Spring No.7, partial screen | Zhou Li | 2020 | Mixed media on canvas | 250 × 600 cm | BAO COLLECTION

2021
Annual Report

花样年
FANTASIA

花樣年控股集團有限公司
FANTASIA HOLDINGS GROUP CO., LIMITED
Stock Code: 01777.HK

有 趣 / 有 味 / 有 料

A Leader in Providing Joyful, Colorful and Meaningful Living Space and Experience.

目錄 CONTENTS

DIRECTORS

Executive Directors
Mr. Pan Jun *(Chairman and Chief Executive Officer)*
Ms. Zeng Jie, Baby
Mr. Ke Kasheng
Mr. Chen Xinyu *(Chief Financial Officer)*
Mr. Timothy David Gildner

Non-Executive Directors
Mr. Su Boyu

Independent Non-Executive Directors
Mr. Guo Shaomu
Mr. Kwok Chi Shing
Mr. Ma Yu-heng

COMPANY SECRETARY
Ms. Yeung Lee

AUTHORIZED REPRESENTATIVES
Mr. Pan Jun
Ms. Yeung Lee

AUDIT COMMITTEE
Mr. Kwok Chi Shing *(Committee Chairman)*
Mr. Guo Shaomu
Mr. Ma Yu-heng

REMUNERATION COMMITTEE
Mr. Guo Shaomu *(Committee Chairman)*
Mr. Pan Jun
Mr. Kwok Chi Shing
Mr. Ma Yu-heng

NOMINATION COMMITTEE
Mr. Pan Jun *(Committee Chairman)*
Ms. Zeng Jie, Baby
Mr. Guo Shaomu
Mr. Kwok Chi Shing
Mr. Ma Yu-heng

AUDITORS
Prism Hong Kong and Shanghai Limited
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS
China Minsheng Bank Corp., Ltd.
Industrial and Commercial Bank of China Limited
Ping An Bank Co., Ltd.
China Everbright Bank Co., Ltd.

LEGAL ADVISORS
As to Hong Kong Law
Sidley Austin

As to PRC Law
Commerce & Finance Law Offices

As to Cayman Islands Law
Conyers Dill & Pearman

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

CORPORATE HEAD OFFICE IN HONG KONG
21/F.
CMA Building
64 Connaught Road Central
Hong Kong

CORPORATE HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA
Block A, Funian Plaza
Shihua Road and Zijing Road
Interchange in Futian Duty-free Zone
Shenzhen 518048
Guangdong Province
China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Suntera (Cayman) Limited
Suite 3204, Unit 2A,
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LISTING INFORMATION
The Company's Share Listing
Ordinary shares
The Stock Exchange of Hong Kong Limited
Stock Code: 1777

WEBSITE
http://www.cnfantasia.com

	2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	2020 (RMB'000)	2021 (RMB'000)
Total assets	68,956,740	94,446,071	95,599,959	105,550,206	105,109,472
Gross profit	2,897,604	4,183,966	5,337,361	5,344,169	2,337,152
Profit (Loss) attributable to owners of the Company	1,154,316	728,339	873,644	977,420	(10,465,578)
Basic earnings (loss) per share (RMB cents)	20.03	12.64	15.15	16.94	(181.30)
Revenue	9,782,568	13,986,133	19,081,577	21,758,844	15,750,413
Total liabilities	51,258,709	74,991,562	75,007,971	81,226,564	94,456,011

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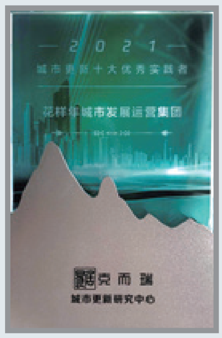


8

No.	Award-winning Unit	Award	Issuing Authority
1	Fantasia Holdings	2021 Top 100 Real Estate Companies of China – TOP 50	China Index Academy
2	Fantasia Holdings	2021 Top 100 Real Estate Companies of China – TOP 10 in Resilience	China Index Academy
3	Fantasia Holdings	2021 Top 100 Real Estate Companies of China – TOP 10 in Financing Capacity	China Index Academy
4	Fantasia Holdings	2021 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value	China Index Academy
5	Fantasia Holdings	2021 Noteworthy Real Estate Companies of the Capital Market	China Index Academy
6	Fantasia Holdings	2021 China's Listed Real Estate Companies with Leading Product Quality – Art Technology (2021中國房地產上市公司產品力領先企業—藝術科技)	China Index Academy
7	Fantasia Holdings	Quality Real Estate Companies of China Award	The Hong Kong Institute of Financial Analysts and Professional Commentators Limited (IFAPC)
8	Fantasia • Good Time	TOP 10 Outstanding Practitioners in Urban Renewal	CRIC

9

10

11

12

13

15

16

No.	Award-winning Unit	Award	Issuing Authority
9	Guilin Fantasia Luhu International Project	AHLA Asia Habitat Landscape Award – Human Habitat Special Project • Art Design Award of Excellence (AHLA亞洲人居景觀獎—人居專項 • 藝術設計類優秀獎)	Organising Committee of Asia Habitat Landscape Award, QIDI Design
10	Fantasia • Good Time	Aesthetics Vogue Award – Architectural Design Award of Excellence	Organising Committee of Aesthetics Vogue Award
11	Changdu Fantasia • Huayang Jinjiang	Aesthetics Vogue Award – Space Design Award of Excellence	Organising Committee of Aesthetics Vogue Award
12	Lively Foodie Restaurant of Fantasia Kunming Haoweilai Project	Aesthetics Vogue Award – Soft Furnishing Design Award of Excellence	Organising Committee of Aesthetics Vogue Award
13	Kaisa • Fantasia • Guangyayuan	Aesthetics Vogue Award – Innovative Conceptual Design Award of Excellence	Organising Committee of Aesthetics Vogue Award
14	Colour Life Services Group	Best Property Management Company	Zhitong Finance (智通財經)
15	Colour Life	Caring Enterprise with Outstanding Contribution to Charity (公益慈善突出貢獻愛心企業)	Shenzhen Property Management Association
16	Colour Life	2021 Top 20 Listed Property Management Companies of Outstanding Capital Market Performance in China (2021中國物業服務上市企業資本市場表現 TOP 20)	Guandian Index Academy

17

18

19

20

21

22

23

24

No.	Award-winning Unit	Award	Issuing Authority
17	Colour Life	2021 Top 50 Property Management Companies in China	Guandian Index Academy
18	Colour Life	List of Gross Profit Margin of Community Value-added Services by Hong Kong Listed Property Management Companies 2020 (2020年港股物企社區增值服務毛利率榜) (Ranked 1st)	Leju Finance (樂居財經)
19	Colour Life	2021 Top 100 Property Management Companies in China	China Index Academy
20	Colour Life	2021 China Internet Community Operation Leading Company	China Index Academy
21	Colour Life	2021 China Leading Property Management Companies in terms of Technology Application	China Index Academy
22	Colour Life	2021 China Top 100 Property Management Companies in terms of Service Scale – TOP 10	China Index Academy
23	Colour Life	2021 China Top 100 Leading Property Management Companies in terms of Service Quality	China Index Academy
24	Colour Life	2021 Top 100 of Most Valuable Brand of China Property Management Service	Shanghai E-House Real Estate Institute (上海易居房地產研究院)

25

26

27

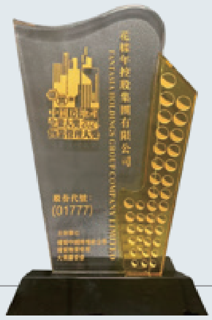
28

29

30

31

No.	Award-winning Unit	Award	Issuing Authority
25	Colour Life	China Excellent Property Management Company by ESG Development	China Index Academy
26	Colour Life	China Top 10 Listed Property Management Companies in terms of Comprehensive Strength	China Index Academy
27	Colour Life	China Top 10 Listed Property Management Companies in terms of Market Expansion Ability	China Index Academy
28	Colour Life	China Top 10 Listed Property Management Companies in terms of Scale	China Index Academy
29	Colour Life	2021 China Excellent Listed Property Management Company by Investment Value	China Index Academy
30	Colour Life	Top 100 Blue Chip Property Management Companies	The Economic Observer
31	Colour Life	Most Valuable Brands (卓越品牌價值企業)	The Economic Observer
32	Colour Life	2021 Top Quality Service Property Enterprise	Leju Finance (樂居財經)



43

44

45

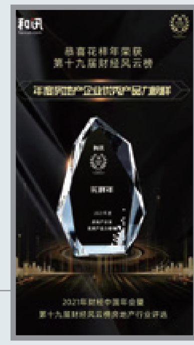
No.	Award-winning Unit	Award	Issuing Authority
33	Colour Life	2021 Excellent Brand in the Property Service Platform	China Index Academy
34	Colour Life	Leading Brand in China's Property Service Standardization Operation	China Index Academy
35	Colour Life	China Market Operational Leading Brand of Property Service Company 2021	China Index Academy
36	Colour Life	2021 Top 30 Most Influential Property Management Companies	Guandian Index Academy
37	Colour Life	2021 Top 10 of China Property Management Companies in terms of Comprehensive Strength	Shanghai E-House Real Estate Institute and China Real Estate Appraisal Center
38	Colour Life	Well-known Property Management Enterprises in Greater Bay Area in 2021	Guangdong Property Management Industry Institute
39	Colour Life	2021 Guangdong Province Property Service Comprehensive Development Strength Enterprise	Guangdong Property Management Industry Institute
40	Colour Life	2021 Excellent Members of the Guangdong Property Management Industry Institute	Guangdong Property Management Industry Institute
41	Colour Life	TOP 100 Property Management Companies in terms of Customer Satisfaction for the Third Quarter of 2021	Leju Finance
42	Colour Life	2022 TOP 10 Property Management Companies with Most Expected Smart Value in China	China Proptech Science
43	Fantasia Holdings	Quality China Real Estate Companies Award and Property Management Award in 2021	Preparation Committee of the Quality Real Estate Companies and Quality Property Management Companies of China Award
44	Ziyang Fantasia • HuaJun	7th CREDAWARD China Real Estate & Design Award – Residential Project Award of Excellence	DJSER
45	Chengdu Fantasia • Family Is All	7th CREDAWARD China Real Estate & Design Award – Landscape Design Award of Excellence	DJSER

46

47

48

49



51

52

No.	Award-winning Unit	Award	Issuing Authority
46	Fantasia Holdings	TOP 50 Most Valuable Real Estate Brands in China 2021 (Ranked 11th – 50th)	Beijing China Index Academy
47	Fantasia Holdings	2021 China Leading Real Estate Brands in Urban Renewal	Beijing China Index Academy
48	Ziyang Fantasia • HuaJun	6th REARD Global Design Award – Residence Category • Architecture Honorary Award	Organising Committee of REARD Global Design Award
49	Fantasia Commercial	2021 TOP 100 Commercial Property Developers in terms of Performance (Ranked 54th)	Guandian Index Academy
50	Fantasia Commercial	TOP 10 Commercial Property Management Companies in terms of Performance in China	Guandian Index Academy
51	Fantasia Holdings	Real Estate Enterprise of 2021 – A Paradigm of Excellent Products	hexun.com
52	Chongqing Fantasia • Hockney	Aesthetics Vogue Award – Demonstrative Landscape Award of Excellence in Aesthetics Design for Living (生活美學設計類示範景觀專項優秀獎)	Organising Committee of Aesthetics Vogue Award

Dear Shareholders,

I, Pan Jun, the Chairman of the board of directors of Fantasia Holdings Group Co., Limited, hereby present to you the annual results review of the Company for the year ended 31 December 2021 as well as its future plan on behalf of Fantasia Holdings.

RESULTS

For the year ended 31 December 2021, the Group achieved a revenue of approximately RMB15,750 million. Loss for the year attributable to the owners of the Company was approximately RMB10,466 million.

REVIEW FOR 2021

Looking back at the overall macro-economic environment, in 2021, the financial market was under great pressure in general and was faced with unprecedented challenge on resilience due to the continuous spread of the COVID-19 pandemic. As the central government adhered to the principle of promoting economic stability amid a volatile financial environment, we witnessed a growth of 8.1% in the PRC economy for the year 2021, exceeding the growth target of 6% established by the government. Forging ahead under such pressure, the major economic indicators of the PRC economy still managed to achieve the expected targets.

However, as is known to all, the real estate industry has plunged into an unprecedented crisis time since 2021, which delivered a heavy blow to property sales and brought various challenges to its business operation. The real estate industry continued to be plagued by a variety of factors, especially the recurrence of the pandemic, the shortage of liquidity in the financial market and tightening industry regulation, leaving the industry participants surrounded by great uncertainties.

Since the breakout of the liquidity crisis in 2021, Fantasia has been under great pressure, which also persistently demonstrated our strong resilience. In the past, outperformance is measured as the achievement of the benching indicators of the industry in terms of sales and financial result success, which appears to have become the generally accepted concept of "success" within the industry. However, due to the material change in the financial environment, we have witnessed many new phenomena across the real estate development sector that have reshaped our understanding of the industry, such as the corporate responsibilities of property developers rather than the mere pursuit of result performance and financial targets. Over the past year, the Group has been striving to overcome various challenges as well as seek for solutions for existing difficulties and a way for future survival and development amid the current challenging operation environment, in an effort to meet the expectations of our shareholders, investors, business partners and staff. We are more determined to fulfilling our responsibilities towards our customers. With the gradual easing of the pandemic and as our unwavering goal, we also made continuous efforts to ensure timely delivery of completed properties to the purchasers across the country.

