634,386	—	—	4,634,386
At December 31, 2021	(2,085,643)	—	(59,128)	(2,144,771)

Other temporary differences mainly represent the temporary differences arising from the construction costs capitalised in investment properties under construction, properties under development for sale and properties held for sale which were deductible for tax purpose in the year those costs incurred.

At the end of the reporting period, the Group had unused tax losses of RMB454,440,000 (2020: RMB485,214,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. All tax losses arising from the subsidiaries established in PRC will expire if they are not utilised to set off against the taxable profits within five years from the year in which they arose under the current tax legislation in PRC.

The Group had no other significant unprovided deferred tax during the years ended December 31, 2021 and 2020.

Under the New EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately RMB678,482,000 (2020: RMB735,400,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

25. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At January 1, 2020, December 31, 2020 and December 31, 2021	5,000,000,000	500,000
Issued and fully paid:		
At January 1, 2020, December 31, 2020 and December 31, 2021	1,809,077,000	180,907
Presented in consolidated financial statements as:		
At January 1, 2020, December 31, 2020, January 1, 2021 and December 31, 2021		RMB170,073,000

None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's listed shares during the year.

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) 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 future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	15.0% fixed-rate senior notes	**Amount due to a shareholder**	**Borrowings**	**Lease Liabilities**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	1,518,440	4,152,073	5,843,406	7,077	11,520,996
New borrowings raised	—	—	95,540	—	95,540
Repayment of borrowings*	—	—	(2,257,351)	—	(2,257,351)
Advance from a shareholder	—	48,843	—	—	48,843
Repayment of principal portion of lease liabilities	—	—	—	(2,723)	(2,723)
Interest paid	(112,289)	—	(28,970)	(809)	(142,068)
Financing costs recognised (Note 8)	241,370	—	468,126	809	710,305
Effect of foreign currency exchange difference recognised to profit or loss	(47,805)	(10,253)	—	(200)	(58,258)
At December 31, 2021	1,599,716	4,190,663	4,120,751	4,154	9,915,284

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS — Continued

(a) Reconciliation of liabilities arising from financing activities — Continued

	15.0% fixed-rate senior notes	Amount due to a shareholder	Borrowings	Lease Liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2020	1,606,390	3,897,576	5,306,704	2,828	10,813,498
New borrowings raised	—	—	176,740	—	176,740
Repayment of borrowings	—	—	(101,800)	—	(101,800)
Advance from a shareholder	—	269,703	—	—	269,703
Addition of lease liabilities	—	—	—	7,977	7,977
Repayment of principal portion of lease liabilities	—	—	—	(3,167)	(3,167)
Repayment upon exercise of put option of senior note holder (Note 23)	(2,780)	—	—	—	(2,780)
Interest paid	(236,959)	—	(38,271)	(1,372)	(276,602)
Financing costs recognised (Note 8)	248,978	—	500,033	1,372	750,383
Effect of foreign currency exchange difference recognised to profit or loss	(97,189)	(15,206)	—	(561)	(112,956)
At December 31, 2020	1,518,440	4,152,073	5,843,406	7,077	11,520,996

Note: The financing cash flows represented the new borrowings raised, advance from a shareholder, payment of lease liabilities, payment of finance costs and repayments to borrowings.

* As disclosed in note 7, certain borrowings were repaid by net proceeds from disposal.

(b) Major non-cash transaction

Except as disclosed elsewhere in the consolidated financial statements, there was no major non-cash transaction during the year ended December 31, 2021 and 2020.

27. OTHER PAYABLES AND ACCRUALS

	2021	2020
	RMB'000	RMB'000
Other payables and accruals	**274,521**	220,698
Provision for settlement fee and other relevant cost (Note)	**1,170,064**	1,268,085
	1,444,585	1,488,783

Note: In respect of the result of the litigations with certain lenders (see note 35 for details), the parties have arrived at a consensus in principle to the payment of the legal fees and penalties and the Group has provided settlement fee and other relevant costs in the aggregate amount of RMB411,403,000 (2020: RMB695,626,000) (note 10) for the year ended December 31, 2021.