As a stylish corporate, Fantasia is committed to developing itself into a leader in providing joyful, colorful and meaningful living space and experience and aims to deliver unique and inspiring living space and experience to value-oriented customers. In order to continuously improving our product and service quality.

Investment

The real estate industry has entered into a new development phase. The government has tightened regulation over the property market, with policies such as curbs on purchase and loans likely to become a new normal. In addition, the property developers are also faced with higher finance costs and greater market risks. In view of the above, the real estate industry needs to build up its resilience and adaptability in the future, so as to facilitate steady development in the market.

Secondly, it is important to note that the development of the real estate industry has shown a diverse trend. As traditional residential projects are not sufficient to meet the diversified needs of consumers, the property developers need to develop more diversified products and services, which will not only cater to the diversified needs of consumers but also bring the industry players more opportunities for revenue and growth.

Finance

Currently, we are faced with an unprecedented liquidity crisis, an unfortunate situation that many other peer companies might not be able to avoid in the future, which requires a thorough reform on the structure of the debt capital market. The Company was determined to performing its debt undertaking by taking a responsible attitude and sparing no efforts in facilitating onshore and offshore debt restructuring during the year.

We commenced debt restructuring at the end of 2021. Although we are expected to encounter great challenges during the course, we will adopt a prudent multi-dimensional approach, with an aim to carry out a thorough adjustment and optimisation of our capital structure and solve the debt issue as soon as possible, establishing a more healthy and sustainable capital structure after completion of such restructuring. Upon completion of the debt restructuring, we are expected to usher in a new chapter and will be able to implement a strategy in line with the current operation environment. In view that the global society is currently better equipped to deal with the pandemic, we are committed to ensuring the continuous healthy operation of the Company, and will get prepared for the lifting of liquidity curb while studying the market to seize opportunities for development to build up first-mover advantage.

PROSPECTS

Generally, the real estate industry is expected to face with more challenges and opportunities in the future. We need to build up business resilience and promote diversified development, while keeping abreast of changes in policy environment and market trends. During this process, efforts will be made to control risk profile, and patience and long-term vision are also required for investment success.

The development and sustainability of Fantasia cannot be achieved without the trust and support of shareholders, bondholders and business partners. I would like to take this opportunity to extend my sincere gratitude to all of you on behalf of the Board!

BUSINESS REVIEW

Property Development

Contracted Sales

In 2021, faced with the negative impact of COVID-19 on the macro-economy and the real estate industry, the Group made satisfactory progress in destocking by expanding customer base through online marketing platforms and facilitating sales at the offline sales offices. In response to the liquidity issues that permeated the industry since the second half of 2021, the Group took proactive initiatives to address the issue in our efforts to ensure people's livelihoods, timely delivery and employee benefit.

During the reporting period, the Group achieved total contracted sales of approximately RMB46,594 million and contracted sales area of 2,979,794 sq.m..

During the reporting period, the contracted sales of the Group was mainly derived from sales in 21 cities, including Chengdu, Guilin, Wuhan, Nanjing, Shenzhen, Shanghai, Tianjin and Foshan, and also from approximately 63 projects, including Shaoxing Spring Breeze, Chengdu Biyun Tianxi, Hangzhou Duiyuetian, Foshan Guangyayuan, Shanghai Rugaocheng, Ningbo Haishu, Beijing Miyun Tanying, Foshan Yunjing, Ningbo Qiubi, Nanjing Huahaoyuan and Guilin Lakeside Eden. The Group extended its presence across the Guangdong-Hong Kong- Macao Greater Bay Area, Chengdu-Chongqing Metropolitan Area, Central China Metropolitan Area, Yangtze River Delta Metropolitan Area and Bohai Rim Metropolitan Area in order to continuously expand its vertical strategic move in each metropolitan area and focus on key cities.

Contracted sales amount and area in each region in 2021

Category	Year 2021			
	Amount		Area	
	(RMB million)	%	(sq.m.)	%
Guangdong-Hong Kong-Macao Greater Bay Area	6,759	14.5%	278,904	9.4%
Chengdu-Chongqing Metropolitan Area	12,335	26.5%	1,186,888	39.8%
Central China Metropolitan Area	3,626	7.8%	375,881	12.6%
Yangtze River Delta Metropolitan Area	18,868	40.5%	852,519	28.6%
Bohai Rim Metropolitan Area	5,006	10.7%	285,602	9.6%
Total	46,594	100%	2,979,794	100%

Guangdong-Hong Kong-Macao Greater Bay Area

As one of the most open and economically dynamic regions in China, Guangdong-Hong Kong-Macao Greater Bay Area has an important strategic position in China's overall development. In 2021, the Group proactively seized the historic significant opportunity to build an internationally first-class bay area and a world-class urban agglomeration, sparing no effort to promote the project development in the Guangdong-Hong Kong-Macao Greater Bay Area. During the reporting period, the Group launched a new project under the name of Guangyayuan in Foshan City, and recorded contracted sales of over RMB1.9 billion for the year as the project was well received by the market due to its excellent unit design, decoration style and geographical location, while the urban renewal project – Shenzhen Good Time in Shenzhen and Foshan Yunjing project in Foshan City also received warm response from the market.

During the reporting period, the Group recorded total contracted sales of RMB6.759 billion and total contracted sales area of 278,904 sq.m. in Shenzhen, Huizhou and other cities in the Guangdong-Hong Kong-Macao Greater Bay Area, contributing to approximately 14.5% and 9.4% of the total contracted sales and total contracted sales area of properties of the Group respectively in 2021.

Chengdu-Chongqing Metropolitan Area

As an important economic hub in South-western China, the Chengdu-Chongqing Metropolitan Area shows its robust market demand for real estate and is one of the earliest important strategic markets of the Group. The Group has become one of the most influential brand developers in the region. In 2021, the Group launched Chengdu Haoweilai project which has appealed to the spillover of home buyers from Chengdu and Chongqing Hockney which became the landmark project of the city due to its unique project design. The Group continued to achieve good sales for its prominent projects in Chengdu such as Biyun Tianxi and Ziyang HuaJun, further strengthening its leading edge in the region.

During the reporting period, the Group recorded total contracted sales of RMB12.335 billion and total contracted sales area of 1,186,888 sq.m. in Chengdu, Ziyang, Kunming, Guilin and other cities in the Chengdu-Chongqing Metropolitan Area, contributing to approximately 26.5% and 39.8% of the total contracted sales and total contracted sales area of properties of the Group respectively in 2021.

Central China Metropolitan Area

As the geographical center of the country, Central China Metropolitan Area is increasingly becoming an important force for the rise of Central China with its advantages of convenient transportation and developed economy. In 2021, as the property market gradually recovered from pandemic containment following the rampant spread of the pandemic in 2020, the Group made proactive efforts to facilitate work and production resumption, and launched products that cater to the rigid and improvement-oriented demands of Wuhan residents, such as Wuhan Biyuntian and Wuhan Ezhou Xiangmendi projects, further improving its name recognition and brand reputation among the customers in the regional market.

During the reporting period, the Group recorded total contracted sales of RMB3.626 billion and total contracted sales area of 375,881 sq.m. in cities such as Wuhan and Zhengzhou in the Central China Metropolitan Area, contributing to approximately 7.8% and 12.6% of the total contracted sales and total contracted sales area of properties of the Group respectively in 2021.

Yangtze River Delta Metropolitan Area

The Yangtze River Delta Metropolitan Area is one of the most economically dynamic hubs in China. The Group has paid close attention to the core cities with high growing potential in the region for a long time. During the fourth quarter of 2019 to 2020, the Group acquired a number of parcels of land in Ningbo, Hangzhou, Yangzhou and other cities. In particular, the Group launched Yangzhou Rongyuechunxiao, Ningbo Emerald Residence, Guangqi Garden and other projects in 2021, which received warm response from the local residents, driving the excellent sales performance of the Group in the Yangtze River Delta Metropolitan Area in 2021.

During the reporting period, the Group recorded total contracted sales of RMB18.868 billion and total contracted sales area of 852,519 sq.m. in Ningbo, Nanjing, Hangzhou, Shaoxing, Shanghai, Suzhou and other cities in the Yangtze River Delta Metropolitan Area, contributing to approximately 40.5% and 28.6% of the total contracted sales and total contracted sales area of properties of the Group respectively in 2021.

Bohai Rim Metropolitan Area

Bohai Rim Metropolitan Area is the most important economic hub in Northern China, playing an agglomeration, radiation, service and mobilization role in the national and regional economy and possessing great development potential. In 2021, the Group rapidly promoted the construction and sales of projects in the region, of which Beijing Miyun has recorded sales of nearly RMB2 billion, further expanding its influence in the region.

During the reporting period, the Group recorded total contracted sales of RMB5.006 billion and total contracted sales area of 285,602 sq.m. in Beijing, Tianjin, Qingdao and other cities in the Bohai Rim Metropolitan Area, contributing to approximately 10.7% and 9.6% of the total contracted sales and total contracted sales area of properties of the Group respectively in 2021.

Newly Commenced Projects

During the reporting period, the Group commenced development of 15 projects or phases of projects with a total planned GFA of approximately 1,672,904 sq.m..

Completed Projects

During the reporting period, the Group completed a total of 13 projects or phases of projects with a total GFA of approximately 2,435,104 sq.m..

Projects under Construction

As at 31 December 2021, the Group had a total of 39 projects or phases of projects under construction with a total GFA of 6,264,596 sq.m..

Projects Held for Development

As at 31 December 2021, the Group had a total of 17 projects or phases of projects held for development with a total GFA of approximately 6,485,106 sq.m..

Land Bank

As at 31 December 2021, the GFA of land bank for the Group's projects under construction and projects held for development amounted to approximately 12,749,702 sq.m..

City Company	Details of Land Bank		
	Projects under construction	Projects held for development	Aggregate GFA of land bank
	(sq.m.)	(sq.m.)	(sq.m.)
South China	1,375,477	706,025	2,081,501
North China	537,123	3,708,162	4,245,286
Southwest China	2,326,860	1,264,584	3,591,444
East China	1,231,556	492,984	1,724,540
Central China	770,821	313,351	1,084,172
Singapore	22,759	–	22,759

Community services

Colour Life Services Group Co., Limited ("Colour Life"), a subsidiary of the Company, is a leading property management and community services provider in China, which focuses on setting up offline and online service platform via the internet technology and effectively linking residents of the communities with different commodities and service providers, so as to provide the best living experience for residents of the communities on the back of property management services.

As communities constitute the smallest social component of the city, the services provided by the property management companies are essential in creating a stable and convenient living environment for residents of the community and promoting the development of the society. Colour Life strives to meet the basic living needs of residents through providing Four Basic Guarantees services (defined as cleaning, greening, security and maintenance services), which constitute the solid cornerstone of community services system.

While meeting the basic living needs of residents of the community, Colour Life also promotes smart community construction by proactively utilising emerging technologies such as the Internet of Things, big data and artificial intelligence, and introducing the application of intelligent equipment, so as to enhance Colour Life's service efficiency in providing high quality property management services for residents. Colour Life has established a powerful head office digital "cloud" system, which minimised the dependency on the function and scope of management and strengthened the service capacity for end-users, so as to arrange effective community services. For instance, Colour Life has built a new customer service platform based on the existing Big Dipper system to upgrade it as a digital property management platform which covers the five basic services including security, cleaning, greening, maintenance and engineering, the order-oriented operation system of lift, energy and decoration services, as well as the customer complaint platform comprising complaint, repair application, parking, payment, decoration and other services. Colour Life has divided the entire property management service process, further enhancing the service efficiency of Colour Life.

In addition to its efforts in refining the basic businesses, Colour Life has classified the projects managed by it into various service levels based on different charging standards, set standards for equipment modification and services and provided well-oriented service experiences, so as to satisfy customers' demand for performance-price ratio in different projects and secure Colour Life's rapid expansion across China. With the establishment of an automated, centralised and standardised management system, Colour Life has realised excellent capacity of cost control under the premise of steadily increasing management areas and securing customer satisfaction.

While focusing on improving service efficiency, Colour Life is dedicated to building harmonious communities. Colour Life organised a variety of community activities and proactively established communication channels to strengthen the relationship between residents as well as between residents and property management staff and enrich residents' leisure life and spiritual culture, with an aim to build a better and more caring community. By providing such services, we are able to create a harmonious community for residents, and push forward the establishment of our unique community culture brand, so as to enhance residents' trust in Colour Life. The improvement of Colour Life's relationship with residents also laid a solid foundation for its effort to further expand community consumption scenarios.

Colour Life is actively building up an online platform Caizhiyun for its community services equipped with functions such as paying property management fees, issuing notices and submitting complaints online through the platform, which not only provides convenience for residents of the communities but also strengthens the interactions and communications between Colour Life and property owners living in the communities. In addition, Colour Life designates a proportional number of customer managers to serve the communities based on the proportion to the number of residents in such communities. The customer managers will carry out following up work and seek feedback relating to customer satisfaction in a timely manner, in order to ensure the quality of the offline community services and efficiently becoming aware of the services that property owners need. Colour Life will grow the corresponding value-added services and organically integrate online and offline business in the community, which will further enhance Colour Life's competitive edges.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly consists of revenue derived from (i) property development, (ii) lease of investment properties, (iii) provision of property operation, (iv) provision of hotel accommodation services, and (v) property project management and other related services. For the year ended 31 December 2021, revenue of the Group amounted to approximately RMB15,750 million, representing a decrease of 27.6% from approximately RMB21,759 million in 2020. Loss for the year attributable to the owners of the Company was approximately RMB10,466 million, representing a decrease of RMB11,443 million from profit for the year attributable to the owners of the Company of approximately RMB977 million in 2020.