28. FINANCIAL GUARANTEE CONTRACTS

	2021	2020
	RMB'000	RMB'000
Guarantees given to banks in connection with credit facilities granted to the purchasers of the Group's properties	**87,918**	108,395

The guarantees were given to banks with respect to loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon completion of the registration of the mortgage with the relevant mortgage registration authorities or settlement of the outstanding mortgage loans. In the opinion of the directors of the Company, the fair value of the financial guarantee contracts is not significant. Deposits received on sales of properties prior to the date of revenue recognition are classified as contract liabilities in the consolidated statement of financial position.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in 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 year.

The capital structure of the Group consists of net debt, which includes the amount due to a shareholder, borrowings, 15.0% fixed-rate senior notes and lease liabilities disclosed in notes 21, 22, 23 and 31 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings. The directors of the Company monitor current and expected liquidity requirement as well as the summary compliance report on loan covenants regularly. The Group has been in negotiations with several financial institutions to obtain new borrowing for settlement of overdue borrowings, as mentioned in note 1.

The directors of the Company review the capital structure on a continuous basis taking into account 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 after taking into consideration of conditions in note 1.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets measured at amortised cost		
Other receivables and deposits	**47,293**	42,335
Pledged/restricted bank deposits	**24,750**	25,119
Bank balances and cash	**4,257**	2,521
	76,300	69,975
Financial liabilities measured at amortised cost		
Construction costs accruals	**194,278**	222,578
Other payables and accruals	**1,290,900**	1,345,341
Amount due to a shareholder	**4,190,663**	4,152,073
Borrowings	**4,120,751**	5,843,406
15.0% fixed-rate senior notes	**1,599,716**	1,518,440
	11,396,308	13,081,838
Lease liabilities	**4,154**	7,077
	11,400,462	13,088,915

Financial risk management objectives and policies

The Group's financial instruments include other receivables and deposits, pledged/restricted bank deposits, bank balances and cash, construction costs accruals, other payables and accruals, amount due to a shareholder, borrowings, 15.0% fixed-rate senior notes and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

30. FINANCIAL INSTRUMENTS — Continued

Market risk

Foreign currency risk

The Group's transactions are mainly denominated in RMB (which is the functional currency of respective group entities), except for certain pledged bank deposits, bank balances, borrowings and fixed-rate senior notes which are denominated in HK$ and US$ as disclosed below. The Group has not used any forward contract to hedge its exposure to currency risk. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. A significant depreciation/appreciation in the RMB against US$ and HK$ may have a material impact on the Group's results.

As at the end of the reporting period, certain financial assets and financial liabilities of the Group were denominated in HK$ and US$ which are currencies other than the functional currency of the relevant group entities. The carrying amounts of those foreign currency monetary items are set out below:

	HK$		US$	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank balances and cash	**49**	144	**1,359**	39
Amount due to a shareholder	**385,968**	259,612	**—**	—
15.0% fixed-rate senior notes	**—**	—	**1,599,716**	1,518,440

Sensitivity analysis

The Group is mainly exposed to the currency of HK$ and US$ and the sensitivity analysis includes only outstanding foreign currency denominated monetary items and their translation at the year end for a 5% (2020: 5%) change in foreign currency rates. 5% (2020: 5%) is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates.

A positive number below indicates a decrease in post-tax loss for the year where RMB strengthens 5% against US$ and HK$ for the current year. For a 5% weakening of RMB against US$ and HK$, there would be an equal but opposite impact on the post-tax loss for the year.

	HK$ impact		US$ impact	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit for the year	**14,472**	9,730	**59,938**	56,940

30. FINANCIAL INSTRUMENTS — Continued

Market risk — Continued

Interest rate risk

As at December 31, 2021 and 2020, the Group is not exposed to significant cash flow interest rate risk.

As at December 31, 2021 and 2020, the Group's fair value interest rate risk relates primarily to its fixed-rate other borrowings (see note 22 for details), 15.0% fixed-rate senior notes (see note 23 for details) and lease liabilities. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. In addition, the management monitors the interest rate movement for long term borrowings and will consider to exercise the redemption option of the fixed-rate senior notes if necessary.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The management closely monitors the utilisation of other borrowings and compliance with loan covenants.

Having considered the factors and circumstances set out in note 1 to the consolidated financial statements, the directors are satisfied that the Group will have sufficient liquidity to meet its cash flows requirements for the next twelve months from the end of the reporting period.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has 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. The maturity dates for financial liabilities are based on the agreed 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 curve at the end of the reporting period.

30. FINANCIAL INSTRUMENTS — Continued

Liquidity risk — Continued

Liquidity table

	Weighted average interest rate	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
As at December 31, 2021							
Construction costs accruals	N/A	194,278	—	—	—	194,278	194,278
Other payables and accruals	N/A	1,290,900	—	—	—	1,290,900	1,290,900
Amount due to a shareholder	N/A	4,190,663	—	—	—	4,190,663	4,190,663
Borrowings — fixed-rate	10.74%	4,120,751	—	—	—	4,120,751	4,120,751
15.0% fixed-rate senior notes	15%	1,599,716	—	—	—	1,599,716	1,599,716
Lease liabilities	11.66%	3,088	1,730	—	—	4,818	4,154
Financial guarantee contracts	N/A	87,918	—	—	—	87,918	—
		11,487,314	1,730	—	—	11,489,044	11,400,462

	Weighted average interest rate	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
As at December 31, 2020							
Construction costs accruals	N/A	222,578	—	—	—	222,578	222,578
Other payables and accruals	N/A	1,345,341	—	—	—	1,345,341	1,345,341
Amount due to a shareholder	N/A	4,152,073	—	—	—	4,152,073	4,152,073
Borrowings — fixed-rate	10.26%	5,847,474	—	—	—	5,847,474	5,843,406
15.0% fixed-rate senior notes	15%	1,545,034	—	—	—	1,545,034	1,518,440
Lease liabilities	11.74%	3,625	4,967	—	—	8,592	7,077
Financial guarantee contracts	N/A	108,395	—	—	—	108,395	—
		13,224,520	4,967	—	—	13,229,487	13,088,915

30. FINANCIAL INSTRUMENTS — Continued

Liquidity risk — Continued

Liquidity table — Continued

For properties that are still under construction, the Group typically provides financial guarantees to banks in connection with its 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. Such guarantees will expire upon the completion of the registration of the mortgage with the relevant mortgage registration authorities or settlement of the outstanding mortgage loans. The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. In the opinion of the directors, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the directors consider that the possibility of the default of the parties involved is remote, and accordingly, no liabilities has been recognised in the consolidated financial statements and no expected credit losses has been recognised.

Credit risk

As at December 31, 2021 and 2020, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 28.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

30. FINANCIAL INSTRUMENTS — Continued

Liquidity risk — Continued

Credit risk — Continued

For the financial guarantees provided to banks in connection with customers' borrowing of mortgage, if a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstance, the Group is able to retain the customer's deposit and sell the property to recover any amount 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.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Fair value of financial assets and liabilities that are not measured on a recurring basis

As at December 31, 2021 and 2020, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

31. LEASES

The Group as a lessee

Measurements of amounts recognised in the consolidated statement of financial position and profit or loss during the year ended December 31, 2021 and 2020:

	Leasehold land (Note) RMB'000	**Properties leased for own use (Note) RMB'000**	**Lease liabilities RMB'000**
Balance as at January 1, 2021	**112,957**	**6,530**	**7,077**
Depreciation (Note 14)	**(2,960)**	**(2,699)**	**—**
Disposal (Note 14)	**(30,646)**	**—**	**—**
Interest expense	**—**	**—**	**809**
Payments of lease liabilities (Note 26(a))	**—**	**—**	**(3,532)**
Exchange adjustments	**—**	**(184)**	**(200)**
As at December 31, 2021	**79,351**	**3,647**	**4,154**

	Leasehold land (Note) RMB'000	Properties leased for own use (Note) RMB'000	Lease liabilities RMB'000
Balance as at January 1, 2020	117,445	2,678	2,828
Additions (Note 14)	—	7,977	7,977
Deprecation (Note 14)	(4,488)	(3,595)	—
Interest expense	—	—	1,372
Payments of lease liabilities (Note 26(a))	—	—	(4,539)
Exchange adjustments	—	(530)	(561)
As at December 31, 2020	112,957	6,530	7,077

Note:

Right-of-use assets represented land and buildings leased for own use carried at depreciated costs is included in the line item as property, plant and equipment (note 14).

Right-of-use assets relating to operating leases and prepaid lease payments in respect of the land use right in PRC is currently recognised as right-of-use assets upon application of HKFRS 16 and is included in the same line items as property, plant and equipment.