Property Development

The Company recognises revenue from property development when the customer obtains control of the completed property and the Group has present right to payment and the collection of consideration is probable. Revenue from property development represents proceeds from the sales of the Group's properties. Revenue derived from property development decreased by 31.5% to approximately RMB11,260 million in 2021 from approximately RMB16,444 million in 2020, which was due to the decrease in the floor area of properties completed and delivered during the year.

	2021			2020		
	Total Revenue	GFA sold	Average Selling Price	Total Revenue	GFA sold	Average Selling Price
	RMB'000	Square meters	RMB/Square meters	RMB'000	Square meters	RMB/Square meters
Tianjin Jiatianxia	2,130,530	160,270	13,293	244,930	16,728	14,642
Nanjing Lishui Jiatianxia	2,087,048	165,100	12,641	–	–	–
Guilin Lakeside Eden Community	1,618,753	261,421	6,192	979,029	164,323	5,958
Chengdu Zhihui City	1,556,750	219,715	7,085	1,082,954	148,436	7,296
Tianjin Huayuan Jiayuan	1,114,266	93,470	11,921	–	–	–
Chengdu Jiatianxia	785,012	83,468	9,405	2,323,869	183,238	12,682
Chengdu Grande Valley	667,401	116,698	5,719	798,004	110,367	7,230
Chengdu Longnian Plaza	456,188	51,964	8,779	160,810	33,792	4,759
Kunming Luhu International	303,950	67,277	4,518	178,859	40,965	4,366
Ziyang HuaJun	94,411	31,985	2,952	814,289	131,929	6,172
Chengdu Xiangmendi	66,846	14,088	4,745	2,757,636	308,399	8,942
Cixi Seasonal Mansion	25,178	5,933	4,244	2,217,999	203,644	10,892
Chengdu Kanjinzhao	23,152	2,510	9,224	931,380	92,751	10,042
Huizhou Fantasia Special Town	22,910	4,902	4,674	10,493	1,788	5,869
Suzhou Oriental Bay	7,728	1,506	5,131	1,543,992	94,228	16,386
Huizhou Zijin Huafu	6,989	859	8,136	337,995	28,115	12,022
Huizhou Jiatianxia	–	–	–	1,567,767	138,081	11,354
Nanjing Fantasia Town	–	–	–	165,071	23,512	7,021
Yuechenge No.9 Garden	–	–	–	58,070	9,474	6,129
Shenzhen Jiatianxia	–	–	–	–	–	–
Others	293,247	–	–	271,038	–	–
	11,260,359			16,444,185		

Property Investment

Revenue generated from property investment increased by 66.8% to approximately RMB288 million in 2021 from approximately RMB172 million in 2020. Such increase was primarily due to the increase in occupancy rate and leased area of investment properties leased externally.

Property Operation Services

Revenue derived from property operation services decreased by 11.8% to approximately RMB3,840 million in 2021 from approximately RMB4,352 million in 2020, primarily due to the disposal of certain major subsidiaries engaged in provision of property operation services in the second half of 2021.

Hotel Operations

Revenue derived from hotel accommodation services increased by 14.5% to approximately RMB114 million in 2021 from approximately RMB100 million in 2020, which was primarily due to the recovery of the tourism business following the easing of COVID-19.

Gross Profit and Gross Profit Margin

Gross profit decreased by 56.3% to approximately RMB2,337 million in 2021 from approximately RMB5,344 million in 2020, while the Group's gross profit margin was 14.8% in 2021 as compared with the gross profit margin of 24.6% in 2020. The decrease in gross profit margin was mainly because the Group, in line with market participants, lowered the selling price to accelerate the sales of properties, which affected the gross profit, and also the unit cost of property sold recognised in 2021 was higher than that of 2020.

Other Income, Gains and Losses

In 2021, the Group recorded net other gain of approximately RMB739 million (2020: approximately RMB2,698 million). Such a difference was mainly attributable to the net foreign exchange gain and gain on repurchase/redemption arising from the senior notes denominated at USD.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

The impairment losses under expected credit loss model, net of reversal, increased from approximately RMB99 million in 2020 to approximately RMB1,242 million in 2021, mainly due to the increase in impairment loss recognised on trade and other receivables and amounts due from related parties.

Write-down of Properties for Sales

The Group recognised provision for impairment loss on properties for sales of RMB6,216 million in 2021, mainly due to the decrease in relevant net realisable value under the sudden downturn of the property market and home buyer sentiment in the second half of 2021.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by 5.8% to approximately RMB466 million in 2021 from approximately RMB495 million in 2020, mainly due to the decrease in advertising expenses.

Administrative Expenses

The Group's administrative expenses increased by 6.7% to approximately RMB1,764 million in 2021 from approximately RMB1,653 million in 2020. This increase was mainly due to the administrative, legal and advisory expenses incurred for debt reorganisation and the disposal of certain major subsidiaries.

Finance Costs

The Group's finance costs decreased by 1.1% to approximately RMB2,870 million in 2021 as compared to approximately RMB2,903 million in 2020.

Income Taxation

The Group's income tax credit was approximately RMB577 million in 2021 as compared to the income tax expenses of approximately RMB2,175 million in 2020, which was mainly due to impact of deferred tax of impairment recognised on properties for sales and expected credit loss recognised on financial assets.

(Loss) profit Attributable to Owners of the Company

For the above changes collectively, (loss) profit attributable to owners of the Company changed from a profit of approximately RMB977 million in 2020 to a loss of approximately RMB10,466 million in 2021.

Liquidity, Financial Resources and Capital Structure

Cash Position

As at 31 December 2021, the Group's total bank balances and cash were approximately RMB5,206 million (2020: approximately RMB28,631 million), representing a decrease of 81.8% as compared to that as at 31 December 2020. The decrease was due to the tightened liquidity environment of the PRC property sector since the second half of 2021. A portion of the Group's cash is restricted bank deposits that are mainly restricted for use of property development.

Net Gearing Ratio

The net gearing ratio was 493.2% as at 31 December 2021 as compared to 75.0% as at 31 December 2020, representing an increase of 418.2 basic points. The net gearing ratio was measured by net debt (total of borrowings, senior notes and bonds and asset-backed securities issued, net of bank balances and cash and restricted/pledged bank deposits) over total equity.

The Group's net gearing ratio experienced fluctuations this year. The Group will take proactive measures to address the existing debt situation, in an effort to improve its net gearing ratio.

Borrowings and Charges on the Group's Assets

As at 31 December 2021, the Group had aggregate borrowings, senior notes and bonds and asset-backed securities issued of approximately RMB24,487 million (31 December 2020: approximately RMB11,196 million), approximately RMB33,007 million (31 December 2020: approximately RMB35,648 million) and approximately RMB255 million (31 December 2020: RMB20 million), respectively. Amongst the borrowings, approximately RMB13,442 million (31 December 2020: approximately RMB3,690 million) will be repayable within one year and approximately RMB11,045 million (31 December 2020: approximately RMB7,506 million) will be repayable after one year. Amongst the senior notes and bonds, approximately RMB33,007 million (31 December 2020: approximately RMB14,490 million) will be repayable within one year and none (31 December 2020: approximately RMB21,158 million) will be repayable after one year.

As at 31 December 2021, a substantial part of the borrowings was secured by land use rights, properties and bank deposits. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group through pledging their shares.

Exchange Rate Risk

The Group mainly operates its business in China. Other than the foreign currency denominated bank balances, borrowings and lease liabilities, the Group does not have any other material direct exposure to foreign exchange fluctuations.

Commitments

As at 31 December 2021, the Group had committed payment for the construction of investment properties and property, plant and equipment and equity acquisition amounting to approximately RMB1,136 million (2020: RMB570 million).

Contingent Liabilities

(a) As at 31 December 2021, the Group had provided guarantees amounting to approximately RMB11,613 million in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the purchaser obtained the individual property ownership certificate.

(b) The Group provided guarantees on several basis covering its respective shares of outstanding obligations under the borrowings incurred by the joint ventures and associates for developing their projects. The joint ventures are principally engaged in property development. As at 31 December 2021, the Group's aggregate shares of such guarantees provided in respective of loans borrowed by these joint ventures amounted to approximately RMB1,913 million and associates amounted to approximately RMB3,760 million, and the guarantees provided to the suppliers of the associated companies amounted to approximately RMB160 million.

In the opinion of the Directors, the possibility of the default of the purchasers is remote and the fair value of guarantee contracts is insignificant at the inception and at the end of each reporting date.

Employees and Remuneration Policies

As at 31 December 2021, excluding the employees of communities managed on a commission basis, the Group had approximately 32,903 employees (31 December 2020: approximately 35,965 employees). Total staff costs, including the Directors' emoluments, for the year ended 31 December 2021 amounted to approximately RMB2,644 million (2020: approximately RMB2,503 million). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution to the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for Chinese employees), a discretionary bonus program and a share option scheme.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2021.

EXECUTIVE DIRECTORS

Mr. PAN Jun（潘軍）（"Mr. Pan"), aged 52, is the chairman of the board (the "Board") of directors (the "Directors"), an executive director, the Chief Executive Officer, chairman of the nomination committee and a member of the remuneration committee of the Company. He is an executive director of Colour Life Services Group Co., Limited ("Colour Life"), a subsidiary of the Company whose shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") (stock code: 1778). Mr. Pan joined the Group in 1999. He is responsible for the overall operation of the Group's projects, formulation of the Group's business strategies, supervising the project planning and the management of the Group's operation and business. Prior to joining the Group, Mr. Pan had successively served as the project manager, manager of the marketing department, manager of the valuation department and assistant to general manager of World Union Real Estate Consultancy (Shenzhen) Ltd.（世聯地產顧問（深圳）有限公司）. Mr. Pan obtained a Bachelor's degree in Conservancy and Hydropower Engineering from Chengdu University of Science and Technology（成都科技大學）(now known as Sichuan University（四川大學）) in 1992 and holds an EMBA degree from Tsinghua University. Mr. Pan is also a registered property valuer in China and a member of the Shenzhen Institution of Real Estate Appraisers（深圳市不動產估價學會）.

Ms. ZENG Jie, Baby（曾寶寶）（"Ms. Zeng"), is an executive director and a member of the nomination committee of the Company. Ms. Zeng is one of the controlling shareholders and the largest shareholder of the Company.

Mr. KE Kasheng（柯卡生）（"Mr. Ke"), aged 59, is the executive director of the Company. Mr. Ke is responsible for the coordination and development of the investment, financing and capital operation of Fantasia China Group.

Prior to joining the Company, Mr. Ke started his career at the Currency Issue Department of Guangdong Branch of People's Bank of China in July 1984 and held various positions in People's Bank of China and China Banking Regulatory Commission, including deputy chief and chief of the Currency Issue Department of Guangdong Branch of People's Bank of China from June 1989 to April 1992, deputy director of the General Office of Guangdong Branch of People's Bank of China from April 1992 to April 1996, director of the Comprehensive Planning Division of Guangdong Branch of People's Bank Of China from April 1996 to November 1996, president of Shantou Branch of People's Bank of China from November 1996 to April 2000, director of the Internal Audit Division and vice president of Guangzhou Branch of People's Bank of China from April 2000 to July 2003, member of the preparation team and deputy director of the Guangdong Office of China Banking Regulatory Commission from July 2003 to May 2006, and director of the Non-banking Financial Institution Regulatory Department of China Banking Regulatory Commission from May 2006 to October 2012, an executive director and the president of China Huarong Asset Management Co. Ltd. from October 2012 to September 2017.

Currently, Mr. Ke is an independent non-executive director of COFCO Trust Co., Ltd., an independent non-executive director of China Resources Bank of Zhuhai Co., Ltd., the honorary chairman of the Central University of Finance and Economics Education Foundation; president of Beijing Shengbao Tongda Electrical Engineering Co., Ltd.（北京盛寶通達電氣工程有限公司）and director of Shanghai New Huang Pu Industrial Group CO., LTD., whose shares are listed on Shanghai Stock Exchange (stock code: 600638.SH)). Mr. Ke obtained a bachelor's degree from the Central Institute of Finance and Economics (now known as the Central University of Finance & Economics) in July 1984, a master's degree in business operation from the Aichi University of Japan in March 1995, and obtained a EMBA degree from Cheung Kong Graduate School of Business in September 2007.

Mr. CHEN Xinyu (陳新禹) ("Mr. Chen"), aged 55, is the executive director and chief financial officer of the Company. He is primarily responsible for capital operation and planning management, investor relations of Company and management of the information disclosure matters.

Prior to joining the Group, Mr. Chen was the deputy general manager of the investment relations and finance department of Country Garden Group form March 2015 to May 2019. Before that, Mr. Chen worked as the investment director in China Overseas Qingyi Care Services Co., Ltd. (中海親頤養老服務有限公司, an analyst in Seagate Global Advisors LLC., Redondon Beach and the bond portfolio manager in Godesk LLC., Elsegando in USA. Mr. Chen was the director of the finance department of China State Construction Engineering Corporation Limited. Mr. Chen graduated from Shijiazhuang Tiedao Institute and holds a master's degree in corporate finance from Shaanxi Institute of Finance & Economics (subsequently merged with Xi'an Jiaotong University) and a MBA degree from the University of Illinois in Chicago. Mr. Chen has nearly 30 years of experience in investment, capital market and corporate financing field.

Mr. Timothy David GILDNER ("Mr. Gildner"), aged 53, is the executive director of the Company and the vice president of the Group. He is responsible for managing the asset management department of the Group. Mr. Gildner has extensive knowledge and experience in finance and management. Prior to joining the Group, he was a director of Gottardo Advisory Limited between January 2012 and April 2022. He was also a visiting scholar at the City University of Hong Kong between January 2017 and June 2019 for graduate level courses in real estate investment in China and real estate financing; and for fintech related courses at The Hong Kong University of Science and Technology between June 2015 and January 2017. Mr. Gildner obtained a bachelor of art degree in Journalism from Michigan State University, a master's degree in international affairs and master's degree of business administration from Columbia University in 2002.

NON-EXECUTIVE DIRECTOR

Mr. SU Boyu (蘇波宇) ("Mr. Su"), aged 46, was appointed as the non-executive director of the Company on 27 September 2021. Mr. Su is the General Manager of TCL Technology Industrial Park Co., Ltd, which is group company of T.C.L. Industries Holdings (H.K.) Limited. Mr. Su was the Assistant General Manager and Deputy General Manager of Strategy and Investment Management Center of TCL Technology Group Corporation (the shares of which are listed on the Shenzhen Stock Exchange, stock code: 000100.SZ, hereinafter "TCL Technology") from March 2012 to August 2016, head of Property Operation Management of TCL Technology from August 2016 to October 2017 and the Executive Deputy General Manager of TCL Technology Industrial Park Co., Ltd from October 2017 to August 2023. Currently, he is also the Deputy General Manager of Shenzhen TCL Real Estate Co., Ltd since March 2017, the General Manager of TCL Optoelectronic Tech (Shenzhen) Co., Ltd since May 2017 and the General Manager of Keshi Huishang Technology Development (Guangdong) Co., Ltd since May 2021. TCL Technology is a substantial shareholder of the Company.

Prior to joining the TCL Group, Mr. Su served as the manager of Investment Department of Vantone Innovation Industrial Resource Investment Co., Ltd. from January 2011 to February 2012; Industrial Real Estate Manager of South China Region of JLL from April 2008 to January 2011; South China Logistics Manager of ZIM Logistics (China) Co., Ltd. from December 2005 to April 2008; Director of Freight Rate Center, Assistant General Manager at the subsidiary level and Marketing Manager of China Shipping South China Logistics Co., Ltd. from October 2002 to December 2005; Marketing Officer and Marketing Manager of China Merchants Logistics (Guangzhou) Co., Ltd. from April 2000 to October 2002. Mr. Su obtained a master's degree in real estate management from University of Greenwich in 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. GUO Shaomu (郭少牧) ("Mr. Guo"), aged 57, is an independent non-executive director of the Company. He is also the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Company. He has over 13 years of experience in investment banking industry in Hong Kong. From February 2000 to February 2001, Mr. Guo served as an associate director of corporate finance of Salomon Smith Barne, an investment bank principally engaged in providing financial services (an investment banking arm of Citigroup Inc.), where he was primarily responsible for supporting the marketing and execution works of the China team. From March 2001 to September 2005, Mr. Guo served as an associate director of global investment banking of HSBC Investment Banking, an investment bank principally engaged in providing financial services, where he was primarily responsible for the execution of China-related transactions. From October 2005 to April 2007, Mr. Guo served as a vice president and director of the real estate team of J.P. Morgan Investment Banking Asia, an investment bank principally engaged in providing financial services, where he was primarily responsible for the marketing works covering the real estate sector in China. From April 2007 to April 2013, Mr. Guo served as a director and managing director of the real estate team of Morgan Stanley Investment Banking Asia, an investment bank principally engaged in providing financial services, where he was one of the key members responsible for the business in the real estate sector in the Greater China region. Currently, Mr. Guo is an independent director of GalaxyCore Inc., a company listed on the Shanghai Stock Exchange (stcok code: 688728). He is also an independent non-executive director of Yida China Holdings Limited (stock code: 3639), Ganglong China Property Group Limited (stock code: 6968), Shanghai Heartcare Medical Technology Corporation Limited (stock code: 6609) and Sunkwan Properties Group Limited (stock code: 6900), all of which are listed on the Main Board of the Stock Exchange. Mr. Guo obtained a bachelor's degree in electrical engineering from Zhejiang University in July 1989, a master's degree in computer engineering from University of Southern California in May 1993 and a master's degree in business administration from the School of Management of Yale University in May 1998.

Mr. Kwok Chi Shing (郭志成) ("Mr. Kwok"), aged 61, was appointed as the independent non-executive director, the chairman of the audit committee and a member of each of the remuneration committee and nomination committee of the Company on 12 November 2021. Mr. Kwok is the chairman of LKKC CPA Limited. Currently, Mr. Kwok is also an independent non-executive director of listed companies including, Bonjour Holdings Limited (stock code: 653); DTXS Silk Road Investment Holdings Company Limited (stock code: 620); and ChemPartner PharmaTech Co Ltd. (睿智醫藥科技股份有限公司) (formerly Quantum Hi-Tech (China) Biotechnology Co., Ltd (量子高科(中國)生物股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300149). During the past three years, Mr. Kwok was an independent non-executive director of EPS Creative Health Technology Group Limited (stock code: 3860) from January 2017 to June 2021, Grand Ocrean Advanced Resources Company Limited (stock code: 65) from January 2006 to September 2020, Hang Chi Holdings Limited (stock code: 8405) from June 2017 to August 2022, Huakang Biomedical Holdings Limited (stock code: 8622) from November 2018 to September 2020, all of which are listed on the Main Board of the Stock Exchange.

Mr. Kwok is a certified public accountant in Hong Kong. He obtained a degree of Master of Arts in Economics with Accountancy from the University of Aberdeen in U.K. in July 1986. He has been a fellow member of the Hong Kong Institute of Certified Public Accountants since January 1991 and a member of the Institute of Chartered Accountants of Scotland since November 1989.

Mr. Ma Yu-heng (馬有恒) ("Mr. Ma"), aged 53, was appointed as the independent non-executive director, a member of each of the audit committee, remuneration committee and nomination committee of the Company on 3 August 2023. Mr. Ma has over 25 years of experience in financing, banking and corporate finance. He was the chief financial officer of China Grand Star Luxury Investment Holdings Limited from September 2019 to May 2022. Since September 2022, Mr. Ma has acted as the chief financial officer of Guardforce AI Co., Ltd., a company listed on the NASDAQ in the United States of America (stock code: GFAI). Currently, Mr. Ma is the independent non-executive director of China Anchu Energy Storage Group Limited (stock code: 2399), Summi (Group) Holdings Limited (stock code:756) and China Overseas Nuoxin International Holdings Limited (stock code:464), all of which are companies listed on the Main Board of the Stock Exchange. Mr. Ma was the independent non-executive director of China U-Ton Future Space Industrial Group Holdings Ltd. from May 2022 to April 2023, a company formerly listed on the Main Board of the Stock Exchange. Mr. Ma is currently a member of CPA Australia. Mr. Ma obtained a bachelor's degree in business administration from Soochow University, Taiwan (台灣東吳大學) in June 1993 and a master's degree in business administration from Da-Yeh University, Chung Hua, Taiwan (台灣大葉大學) in June 1995.

SENIOR MANAGEMENT

Mr. Xiao Jie (肖杰) ("Mr. Xiao"), aged 39, joined the Group in 2021. He is currently the vice president of the Group and is responsible for the financing activities of the Group. Prior to joining the Group, Mr. Xiao was the vice president of Uni-Hiku Group Co., Ltd. from 2020 to 2021 and was responsible for the financing and treasury management. Mr. Xiao worked in Tahoe Group Co. from 2013 to 2020. His last position was president assistant. Mr. Xiao has 16 years of experience in property development and bank trust experience. Mr. Xiao obtained a master's degree in politics and economics from Huazhong University of Science and Technology in 2007 and a bachelor's degree in finance from South-China Minzu University in 2004.

Ms. Cheng Jianli (程建麗) ("Ms. Cheng"), aged 51, is the vice president of the Group. She is responsible for the human resources, administrative and overall management of the urban renewal sector. Ms. Cheng joined the Group in 2004 for the first time. She has served as various roles in the Group during the period between 2004 and 2014 and her last position was general manager of Shanghai division of the Group. She worked in Henderson (China) Investment Company Limited in 2014 and 2019. Her last position was assistant president and was responsible for the human resources, administration and development of new businesses. She worked in Redco Group from 2020 to 2021 where she was the vice president and was responsible for the human resources and administration. Ms. Cheng rejoined the Group in 2021. Ms. Cheng has 27 years of experience in the comprehensive management in real estate industry and human resources and administration. Ms. Cheng obtained a bachelor's of art degree in Chinese language and Literature from Shaaxi Normal University in 1995.

Mr. Mao Qin (茅勤) ("Mr. Mao"), aged 44, joined the Group in 2020. Mr. Mao is the Chief Architect of the Group, responsible for the overall design of the Fantasia's products. Prior to joining the Group, he worked in Zoina Land-Zhongnan Group from 2014 to 2020. His last position was general manager of the R&D design centre. During the period from 2013 to 2014, he served as the deputy general manager of Wuxi Cultural Tourism City Project of Wanda Group. He worked in Sino-Ocean Land Dalian City Company from 2009 to 2013, and his last position was the design director of the design department. He worked in Hutchison Whampoa from 2006 to 2009. His last position was the design manager of the design department. Mr. Mao has 20 years of design management experience in the real estate industry. Mr. Mao obtained a bachelor's degree in architecture from Tsinghua University in 2003.

Mr. Zhu Jindong (朱晉東) ("Mr. Zhu"), aged 42, joined the Fantasia Group in July 2004 and served various roles relating to project management, sales and operational management. Mr. Zhu is currently the assistant president of the Fantasia Group ad is responsible for the Fantasia foundation and external public affairs. Since 2015, Mr. Zhu has been in a managerial position within the Fantasia Group. He has approximately 19 years of experience in the real estate industry. Mr. Zhu obtained a Bachelor's degree in civil engineering from Harbin Institute of Technology in July 2003.

Mr. Shen Aimin (沈愛民) ("Mr. Shen"), aged 45, joined the Group in 2020. He is currently the assistant president of the Group and is responsible for the operational management of the Group and the overall property development management of the Group's projects in Shenzhen. Prior to joining the Group, Mr. Shen served as the assistant general manager in Seazen Holdings Co., Ltd. Shenzhen division from 2018 to 2020. He worked in Vanke Real Estate Co., Ltd. from 2010 to 2018. His last position was deputy general manager of Project Management Center. He worked in China State Construction Engineering (Hong Kong) Limited from 2001 to 2010. His last position was project manager. Mr. Shen has 22 years of experience in property development and construction management. Mr. Shen obtained a bachelor's degree in engineering management from Southeast University in 2001.

The Directors is pleased to present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 55 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of comprehensive income on page 58.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Chairman's Statement, Business Review and Financial Review sections respectively from pages 11 to 13, 14 to 18 and 19 to 23 of this Annual Report. The future development of the Group's business is discussed throughout this Annual Report including in the Chairman's Statement from pages 11 to 15 of this Annual Report. In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in the Corporate Governance Report and the Environmental, Social and Governance Report (the "ESG Report"), which will be published separately.

ESG REPORT

The Group has always been committed to promoting the sustainable development of business, the environment and even the community. For the strategy and performance of the Group in relation to sustainable development, please refer to the ESG Report published separately.

DIVIDEND

The Board does not recommend a payment of dividend for the year ended 31 December 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming Annual General Meeting ("AGM") to be held on Monday, 25 September 2023, the register of members of the Company will be closed on Tuesday, 19 September 2023 to Monday, 25 September 2023, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 18 September 2023.

SHARE CAPITAL

Details of change in the share capital of the Company during the year are set out in note 41 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 16 to the consolidated financial statements.

DISTRIBUTIVE RESERVES OF THE COMPANY

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2021 are set out in note 56 to the consolidated financial statements.