31. LEASES — Continued

The Group as a lessee — Continued

Future lease payments are due as follows:

	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
As at 31 December 2021			
Not later than one year	**3,088**	**(484)**	**2,604**
Later than one year and not later than two years	**1,730**	**(180)**	**1,550**
	4,818	**(664)**	**4,154**
As at 31 December 2020			
Not later than one year	3,625	(830)	2,795
Later than one year and not later than two years	4,967	(685)	4,282
	8,592	(1,515)	7,077

Analysed for reporting purposes as follows:

	2021 RMB'000	2020 RMB'000
Current liabilities	**2,604**	2,795
Non-current liabilities	**1,550**	4,282
	4,154	7,077

31. LEASES — Continued

The Group as a lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2021	2020
	RMB'000	RMB'000
Within one year	**914**	879
After one year but within two years	**751**	716
After two years but within three years	**789**	751
After three years but within four years	**572**	789
After four years but within five years	**—**	572
	3,026	3,707

32. RETIREMENT BENEFITS PLANS

The Group participates in a MPF Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made by both the Group and the employees based on 5% of the employees' salaries (capped at HK$25,000 per month as effective from June 1, 2012 and capped at HK$30,000 per month as effective from June 1, 2014) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

The total contributions incurred in this connection for the year was approximately RMB4,114,000 (2020: RMB3,515,000).

33. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was conditionally adopted pursuant to a resolution passed on February 5, 2007 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. The Scheme expired on February 5, 2017 and all options which were granted under that Scheme had also lapsed. On June 29, 2017, the Company by ordinary resolution approved the adoption of a new share option scheme ("New Scheme").

Under the New Scheme, the board of directors of the Company may grant options to directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme is not permitted to exceed 180,907,700 shares, being 10% of the shares of the Company in issue as at the date on which the shares of the Company are listed on the Stock Exchange, which can be refreshed according to the Scheme. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time.

The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders in accordance with the Scheme. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares in the Company issued and to be issued upon exercise of all options to such person in the 12-month period up to and including the date of grant in excess of 0.1% of the shares of the Company in issue and with a value (based on the closing price of the shares of the Company at the offer date of each offer) in excess of HK$5,000,000, such grant of options must be approved in advance by the Company's shareholders in accordance with the Scheme.

An option may be exercised at any time during the period to be determined and notified by the directors to the grantee and in the absence of such determination, from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and ten years from the date of offer of that option. A consideration of HK$1 is payable upon acceptance of the offer.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share; the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

No options have yet been granted under such New Scheme during the year ended December 31, 2021 and 2020 and up to the date of issuance of these consolidated financial statements.

34. RELATED PARTY TRANSACTIONS

Apart from the related party transaction as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions during both years:

Nature of transactions

	2021 RMB'000	2020 RMB'000
Office premises expenses (Note)	**26**	18

Note: The tenancy agreement (the "Tenancy Agreement") for the use of the principal place of business of the Company in Hong Kong was entered into between the landlord, a subsidiary of Pacific Concord Holding Limited ("PCH") of which ultimate shareholder is Mr. Wong, and the Group. The Tenancy Agreement is effective from August 1, 2017 to July 31, 2020. During the year ended December 31, 2020, a new agreement was entered which is effective from August 1, 2020 to July 31, 2023.

On the same date, a sharing agreement was entered into between a subsidiary of PCH and the Group which both parties agreed that the principal office will be divided into two equal halves and each party will be entitled to occupy, use and possess half of the principal office. The rental and the electricity fee, fixed line telephone charge and other charges will be shared equally by the parties.

Compensation of key management personnel

The directors of the Company considered that the directors are the key management of the Group. The remuneration of key management personnel of the Group during both years was as follows:

	2021 RMB'000	2020 RMB'000
Short-term benefits	**1,040**	1,096

The remuneration of directors is determined by the remuneration committee with reference to the involvement and the business performance of the directors of the Company.

35. CONTINGENT LIABILITIES

At the end of the reporting period, the contingent liabilities of the Group were as follows:

Legal disputes

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

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

35. CONTINGENT LIABILITIES — Continued

Legal disputes — Continued

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

(1) Legal disputes with PinganDahua Group

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

(b) On November 17, 2017, Chongqing Riverside Real Estate Co., Ltd. ("Chongqing Riverside"), a wholly- owned subsidiary of the Company, as borrower entered into an entrusted loan agreement with 深圳市平安德成投資有限公司 ("PinganDecheng"), a fellow subsidiary of PinganDahua, whereby an entrusted loan in the aggregate amount of RMB500 million was granted to Chongqing Riverside (the "PinganDecheng Entrusted Loan") repayable by February 2, 2020. The PinganDecheng Entrusted Loan was secured by guarantee provided by each of Shanghai Jingan and Shanghai Minhang. Since the 4th quarter of 2018, the above parties have been in negotiations on new repayment arrangements. PinganDecheng without notice to Chongqing Riverside, obtained an enforcement order from Chongqing Fifth Intermediate People's Court on April 15, 2019 against Chongqing Riverside, Shanghai Jingan and Shanghai Minhang in respect of the principal amount of RMB500 million under the PinganDecheng Entrusted Loan together with interest and legal costs incurred. Since then, the above parties had been in negotiations on new repayment arrangements.

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

35. CONTINGENT LIABILITIES — Continued

Legal disputes — Continued

(1) Legal disputes with PinganDahua Group — Continued

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

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

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

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

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

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

35. CONTINGENT LIABILITIES — Continued

Legal disputes — Continued

(2) Legal disputes with Lujiazui

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

35. CONTINGENT LIABILITIES — Continued

Legal disputes — Continued

(3) Legal disputes with JIC Trust

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

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

35. CONTINGENT LIABILITIES — Continued

Legal disputes — Continued

(3) Legal disputes with JIC Trust — Continued

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

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

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

35. CONTINGENT LIABILITIES — Continued

Legal disputes — Continued

(3) Legal disputes with JIC Trust — Continued

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

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

36. OTHER COMMITMENTS

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

37. LIST OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at December 31, 2021 and 2020 are as follows:

Name of subsidiaries	Country of establishment/ operation	Equity interest attributable to the Group as at December 31, 2021	2020	Issued and fully paid registered and paid-up capital as at December 31, 2021 and 2020	Principal activities
Cheergain Group Limited	BVI	**100%**	100%	US$4	Investment holding
上海靜安協和房地產有限公司 Shanghai Jingan — Concord Real Estate Co., Ltd.#	PRC	**100%**	100%	US$68,000,000	Property development and investment
上海閔行協和房地產經營有限公司 Shanghai Minhang Concord Property Development Co., Ltd.#	PRC	**100%**	100%	US$99,600,000	Property development and investment
上海盈多利物業管理有限公司 Shanghai Yingduoli Property Management Co., Ltd.##	PRC	**100%**	100%	RMB500,000	Property management service
重慶茵威房地產有限公司 Chongqing Ace Blossom Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶半山一號房地產有限公司 Chongqing Mid-Levels No. 1 Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶山頂一號房地產有限公司 Chongqing Peak No. 1 Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶江灣房地產有限公司 Chongqing Riverside Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶兩江房地產有限公司 Chongqing Yangtze-Jialing River Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶正天投資有限公司 Chongqing Zhengtian Investment Ltd.##	PRC	**100%**	100%	RMB51,000,000	Property development and investment

Wholly foreign owned enterprises registered in the PRC.

A limited liability company registered in the PRC.

For subsidiaries established in the PRC, the English names stated above are for identification purpose only.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Except for Cheergain Group Limited issued 15% fixed-rate senior notes, none of the subsidiaries had issued any debt securities at the end of the both years.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 RMB'000	2020 RMB'000
Non-current assets		
Plant and equipment	**34**	59
Investments in subsidiaries	**6,650,264**	7,783,523
	6,650,298	7,783,582
Current assets		
Other receivables, deposits and prepayments	**1,208**	1,243
Current liabilities		
Other payables and accruals	**15,363**	9,576
Amounts due to subsidiaries	**2,373,765**	2,359,405
	2,389,128	2,368,981
Net current liabilities	**(2,387,920)**	(2,367,738)
Net assets	**4,262,378**	5,415,844
Capital and reserves		
Share capital	**170,073**	170,073
Share premium and reserves (Note)	**4,092,305**	5,245,771
Total equity	**4,262,378**	5,415,844

Note:

Movement of reserves

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2020	7,967,070	(2,682,374)	5,284,696
Loss and other comprehensive income for the year	—	(38,925)	(38,925)
At December 31, 2020	7,967,070	(2,721,299)	5,245,771
Loss and other comprehensive income for the year	—	(1,153,466)	(1,153,466)
At December 31, 2021	7,967,070	(3,874,765)	4,092,305