The Company's reserves available for distribution represent the share premium, share-based payment reserve, accumulated losses and hedging reserve. As at 31 December 2021, there was no reserve available for distribution (as at 31 December 2020: nil). Under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to provisions of its articles of association and provided that immediately following the distribution or payment of dividend the Company is able to pay its debt as they fall due in the ordinary course of business.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:
Mr. Pan Jun *(Chairman and Chief Executive Officer)*
Ms. Zeng Jie, Baby
Mr. Ke Kasheng
Mr. Zhang Huiming (resigned on 8 December 2021)
Mr. Zhu Guogang (appointed on 8 December 2021 and resigned on 3 August 2023)
Mr. Chen Xinyu
Mr. Timothy David Gildner (appointed on 28 June 2023)

Non-executive Directors:
Mr. Liao Qian (resigned on 24 September 2021)
Mr. Su Boyu (appointed on 27 September 2021)

Independent Non-executive Directors:
Mr. Ho Man (resigned on 11 October 2021)
Dr. Liao Jianwen (resigned on 12 May 2021)
Ms. Wong Pui Sze, Priscilla, JP (resigned on 11 October 2021)
Mr. Guo Shaomu
Mr. Kwok Chi Shing (appointed on 12 November 2021)
Mr. Ma Yu-heng (appointed on 3 August 2023)

In accordance with Article 83 of the Articles of Association (the "Articles"), Mr. Su Boyu, Mr. Kwok Chi Shing, Mr. Timothy David Gildner and Mr. Ma Yu-heng shall hold office to the forthcoming AGM and, being eligible, offer themselves for re-election at the AGM. In accordance with Article 84 of the Articles, Mr. Pan Jun, Mr. Ke Kasheng and Mr. Chen Xinyu shall retire from office by rotation. Mr. Ke Kasheng and Mr. Chen Xinyu, being eligible, will offer themselves for re-election at the AGM. Mr. Pan Jun has indicated that he wished to retire and not to offer himself for re-election. As such, Mr. Pan Jun will retire from office as Director with effect from the conclusion of the AGM. Following his retirement as Director, Mr. Pan Jun will cease to be the chairman of the Board, chief executive officer, the chairman of the nomination committee and member of the remuneration committee of the Company upon conclusion of the AGM. A circular containing (among others) the biographical details of the Director candidates, the explanatory statement on buyback of the shares of the Company and the notice of the AGM will be sent to shareholders of the Company.

No Director proposed for re-election at the AGM has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

SENIOR MANAGEMENT'S EMOLUMENTS

Pursuant to code provision B.1.5, the annual remuneration of the members of the senior management (other than Directors) by bands for the year ended 31 December 2021 is set out below:

	Number of individuals
Nil to HK$1,000,000	9
HK$1,000,001 to HK$2,000,000	17
HK$2,000,001 to HK$3,000,000	8
HK$3,000,001 to HK$4,000,000	3
Above HK$4,000,000	8
	45

Details of the remuneration of each of the Directors for the year ended 31 December 2021 are set out in note 52(b) to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION

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

(i) Long positions in the shares and underlying shares of the Company:

Director	Nature of interest	Interest in ordinary shares of the Company	Interest in underlying Shares of the Company	Approximate percentage of interest in the Company as at 31 December 2021
Ms. Zeng Jie, Baby	Interest of controlled corporation	3,314,090,500(1)	–	57.41%
	Beneficial owner	–	4,990,000(2)	0.09%
Mr. Pan Jun	Beneficial owner	–	4,990,000(2)	0.09%
Mr. Zhu Guogang	Beneficial owner	–	280,000(2)	0.00%

Notes:

(1) Fantasy Pearl International Limited ("Fantasy Pearl") is owned as to 80% by Ice Apex Limited ("Ice Apex") and 20% by Graceful Star Overseas Limited ("Graceful Star"). Ice Apex is wholly owned by Ms. Zeng Jie, Baby. Ms. Zeng Jie, Baby is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.

(2) The relevant Directors were granted options to subscribe for such number of shares of the Company under the share option scheme of the Company on 16 October 2012.

(3) As at 31 December 2021, the number of issued shares of the Company was 5,772,597,864.

(ii) Long positions in the debentures of the Company:

Name of Director	Nature of interest	Debentures that are interested in	Principal amount of the debentures held	Approximate percentage of the interest in the debentures as at 31 December 2021
Ms. Zeng Jie, Baby	Interest of controlled corporation	9.875% senior notes due 2023 issued by the Company	US$3,000,000 [1]	0.94%
	Interest of controlled corporation	10.875% senior notes due 2024 issued by the Company	US$4,000,000 [2]	1.6%
Mr. Guo Shaomu	Beneficial owner	7.95% senior notes due 2022 issued by the Company	US$200,000	0.067%

Notes:

(1) The debentures are held by Fantasy Pearl, which is indirectly owned as to 80% by Ms. Zeng Jie, Baby.

(2) These comprise: (i) US$2,000,000 held by Fantasy Pearl; and (ii) US$2,000,000 held by Baocollection Limited, a company wholly owned by Ms. Zeng Jie, Baby.

(iii) Long positions in associated corporations:

A. Fantasy Pearl

Director	Nature of interest	Number of shares	Description of shares	Approximate percentage of interest in the associated corporation as at 31 December 2021
Ms. Zeng Jie, Baby	Interest of controlled corporation	80 [1]	Ordinary	80%
Mr. Pan Jun	Interest of controlled corporation	20 [2]	Ordinary	20%

Notes:

(1) These shares are held by Ice Apex, which is wholly owned by Ms. Zeng Jie, Baby.

(2) These shares are held by Graceful Star, which is wholly owned by Mr. Pan Jun.

B. Colour Life Services Group Co., Limited ("Colour Life")

Director	Nature of interest	Number of shares	Description of shares	Approximate percentage of interest in the associated corporation as at 31 December 2021
Ms. Zeng Jie, Baby	Interest of controlled corporation (1)(2)(3)	1,013,643,318	Ordinary	68.14%
Mr. Pan Jun	Beneficial owner	1,755,440 (4)	Ordinary	0.12%
Mr. Zhu Guogang	Beneficial owner	21,000 (5)	Ordinary	0.00%

Note:

(1) The interests are held as to 780,104,676 shares by the Company, as to 231,235,846 shares by Splendid Fortune Enterprise Limited ("Splendid Fortune") and as to 2,302,796 shares by Fantasy Pearl.

(2) The Company is owned as to 57.41% by Fantasy Pearl, which is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is wholly owned by Ms. Zeng Jie, Baby. Accordingly, Ms. Zeng Jie, Baby is deemed to be interested in the shares of Colour Life held by the Company for the purpose of Part XV of the SFO.

(3) Splendid Fortune is 67.36% owned by Fantasy Pearl and 32.64% owned by Colour Success Limited. Accordingly, Ms. Zeng Jie, Baby is deemed to be interested in the shares of Colour Life held by Splendid Fortune for the purpose of Part XV of the SFO.

(4) These represent share options granted by Colour Life subject to vesting schedules.

(5) These represents shares beneficially owned by Mr. Zhu Guogong.

C. Shenzhen Caizhiyun Network Technology Co., Ltd. ("Caizhiyun Network")

Director	Nature of interest	Amount of equity interest held	Approximate percentage of interest in the associated corporation as at 31 December 2021
Mr. Pan Jun	Beneficial owner	RMB7,000,000 (1)	70%

Note:

(1) Caizhiyun Network is owned as to 70% by Mr. Pan Jun. The financial results of Caizhiyun Network have been consolidated and accounted for as a subsidiary of Colour Life by virtue of certain structured contracts, details of which are disclosed in the section headed "History, Reorganization and the Group Structure" in Colour Life's prospectus dated 17 June 2014.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executive of the Company had an interest or short position in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, so far as the Directors are aware, the following persons (other than the Directors and the chief executive of the Company) or institutions have interests or short positions of 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholders	**Nature of interest**	**Number of shares**	**Approximate percentage of interest in our Company as at 31 December 2021**
Fantasy Pearl	Beneficial owner	3,314,090,500 (L)	57.41%
Ice Apex[(1)]	Interest of controlled corporation	3,314,090,500 (L)	57.41%
TCL Industries Holdings Co., Ltd.[(2)] (formerly known as TCL Industrial Holdings (Guangdong) Co., Ltd.)	Interest of controlled corporation	1,012,740,000 (L)	17.54%

(L) denotes long position

(S) denotes short position

Notes:

(1) Fantasy Pearl is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.

(2) As at 31 December 2021, Li Rong Development Limited held 1,012,740,000 shares of the Company representing 17.54% interest in the Company. Li Rong Development Limited is wholly owned by TCL Industries Holdings (H.K.) Limited which is in turn wholly owned by TCL Industries Holdings Co., Ltd.. TCL Industries Holdings Co., Ltd. is deemed to be interested in the shares held by Li Rong Development Limited for the purpose of Part XV of the SFO.

Save as disclosed above, as of 31 December 2021, no other shareholder, other than directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 27 October 2009 (the "Share Option Scheme"). Particulars of share options outstanding under the Share Option Scheme at the beginning and at the end of the financial period for the year ended 31 December 2021 and share options granted, exercised, lapsed or cancelled under the Share Option Scheme during such period are as follows:

The summary below sets out the details of movement of options granted as at 31 December 2021 pursuant to the Share Option Scheme:

				Number of share option					
Name	**Date of grant**	**Exercise price HK$**	**Closing price of the shares on the date of grant HK$**	**Balance as at 1 January 2021**	**Granted during the period**	**Exercisable/ exercised during the period**	**Cancelled/ lapsed during the period**	**Balance as at 31 December 2021**	**Note**
Mr. Pan Jun	29 August 2011	0.836	0.82	4,990,000	–	–	(4,990,000)	–	(2)
	16 October 2012	0.8	0.77	4,990,000	–	–	–	4,990,000	(3)
Ms. Zeng Jie, Baby	29 August 2011	0.836	0.82	4,990,000	–	–	(4,990,000)	–	(2)
	16 October 2012	0.8	0.77	4,990,000	–	–	–	4,990,000	(3)
Other employees	29 August 2011	0.836	0.82	5,885,000	–	(1,750,000)	(4,135,000)	–	(1)
	29 August 2011	0.836	0.82	28,736,500	–	(471,240)	(28,265,260)	–	(2)
	16 October 2012	0.8	0.77	40,915,700	–	(166,200)	(37,559,500)	3,190,000	(3)
Total				95,497,200	–	(2,387,440)	(79,939,760)	13,170,000	

Notes:

(1) The share options are expired on 28 August 2021.

(2) The share options are expired on 28 August 2021.

(3) The share options are exercisable during the following periods:

(a) up to 10% of the share options granted to each grantee at any time after the expiration of 12 months from 16 October 2012 to 15 October 2022 and after the grantee has satisfied the vesting conditions specified by the Board;

(b) up to 20% of the share options granted to each grantee at any time after the expiration of 24 months from 16 October 2012 to 15 October 2022 and after the grantee has satisfied the vesting conditions specified by the Board; and

(c) up to 70% of the share options granted to each grantee at any time after the expiration of 36 months from 16 October 2012 to 15 October 2022 and after the Grantee has satisfied the vesting conditions specified by the Board.

Colour Life adopted a share option scheme on 11 June 2014 ("Colour Life Share Option Scheme). Particulars of share options outstanding under the Colour Life Share Option Scheme at the beginning and at the end of the financial period for the year ended 31 December 2021 and share options granted, exercised, lapsed or cancelled under the Colour Life Share Option Scheme during such period are as follows:

Name of grantee	Date of grant	Exercise price HK$	Balance as at 1 January 2021	Granted during the Period	Exercised during the Period	Cancelled/ lapsed during the Period	Balance as at 31 December 2021	Notes
			Number of share options					
Directors of Colour Life								
Mr. Pan Jun	29 September 2014	6.66	547,790	–	–	–	547,790	(1)
			347,650	–	–	–	347,650	(2)
	30 April 2015	11.00	180,000	–	–	–	180,000	(3)
	18 March 2016	5.764	180,000	–	–	–	180,000	(4)
	27 November 2018	4.11	500,000	–	–	–	500,000	(6)
Mr. Liu Hongcai	29 September 2014	6.66	450	–	–	–	450	(1)
			300	–	–	–	300	(2)
	30 April 2015	11.00	168,400	–	–	–	168,400	(3)
	18 March 2016	5.764	122,000	–	–	–	122,000	(4)
Mr. Xu Xinmin	29 September 2014	6.66	150,000	–	–	–	150,000	(1)
	30 April 2015	11.00	180,000	–	–	–	180,000	(3)
	18 March 2016	5.764	180,000	–	–	–	180,000	(4)
	27 November 2018	4.11	200,000	–	–	–	200,000	(6)
Sub-total			2,756,590	–	–	–	2,756,590	
Employees of the Group	29 September 2014	6.66	10,005,394	–	–	(3,535,194)	6,470,200	(1)
			9,772,580	–	–	(1,901,406)	7,871,174	(2)&(5)
	30 April 2015	11.00	12,892,536	–	–	(2,355,051)	10,537,485	(3)
	18 March 2016	5.764	13,595,804	–	–	(2,132,204)	11,463,600	(4)
	27 November 2018	4.11	18,764,720	–	–	(1,900,000)	16,864,720	(6)
Sub-total			65,031,034	–	–	(11,823,855)	53,207,179	
Total			**67,787,624**	–	–	**(11,823,855)**	**55,963,769**	

Notes:

(1) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the date of grant; (ii) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; and (iii) the remaining one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016. The exercise period of these share options will expire on 28 September 2024.

(2) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 29 September 2017. The exercise period of these share options will expire on 28 September 2024.

(3) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 30 April 2016; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 30 April 2017; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 30 April 2018. The exercise period of these share options will expire on 29 April 2025.

(4) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 18 March 2017; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 18 March 2018; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 18 March 2019. The exercise period of these share options will expire on 17 March 2026.

(5) The exercise period of 150,000 share options granted to Mr. Zeng Liqing, who resigned as non-executive director of Colour Life on 21 April 2015, has been extended at the discretion of the Board of Colour Life.