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

Save as disclosed below and in note 35, to the knowledge of the directors of the Company, there is no other important event affecting the Group since the end of the financial year and up to the date of these consolidated financial statements:

(a) Winding up petition against the Company

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

As disclosed in note 35, Shanghai Jingnan has filed the Review which the PRC Supreme Court has conducted the filing and examination. As at the date of these consolidated financial statements, the PRC Supreme Court has yet to issue its decision. If the PRC Supreme Court rules in favour of Shanghai Jingan, the PRC Supreme Court may rectify the Auctions or order that Shanghai Jingan be compensated, which will impact on the outstanding debts of Shanghai Jingan.

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

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

39. IMPORTANT EVENTS AFFECTING THE GROUP THAT HAVE OCCURRED SINCE THE END OF THE FINANCIAL YEAR — Continued

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

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

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

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

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

(i) On October 15, 2018, Cheergain Group Limited (the "Issuer"), a wholly-owned subsidiary of the Company, issued USD226,000,000 15.0% Senior Notes due 2021 (the "15% US$ Senior Notes") which were listed on the Official List of The International Stock Exchange (note 23).

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

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

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

FINANCIAL SUMMARY

RESULTS

	For the year ended December 31,				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
Revenue	215,414	96,079	589,300	403,997	**181,053**
Profit/(loss) before tax	382,218	501,386	(326,599)	(19,124,605)	**(21,159,530)**
Income tax credit/(expense)	(97,546)	(141,412)	43,614	4,648,339	**3,492,072**
Profit/(loss) for the year attributable to owners of the Company	284,672	359,974	(282,985)	(14,476,266)	**(17,667,458)**
Earnings/(loss) per share					
Basic	RMB0.16	RMB0.20	(RMB0.16)	(RMB8.00)	**(RMB9.77)**
Diluted	RMB0.11	RMB0.18	(RMB0.16)	(RMB8.00)	**(RMB9.77)**

ASSETS AND LIABILITIES

	As at December 31,				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
Total assets	59,211,064	60,572,352	61,605,020	43,389,555	**19,328,262**
Total liabilities	(22,021,473)	(23,022,787)	(24,338,440)	(20,599,241)	**(14,205,406)**
	37,189,591	37,549,565	37,266,580	22,790,314	**5,122,856**
Equity attributable to owners of the Company	37,189,591	37,549,565	37,266,580	22,790,314	**5,122,856**

Properties held by the Group as at December 31, 2021 are as follows:

Location	**Type** (Notes)	**Gross floor area** (Square meters)	**Effective % held**	**Stage of completion**	**Anticipated completion**
Portion of Phases 1,2, 3, 4A and 4B of Shanghai Cannes No. 958 Xin Song Road Minhang District Shanghai The PRC	R & C	37,627	100	Completed	N/A
Commercial Street and Service Apartment located at No. 958 Xin Song Road Minhang District Shanghai The PRC	R & C	293,815	100	Under planning	2025
Portion of Phase 1 of Shanghai Concord City (Commercial Street, and Service Apartment) located at West of Nanjing Road Jing'an District Shanghai The PRC	R & C	43,261	100	Completed	N/A
Chongqing International Commerce Centre located at Nan Bin Road Chongqing The PRC	R & C	2,050,000	100	Construction in progress	2025
Portion of Commercial Street Manhattan Luxury Residence and Beverly Hills located at Lijiu Road Chongqing The PRC	R & C	107,993	100	Construction in progress	2012–2023

PARTICULARS OF MAJOR PROPERTIES

At December 31, 2021

Location	**Type** (Notes)	**Gross floor area** (Square meters)	**Effective % held**	**Stage of completion**	**Anticipated completion**
Chongqing Manhattan City Villa Zone located at Lijiu Road Chongqing The PRC	R	230,642	100	Construction in progress	2012–2024
Chongqing Manhattan City European Type House Zone located at Lijiu Road Chongqing The PRC	R	398,925	100	Construction in progress	2019–2024
Chongqing Concord City located at Jiefangbei Chongqing The PRC	R & C	408,927	100	Construction in progress	2025
Golden Tower located at Lijiu Road Chongqing The PRC	R & C	568,644	100	Construction in progress	2024

Notes:

Types of properties: R-Residential, C-Commercial

N/A: Not applicable