(6) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 27 November 2019; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 27 November 2020; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 27 November 2021. The exercise period of these share options will expire on 17 March 2028.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Senior Notes and Bonds

On 10 February 2021, the Company issued additional US$150,000,000 11.875% senior notes due 2023 (the "February 11.875% Additional Senior Notes Due 2023"), which was consolidated and form a single series with the US$300,000,000 11.875% senior notes due 2023 issued on 1 June 2020.

On 19 February 2021, the Company has completed the offer to purchase for cash of its outstanding 8.375% senior notes due 2021 (the "8.375% Senior Notes Due 2021") of an aggregate of US$141,209,000 in principal amount of the 8.375% Senior Notes Due 2021, representing approximately 29.39% of the total outstanding amount of the 8.375% Senior Notes Due 2021. Subsequently, the Company has repaid the aggregate amount of the 8.375% Senior Notes Due 2021 remained outstanding thereafter upon its maturity on 8 March 2021.

On 2 March 2021, the Company issued senior notes due 2024 with principal amount of US$250,000,000 at a coupon rate of 10.875% per annum (the "10.875% Senior Notes due 2024").

On 17 March 2021, the Company issued senior notes due 2023 with principal amount of US$50,000,000 at a coupon rate of 14.5% per annum for the purpose of refinancing certain of its indebtedness.

On 1 June 2021, the Company has completed the offer to purchase for cash of its outstanding 7.375% senior notes due 2021 (the "7.375% Senior Notes due 2021") of an aggregate of US$100,000,000 in principal amount of the 7.375% Senior Notes due 2021. Subsequently, the Company has made another offer to purchase for cash of the outstanding 7.375% Senior Notes due 2021 on 17 June 2021 and has settled the aggregate of US$187,844,000 in principal amount of the 7.375% Senior Notes due 2021.

On 3 June 2021, the Company issued additional US$100,000,000 11.875% senior notes due 2023, which was consolidated and form a single series with the US$450,000,000 11.875% Senior Notes due 2023 issued by the Company on 1 June 2020 and 10 February 2021.

On 16 June 2021, the Company issued senior notes due 2024 with principal amount of US$200,000,000 at a coupon rate of 14.5% per annum (the "14.5% Senior Notes due 2024").

On 20 July 2021, Colour Life issued senior notes due 2022 with principal amount of US$80,000,000 at a coupon rate of 13% per annum (the "13% Senior Notes Due 2022").

For the year ended 31 December 2021, the Company has made on-market repurchases of parts of its senior notes in an aggregated principal amount of US$83.8 million, comprising: (i) the 7.375% senior notes due 2021 in the aggregate principal amount of US$6,500,000; (ii) the 6.950% senior notes due 2021 in the aggregate principal amount of US$2,000,000; (iii) the 15% senior notes due 2021 in the aggregate principal amount of US$4,500,000; (iv) the 11.75% senior notes due 2022 in the aggregate principal amount of US$3,000,000; (v) the 12.250% senior notes due 2022 in the aggregate principal amount of US$3,500,000; (vi) the 10.875% Senior Notes due 2023 in the aggregate principal amount of US$5,200,000; (vii) the 11.875% senior notes due 2023 in the aggregate principal amount of US$14,500,000; (viii) the July 2023 Notes in the aggregate principal amount of US$6,500,000; (ix) the October 2023 Notes in the aggregate principal amount of US$17,500,000; (x) the March 2024 Notes in the aggregate principal amount of US$20,400,000; and (xi) the June 2024 Notes in the aggregated principal amount of US$200,000 (collectively the "Repurchased Notes").

On 5 November 2021, Colour Life has entered into a sale and purchase agreement to repurchase the total outstanding amount of 13% Senior Notes Due 2022.The 13% Senior Notes due 2022 have been cancelled.

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

MATERIAL ACQUISITIONS AND DISPOSALS

On 28 September 2021, Colour Life as vendor, Shenzhen Colour Life Services Group Co., Limited ("Shenzhen Colour Life") as guarantor, Country Garden Property Services HK Holdings Company Limited as purchaser ("Country Garden") and Link Joy Holdings Group Co., Limited ("Link Joy") entered into the share transfer agreement ("Share Transfer Agreement") in relation to the sale of the entire issued share capital of Link Joy ("Sale Share") at an aggregated consideration of RMB3,300 million. Subsequently, in 28 March 2022, the parties to the Share Transfer Agreement entered into a supplemental agreement to supplement the terms of the Share Transfer Agreement. Please refer to the circular of the Company dated 25 July 2023.

On 5 July 2021, 深圳市富昌商業服務有限公司 (Shenzhen Wealth Charm Commercial Services Limited*) ("Shenzhen Wealth Charm"), a wholly-owned subsidiary of the Company, entered into an agreement with Greenland Holdings Corporation Ltd. and 綠地金融投資控 股集團有限公司 (Greenland Financial Investment Holding Group Co., Ltd.*), under which Shenzhen Wealth Charm agreed to acquire the entire equity interests of 上海綠閔物業管理有限公司(Shanghai Lumin Property Management Co., Ltd.*) for an aggregated consideration of RMB1,260,000,000. As at the date of this announcement, the Greenland Acquisition had not been completed.

Save as disclosed above, the Group did not have any other material acquisition or disposal of subsidiaries, associates or assets during the year ended 31 December 2021.

SIGNIFICANT INVESTMENTS

Save as disclosed in the section headed Material Acquisitions and Disposals, the Company had no other significant investments held during the year under review.

BORROWINGS

Details of the borrowings of the Group are set out in note 35 of the consolidated financial statements.

DIRECTOR'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in note 52 to the consolidated financial statements, no significant contract, to which the Company, its holding company, its controlling shareholders, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

No management contracts in force during the year for the management and administration of the whole or any substantial part of the Group's business subsisted at the end of the year or at any time during the year.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, the aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales in the year.

During the reporting period, the aggregate purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

None of the Directors, their associates or any shareholders (which to the knowledge of the Director owned more than 5% of the Company's issued share capital) has a beneficial interest in the Group's five largest customers or suppliers. The Company does not consider that the Company is in reliance or dependent on any major customers or suppliers for its success.

CONTINUING CONNECTED TRANSACTION

The Company has entered into the following continuing connected transaction during the year ended 31 December 2021:

1. Provision of Network and Advertising Services by Shenzhen Colour Life Network Service Co., Ltd. ("Shenzhen Colour Life Network Service") to the Group

On 27 June 2018, Shenzhen Colour Life Network Service entered into the cooperation agreement with Shenzhen Colour Pay in respect of the e-Platform Services, pursuant to which Shenzhen Colour Life Network Service will through its e-platforms of Caizhiyun (彩之雲) and colourlife.com allow the users to register with the qianshenhua.com (錢生花) e-platform of Shenzhen Colour Pay to procure products and services, including the P2P services for the procurement of products and the Colour Easy Loan Services, a e-finance services offered by Shenzhen Colour Pay to customers. The cooperation agreement has a term of two financial years ending on 31 December 2019, and subject to the annual caps of not exceeding RMB75.0 million and RMB80.0 million for each of the years ending 2018 and 2019 respectively.

The e-Platform Service cooperation agreement entered into between Shenzhen Colour Life Network Service and Shenzhen Colour Pay on 27 June 2018 expired on 31 December 2019. On 31 December 2019, Shenzhen Colour Pay Network Technology Co., Ltd. entered into the 2020 E-Platform Service Cooperation Agreement with Shenzhen Colour Life Network Service, pursuant to which Shenzhen Colour Life Network Service will through its e-platforms of Caizhiyun (彩之雲) and Colourlife.com allow the registered users of the Group's e-platform to register with the qianshenhua.com (錢生花) e-platform of Shenzhen Colour Pay to procure products and services, including the P2P services for the procurement of products and the Colour Easy Loan Services, a e-finance services offered by Shenzhen Colour Pay to customers. The 2020 E-Platform Service Cooperation Agreement has a term of three years commencing from 1 January 2020 and ending on 31 December 2022, and subject to the annual caps of not exceeding RMB90.0 million, RMB100.0 million and RMB110.0 million for each of the years ending 31 December 2020, 2021 and 2022 respectively.

For the year ended 31 December 2021, no amounts were paid/payable to the Group for the e-Platform Services (31 December 2020: RMB23.6 million), which was within the annual cap of RMB100.0 million (31 December 2020: RMB100.0 million) for the same period.

2. Structured Contracts

Pursuant to the Catalogue of Industries for Guiding Foreign Investment (2011 version) (《外商投資產業指導目錄》(2011年修訂)), value-added telecommunications service is subject to foreign investment restriction in which a foreign investor shall hold no more than 50% equity interest in a value-added telecommunications services provider in the PRC.

Internet content provision services, or ICP services, belong to a subcategory of value-added telecommunications services. Colour Life's PRC legal advisor (the "Legal Advisor") has advised that the community leasing, sales and other services provided by Shenzhen Color Life Network Service Co., Ltd. ("Shenzhen Colour Life Network Service") through the Colour Life website constitute value-added telecommunications services. According to the Administrative Rules for Foreign Investment in Telecommunications Enterprises (《外商投資電信企業管理規定》), foreign investors shall contribute no more than 50% of the registered capital of a value-added telecommunications services provider and any such foreign investor shall maintain a good track record and possess relevant operational experience in the value-added telecommunication services industry (the "Qualification Requirement").

Based on consultations with the relevant personnel responsible for the approval of value-added telecommunications services at MIIT and the Guangdong Communications Administration Bureau (廣東省通信管理局), the Legal Advisor has advised that in order to demonstrate that it has satisfied the Qualification Requirement, a foreign investor shall provide the competent PRC authority with its telecommunications services business operating license issued by the relevant authority at its place of registration (equivalent of the ICP License issued by the Ministry of Industry and Information Technology of the PRC (the "MIIT") and its financial reports of the most recent three years. However, the MIIT did not specify during the Legal Advisor's consultations what would constitute "a good track record" and "relevant operational experience" and there are no specific written guidelines in this regard or in respect of whether and what type of documentation is required to establish the requisite credentials in cases where there is no telecommunications service business licensing regime in the jurisdiction or country in which the foreign investor provides the relevant telecommunication services.

As for the legality of the contractual arrangements, the Legal Advisor, after taking reasonable actions and steps to reach its legal conclusions including consulting the MIIT where the representative stated that there is no regulation enforceable or promulgated by the MIIT which prohibits or restricts the operation of value-added telecommunication businesses by foreign investors through contractual arrangements such as the Structured Contracts, are of the view that each of the Structured Contracts individually and collectively do not violate any of the applicable PRC laws and regulations. Legal Advisor is also of the view that the MIIT is the competent regulatory authority to give such assurance and interpret the Structured Contracts.

Based on the above-mentioned restriction under the relevant laws and regulations of the PRC, the Colour Life Group is not entitled to acquire the equity interest in Shenzhen Caizhiyun Network Technology Co., Ltd. ("Shenzhen Caizhiyun Network"). To enable the Colour Life Group to continue to manage and operate the online business of Shenzhen Caizhiyun Network and be entitled to all the economic benefits generated from such online business of Shenzhen Caizhiyun Network, Shenzhen Colour Life Network Service, Shenzhen Caizhiyun Network, Mr. Pan and Mr. Tang entered into the exclusive management and operation agreement, the call option agreement, the shareholders' rights entrustment agreement, the equity pledge agreement and the power of attorney (collectively the "Structured Contracts") on 16 June 2014 such that the Colour Life Group are entitled to all the economic benefits generated from online community leasing, sales and other services business of Shenzhen Caizhiyun Network (the "Contractual Arrangement"). The Structured Contracts have an initial term of 10 years which is renewable for a successive term of 10 years. Colour Life is exploring various opportunities in building up our community leasing, sales and other services business operations overseas for the purposes of being qualified as early as possible, to acquire the entire equity interest of Shenzhen Caizhiyun Network if and when the restrictions under the relevant PRC law on foreign ownership in value-added telecommunication enterprises are lifted. For details of the Structured Contracts, please refer to the section headed "History, Reorganization and the Group Structure – The Structured Contracts" in Colour Life's prospectus dated 17 June 2014.

Upon signing of the Structured Contracts, Shenzhen Caizhiyun Network was treated as a wholly-owned subsidiary of Colour Life and the accounts of which are consolidated with those of the Company. Given the registered capital of Shenzhen Caizhiyun Network is held as to 70% by Mr. Pan, being the chairman of the Company, an executive director and a substantial shareholder of the Company, the chairman and an executive director of Colour Life, and as to 30% by Mr. Tang, being a non-executive director and a substantial shareholder of Colour Life, Mr. Pan and Mr. Tang are therefore connected persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Structured Contracts therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Save for the exclusive management and operation agreement which involves the payment of a service fee by Shenzhen Caizhiyun Network to Shenzhen Colour Life Network Service on an annual basis, each of the Structured Contracts does not involve payment of any consideration.

The Structured Contracts, taken as a whole, permit the results and financial operations of Shenzhen Caizhiyun Network to be consolidated in the Company, through the Colour Life Group, as if it was the Company's subsidiary resulting in all economic benefits of its business flowing to the Company. Through the appointment by Shenzhen Colour Life Network Service of all directors and senior management of Shenzhen Caizhiyun Network, the Directors believe that Shenzhen Colour Life Network Service is able to effectively supervise, manage and operate the business operations, expansion plans, financial policies and assets of Shenzhen Caizhiyun Network, and at the same time, ensure due implementation of the Structured Contracts. According to Hong Kong Financial Reporting Standards, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Although the Company does not directly or indirectly own Shenzhen Caizhiyun Network, the Structured Contracts enable the Company, through Colour Life, to exercise control over and receive economic benefits generated from the business operation of Shenzhen Caizhiyun Network and the validity and legality of the Structured Contracts have been confirmed by Colour Life's People's Republic of China (the "PRC") legal advisor. Colour Life Group derives economic benefits from the online community leasing, sales and other services provided by Shenzhen Caizhiyun Network through the website and mobile applications to residents in the residential communities that Colour Life manages or provides consultancy services to. Under such circumstances, the Directors are of the view that it is fair and reasonable for Shenzhen Colour Life Network Service to be entitled to all the economic benefits generated from Shenzhen Caizhiyun Network. The Structured Contracts also permit Shenzhen Colour Life Network Service to exclusively acquire all or part of the equity interest in Shenzhen Caizhiyun Network, if and when permitted by PRC laws and regulations. Notwithstanding the Group's lack of equity ownership in Shenzhen Caizhiyun Network, the Group is able to control the business and financial position of Shenzhen Caizhiyun Network in substance through the Structured Contracts. As a result of the Structured Contracts, Shenzhen Caizhiyun Network is accounted for as the Company's subsidiary, through Colour Life, and its financial position and operating results are consolidated in the Company's consolidated financial statements. The revenue and total asset value subject to the Contractual Arrangements amounted to approximately RMB15.2 million for the year ended 31 December 2021 and approximately RMB2.2 million as of 31 December 2021, respectively.

Pursuant to the Structured Contracts, any dispute arising from the interpretation and performance of the Structured Contracts between the parties thereto should first be resolved through negotiation, failing which any party may submit the said dispute to the South China International Economic and Trade Arbitration Commission with a view to resolving the dispute through arbitration in accordance with the arbitration rules thereof.

The Company had applied and the SEHK had granted a waiver that the Structured Contracts are exempt from the annual cap and independent shareholders' approval requirements under Rules 14A.36 and 14A.53 of the Listing Rules.

Mr. Pan and Mr. Tang may potentially have a conflict of interest with the Group. Both of Mr. Pan and Mr. Tang have undertaken to Shenzhen Colour Life Network Service that during the period when the Contractual Arrangement remains effective, (i) unless otherwise agreed to by Shenzhen Colour Life Network Service in writing, the relevant shareholder would not, directly or indirectly (either on his own account or through any natural person or legal entity) participate, or be interested, or engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of Shenzhen Caizhiyun Network or any of its affiliates; and (ii) any of his actions or omissions would not lead to any conflict of interest between him and Shenzhen Colour Life Network Service (including but not limited to its shareholders). Furthermore, in the event of the occurrence of a conflict of interests (where Shenzhen Colour Life Network Service has the sole absolute discretion to determine whether such conflict arises), he agrees to take any appropriate actions as instructed by Shenzhen Colour Life Network Service.

Furthermore, the Group conducts its business operation in the PRC through Shenzhen Caizhiyun Network by way of Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under the PRC laws. As advised by the Company's PRC legal advisers, the Contractual Arrangements were narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

To ensure proper implementation of the Structured Contracts, Colour Life also takes the following measures:

(a) as part of the internal control measures, major issues arising from implementation and performance of the Structured Contracts was reviewed by the Colour Life Board on a regular basis which will be no less frequent than on a quarterly basis;

(b) matters relating to compliance and regulatory enquiries from governmental authorities (if any) was discussed at such regular meetings which was no less frequent than on a quarterly basis;

(c) the relevant business units and operation divisions of the Colour Life Group reported regularly, which was no less frequent than on a monthly basis, to the senior management of Colour Life on the compliance and performance conditions under the Structured Contracts and other related matters;

(d) the compliance department of Colour Life monitored the proper implementation and Mr. Pan's and Mr. Tang's compliance with the Structured Contracts; and

(e) also, pursuant to the exclusive management and operation agreement, the bank accounts of Shenzhen Caizhiyun Network were operated through its company seal and the personal seal of a director nominated by Shenzhen Colour Life Network Service. The company seal is currently kept by the compliance department.

The Board confirmed that there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and its impact on the issuer group.

The board also confirmed that there is no unwinding of Structured Contracts or failure to unwind when the restrictions that led to the adopted of Structured Contracts are removed.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive directors of the Company, namely Mr. Guo Shaomu, Mr. Kwok Chi Shing and Mr. Ma Yu-heng have reviewed the Structured Contracts and confirmed that the Structured Contracts have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, Prism Hong Kong and Shanghai Limited, the auditor of the Company, has confirmed in its a letter to the Board that nothing has come to their attention that causes them to believe that the continuing connected transaction abovementioned:

(i) has not been approved by the Board;

(ii) are not in accordance with the pricing policies of the Company if the transactions involve provision of goods and services by the Company;

(iii) have not been entered into in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the respective annual caps.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2021, certain Directors and companies controlled by certain Directors entered into transactions with the Group which are disclosed in note 52 "Related Party Transactions" to the consolidated financial statements of the Group. Save for those transactions disclosed in the section headed "Continuing Connected Transaction", the Board confirmed that none of these related party transactions constitutes a disclosable connected transaction as defined under chapter 14A of the Listing Rules.

INTERESTS IN COMPETITORS

None of the Directors or chief executive of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

EMOLUMENT POLICY

The Group's emolument policy is designed to attract, retain and motivate talented individuals to contribute to the success of the business. The emolument policy of the employees of the Group is formulated and reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regards to the Group's operating results, individual performance and comparable market statistics.

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of MPF 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 based on a percentage of the employees' salaries and are charged to consolidated income statement 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. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2021.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the reporting period, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

DIVIDEND POLICY

The Company has approved and adopted a dividend policy (the "Dividend Policy").

According to the Dividend Policy, the Company intends to declare dividends to shareholders every year and may declare special dividends from time to time. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the Group's distributable profits generated during the year, the financial situation, the liquidity of cash flow, the investment needs and the retained profits for future development. While sharing the profit with shareholders, the Company shall also maintain sufficient reserves to ensure the implementation of the Group's strategy for development. The payment of dividend is also subject to any restrictions under the laws of Cayman Islands, the laws of Hong Kong and the articles of association of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a prorate basis to existing shareholders.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group, such as the Listing Rules and the Revised Hong Kong Financial Reporting Standards. The audit committee of the Company is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as of the latest practicable date prior to the issue of this annual report, the Company has maintained the public float of the issued shares of the Company as required under the Listing Rules.

FIVE YEAR'S FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five fiscal years is set out on page 3 of this annual report.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

(i) The Winding-up Petitions and Its Latest Progress

On 24 November 2021, a winding-up petition was filed against Fantasia Investment Holdings Company Limited ("Fantasia Investment"), a major subsidiary of the Company, in connection with loan facilities of alleged outstanding principal amount of US$149 million in which Fantasia Investment was the guarantor ("Hong Kong Petition"). The Hong Kong Petition was dismissed on 18 July 2023. On 26 May 2022, a winding-up petition was filed against the Company at the Grand Court of Cayman Islands in connection with loan facilities of outstanding amount of approximately US$149 million (the "Cayman Petition"). The Cayman Petition has been withdrawn by consent on 20 July 2023.

(ii) Lasted Progress of the Offshore Debt Restructuring

The Company has been working closely with its legal and financial advisors to formulate a viable offshore debt restructuring plan aimed at addressing current liquidity pressure of the Company, enhancing the credit profile of the Group and protecting the interests of all stakeholders. Over the past few months, the Company and an ad-hoc group of offshore creditors of the Company (the "AHG"), together with their respective advisors, have been engaged in constructive dialogue towards a consensual restructuring for the Company's offshore indebtedness (the "Restructuring").

On 13 January 2023, the Company and the AHG entered into the restructuring support agreement (the "RSA") in relation to the terms of the Restructuring. The contemplated Restructuring is intended to allow the Company to comprehensively enhance its capital structure, enable the Group to better manage its operations and deliver longterm value for all its stakeholders. The Restructuring is expected to be implemented through one or more schemes of arrangement. The Company expects to commence the process of implementing the Restructuring on terms set forth in the RSA as soon as possible. Further information on the RSA and the terms of the Restructuring are set out in the announcements of the Company dated 13 January 2023 and 9 March 2023.

(iii) Latest Progress of the Onshore Debt Restructuring

Fantasia Group (China) Co., Ltd. ("Fantasia China"), a wholly-owned subsidiary of the Company, had issued 5 corporate bonds on the Shanghai Stock Exchange. Since November 2021, modified repayment arrangements were made in respect of the principal and related interests of approximately RMB7 billion in aggregate, where the maturity date had been extended to between 2023 and 2028. The modified arrangement was approved at the respective bondholders' meeting.

(iv) Material Transactions

Link Joy Disposal

On 28 September 2021, Colour Life, Shenzhen Colour Life, Country Garden and Link Joy entered into the Share Transfer Agreement in relation to the sale of the Sale Share at an aggregated consideration of RMB3,300 million. The first installment of consideration of RMB2,300 million was settled by Country Garden upon entering into the Share Transfer Agreement.

Subsequently, Colour Life as borrower, Shenzhen Colour Life as guarantor and Country Garden as lender, entered into a loan agreement dated 30 September 2021 ("Loan Agreement"). Under the Loan Agreement, Country Garden provided a loan in the amount of RMB700 million (the "Loan") to Colour Life. The proceeds of the Loan was applied for the general working capital and repayment of debts of the Colour Life Group. As security for repayment of the Loan, the Sale Share was charged in favour of Country Garden.

The Loan was not repaid when it became due on 4 October 2021. Country Garden enforced the charge on the Sale Share. Subsequently, the parties to the Share Transfer Agreement commenced negotiation for an agreement to supplement the Share Transfer Agreement, which took into account the transfer of the Sale Share by enforcement.

On 28 March 2022, the Colour Life Group and Country Garden (among others) entered into the Supplemental Agreement to supplement the terms of the Share Transfer Agreement. Pursuant to the Supplemental Agreement, the balance of the consideration under the Share Transfer Agreement will be payable as follows:

(i) the amount of RMB700 million will be set off against the loan of RMB700 million that has been advanced by Country Garden to the Colour Life Group under the Loan Agreement. Upon the set-off, Colour Life will be deemed to have discharged its payment obligation under the Loan Agreement in full; and

(ii) the balance of RMB300 million will be payable in two instalment, subject to certain conditions precedents.

Please refer to the circular of the Company dated 25 July 2023 for further details.

Shaoxing Disposal

On 19 May 2022, 紹興花美房地產開發有限公司 (Shaoxing Huamei Real Estate Development Co., Ltd.*) (the "First Vendor"), 深圳市聯雅諮詢有限公司 (Shenzhen Lianya Consulting Co., Ltd.*) (the "Second Vendor") and 上海花樣年房地產開發有限公司 (Shanghai Fantasia Real Estate Development Co., Ltd.*) (the "Third Vendor") entered into the equity transfer agreement ("Agreement") with 中交美廬（杭州）置業 有限公司 (CCCG Meilu (Hangzhou) Real Estate Co., Ltd.*) (the "Purchaser") under which the First Vendor and the Second Vendor agreed to sell 51% of the registered capital ("Sale Shares") of 中交花創（紹興）置業有限公司 (CCCG Huachuang (Shaoxing) Real Estate Co., Ltd.*) ("Project Company"), and the Third Vendor agreed to assign the rights to the debt owned by the Project Company to the Third Vendor to the Purchaser, for an aggregate consideration of RMB760,557,004.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the disposal of the Project Company are more than 25% but less than 75%, the disposal of the Project Company constitutes a major transaction for the Company and is subject to the shareholders' approval requirement under Chapter 14 of the Listing Rules. As no shareholder of the Company is interested in the transaction and is required to abstain from voting at the shareholders' meeting, the disposal of the Project Company has been approved by the written approval of Fantasy Pearl International Limited, a shareholder holding 3,314,090,500 shares in the Company, representing approximately 57.41% of the issued share capital of the Company. Pursuant to Rule 14.44 of the Listing Rules, the disposal of the Project Company is exempted from convening a Shareholders' meeting for the approval of the Disposal. Please refer to the Company's circular dated 25 July 2023 for details of the disposal of the Project Company.

AUDITOR

On 11 July 2022, Deloitte Touche Tohmatsu resigned as auditor of the Company. With effect from 22 July 2022, Prism Hong Kong and Shanghai Limited (previously known as UniTax Prism (HK) CPA Limited) has been appointed as the new auditor of the Company to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu.

The consolidated financial statements for the year ended 31 December 2021 have been audited by Prism Hong Kong and Shanghai Limited. A resolution for the re-appointment of Prism Hong Kong and Shanghai Limited as the Company's auditor will be proposed at the forthcoming AGM of the Company.

Save as disclosed above, there has been no other change of auditors for the preceding three years.

For and on behalf of the Board
Pan Jun
Chairman

Hong Kong, 10 August 2023

Fantasia Holdings Group Co., Limited (the "Company", together with its subsidiaries, the "Group") is committed to maintain high standards of corporate governance with a view to assuring the conduct of the management of the Company as well as protecting and enhancing the value of the shareholders of the Company ("Shareholders"). The board (the "Board") of directors of the Company (the "Directors", each a "Director) recognise the importance of the shareholder's transparency and accountability and believe that the benefits of Shareholders can be maximized from good corporate governance.

The Company has adopted and complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the year ended 31 December 2021 with the exception of the below.

Under then code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer shall be separated and shall not be performed by the same individual. Mr. Pan Jun currently holds both positions. Throughout the business history, Mr. Pan has held the key leadership position of the Group and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Directors (including independent non-executive Directors (the "INEDs")) consider that Mr. Pan is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and the Shareholders as a whole.

Reference is made to the announcement of the Company dated 12 November 2021 in relation to, among others, the non– compliance with certain requirements under Chapter 3 of the Listing Rules in relation to the composition of the board of directors of the Company. For the year ended 31 December 2021, the Company did not comply with Rules 3.10(1), 3.10A, 3.21 and 3.27A of the Listing Rules. The relevant rules was re-compiled on 3 August 2023.

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules as its own code of conduct governing the securities transactions by the Directors. Following a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the Model Code during the year ended 31 December 2021.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2021, save as disclosed, none of the Directors nor their respective associates (as defined in the Listing Rules) had any interest in a business that competed or might compete with the business of the Group.

THE BOARD

Responsibilities

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performances, and has full and timely access to all relevant information in relation to the Group's businesses and affairs, but the day-to-day management is delegated to the management of the Company. The independent non-executive directors possess respectively professional qualifications and related management experience in the areas of financial accounting, law, global economy and real estate and have contributed to the Board with their professional opinions.

Further, the Board is in charge of the task of maximizing the financial performance of the Company, formulating strategies and management policies of the Group, approving strategic objectives and is responsible for providing the Shareholders with a long-term return with stable and continuous growth.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

Composition

The Board currently comprises of five executive directors, being Mr. Pan Jun (Chairman), Ms. Zeng Jie, Baby, Mr. Ke Kasheng, Mr. Chen Xinyu and Mr. Timothy David Gildner, one non-executive director, being Mr. Su Boyu and three independent non-executive directors, being Mr. Guo Shaomu, Mr. Kwok Chi Shing and Mr. Ma Yu-heng. Biographical details of each Director are set out on pages 24 to 26.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors. The Company is of the view that all the independent non-executive Directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

Board meetings and annual general meeting

The Board meets on a regular basis and five board meetings and one annual general meeting were held during the year ended 31 December 2021. The individual attendance record is as follows:

Directors	No. of Board meetings attended/ No. of Board meetings held	AGM
Executive Directors		
Mr. Pan Jun	8/8	1/1
Ms. Zeng Jie, Baby	8/8	1/1
Mr. Ke Kasheng	8/8	1/1
Mr. Zhang Huiming (resigned on 8 December 2021)	7/8	1/1
Mr. Chen Xinyu	8/8	1/1
Mr. Zhu Guogang (appointed on 8 December 2021)	1/8	0/1
Non-executive Directors		
Mr. Liao Qian (resigned on 24 September 2021)	3/8	0/1
Mr. Su Boyu (appointed on 27 September 2021)	5/8	0/1
Independent Non-executive Directors		
Mr. Ho Man (resigned on 11 October 2021)	4/8	1/1
Dr. Liao Jianwen (resigned on 12 May 2021)	1/8	1/1
Ms. Wong Pui Sze, Priscilla, JP (resigned on 11 October 2021)	3/8	1/1
Mr. Guo Shaomu	8/8	1/1
Mr. Kwok Chi Shing (appointed on 12 November 2021)	4/8	0/1

Directors have timely access to relevant information prior to each board meeting. Directors are given the opportunity to include matters in the agenda for regular board meetings while Directors are entitled to have access to board papers and related materials to allow them to make informed decisions on matters arising from board meetings.

Minutes of board meetings and meetings of other committees are kept by the Company Secretary and are open for inspection by Directors.

Appointment and re-election of Directors

All executive Directors have entered into service contracts with the Company for a specific term of three years whilst all non-executive Directors (including independent non-executive Directors) have entered into letters of appointment with the Company for a specific term of three years. One-third of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with the Company's Articles of Association (the "Articles"). The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election and those of the other Directors who have been longest in office since their election or re-election. A retiring Director is eligible for re-election.

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting and be eligible for re-election. Any Director appointed pursuant to the aforesaid Article shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

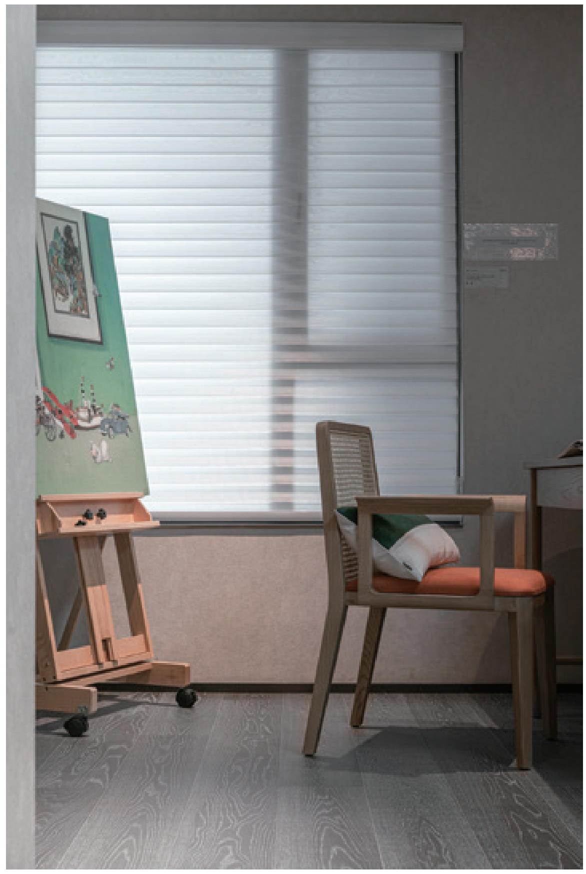
Internal control
The Board is responsible for maintaining and reviewing the effectiveness of the internal control system of the Group. It has carried out reviews of the existing implemented system and procedures, including control measures of financial and operational compliance and risk management functions of the Group twice per annum.

Directors' Training and professional development
All directors should keep abreast of the responsibilities as a director, and of the conduct and business activities of the Company. The Company is responsible for arranging and funding suitable induction programme and on-going training and professional development programme for the Directors. Accordingly, the Company will arrange an induction programme for newly appointed director before his/her formal appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements being a newly appointed director. The Company further arranges an on-going training and professional development seminar for Directors.

During the year ended 31 December 2021, all Directors were provided with monthly newsletter on the Group's business, operations and financial matters as well as updates, if any, on applicable legal and regulatory and market changes to facilitate the discharge of their responsibilities. The Company had also regularly circulated reading materials on the amendments to or updates on the relevant laws, rules and regulations to all Directors as part of their training materials in the continuous professional development plan of the Company and the Company confirmed that all Directors read the training materials. Continuing briefings and professional development for directors will be arranged whenever necessary.

All Directors had provided the Company Secretary with their training records for the year ended 31 December 2021.

Indemnification of Directors and officers
The Company has arranged appropriate insurance coverage on directors' and officers' liabilities in respect of legal actions against Directors and senior management arising out of corporate activities.



CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman and chief executive officer of the Company is Mr. Pan Jun. The reasons for the two roles are being performed by the same individual are set out on page 46 of this report.

BOARD COMMITTEES

To enhance the effectiveness of the management of the Company, the Board has established three committees, namely the audit committee, the nomination committee and the remuneration committee to monitor corresponding aspects of the Company's affairs. The composition and the roles and functions of each committee are summarised as follows:

Audit Committee

The Company has established the audit committee (the "Audit Committee") in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. In order to comply with the Corporate Governance Code, the Board adopted a revised terms of reference of the Audit Committee on 22 December 2015 and 27 March 2019. The revised terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The annual results and the half-yearly results of the Company have been reviewed by the Audit Committee.

Under its terms of reference, the Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's interim and annual results, to review the scope, extent and effectiveness of the system of internal control of the Group, to review accounting policies and practices adopted by the Group, to engage independent legal or other advisers as it determines is necessary and to perform investigations. The terms of reference of the Audit Committee, which described its authority and duties, are available on the Company's website.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Guo Shaomu, Mr. Kwok Chi Shing and Mr. Ma Yu-heng with Mr. Kwok Chi Shing as the chairman of the Audit Committee. During the year ended 31 December 2021, the Audit Committee held three meetings. The individual attendance record is as follows:

Directors	No. of meetings attended/ No. of meetings held
Mr. Ho Man (resigned on 11 October 2021)	3/3
Dr. Liao Jianwen (resigned on 12 May 2021)	1/3
Ms. Wong Pui Sze, Priscilla, JP (resigned on 11 October 2021)	3/3
Mr. Guo Shaomu	3/3
Mr. Kwok Chi Shing (Committee chairman) (appointed on 12 November 2021)	0/3

The major roles and functions of the Audit Committee are to review and monitor the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit.

The Audit Committee also performs the Company's corporate governance functions including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Corporate Governance Code and disclosures in this corporate governance report.

During the reporting period, the Audit Committee had been provided with the Group's financial statements, internal controls reports and other necessary financial information to consider, review and access significant issues arising from the financial statements, internal controls and work conducted. The Audit Committee also recommended the reappointment of external auditors for the Company.

Remuneration Committee

The Company has established the remuneration committee (the "Remuneration Committee") in compliance with the Listing Rules. In order to comply with the Corporate Governance Code, the Board adopted a revised terms of reference of the Remuneration Committee on 12 March 2012. The revised terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee currently comprises one executive Director, Mr. Pan Jun, and three independent non-executive Directors, Mr. Guo Shaomu, Mr. Kwok Chi Shing and Mr. Ma Yu-heng with Mr. Guo Shaomu being the chairman of the Remuneration Committee. During the year ended 31 December 2021, the Remuneration Committee held one meeting. The individual attendance record is as follows:

Directors	No. of meetings attended/ No. of meetings held
Mr. Guo Shaomu (Committee chairman)	1/1
Mr. Pan Jun	1/1
Mr. Ho Man (resigned on 11 October 2021)	0/1
Dr. Liao Jianwen (resigned on 12 May 2021)	0/1
Ms. Wong Pui Sze, Priscilla, JP (resigned on 11 October 2021)	0/1
Mr. Kwok Chi Shing (appointed on 12 November 2021)	0/1

The Remuneration Committee is responsible for advising the Board on the remuneration policy and framework of the Directors and senior management member(s), as well as reviewing and determining the remuneration of all executive directors and senior management member(s) with reference to the Company's objectives from time to time.

During the year ended 31 December 2021, the Remuneration Committee reviewed, and determined the remuneration package of the Directors and senior management. The remuneration policy of the Group and details of the remuneration of the Directors are set out in the section headed "Emolument policy of the Report of the Directors" and note 52 to the financial statements.

Nomination Committee

The Company has established the nomination committee (the "Nomination Committee") in compliance with the Listing Rules to fulfill the functions of reviewing the structure of and nominating suitable candidates to the Board. In order to comply with the Corporate Governance Code, the Board adopted a revised terms of reference of the Nomination Committee on 30 August 2013 and 27 March 2019. The revised terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee currently comprises two executive Directors, namely Mr. Pan Jun and Ms. Zeng Jie, Baby and three independent non-executive Directors, namely Mr. Guo Shaomu, Mr. Kwok Chi Shing and Mr. Ma Yu-heng with Mr. Pan Jun as the chairman of the committee. During the year ended 31 December 2021, the Nomination Committee held one meeting. The individual attendance record is as follows:

Directors	No. of meetings attended/ No. of meetings held
Mr. Pan Jun (Committee chairman)	1/1
Ms. Zeng Jie, Baby	1/1
Mr. Ho Man (resigned on 11 October 2021)	0/1
Dr. Liao Jianwen (resigned on 12 May 2021)	0/1
Ms. Wong Pui Sze, Priscilla, JP (resigned on 11 October 2021)	0/1
Mr. Guo Shaomu	1/1
Mr. Kwok Chi Shing (appointed on 12 November 2021)	0/1

The Nomination Committee shall perform the following duties:

(a) ensure that the Board and its committees consist of directors with the appropriate balance of skills, diversity and knowledge of the Company to enable it to discharge its duties effectively;

(b) assist the Board in succession planning for the Board and senior management;

(c) review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(d) draw up, review and update, as appropriate, the diversity policy for the Board's approval having due regard to the requirements of the Listing Rules, review and update the objectives that the Board has set for implementing such policy;

(e) develop, review and implement, as appropriate, the policy, criteria and procedures for the identification, selection and nomination of candidates for Directors for the Board's approval. Such criteria include but are not limited to the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

(f) identify individuals who are suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(g) assess the independence of independent non-executive Directors to determine their eligibility;

(h) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors and senior management, in particular the chairman and the chief executive officer, taking into account all factors which the Nomination Committee considers appropriate including the challenges and opportunities facing the Group and skills and expertise required in the future and ensure that senior management succession planning is discussed at the Board at least once annually;

(i) keep under review the leadership needs and leadership training and development programmes of the Group, with a view to ensuring the continued ability of the Group to function effectively and compete in the market;

(j) evaluate the needs for, and monitor the training and development of, directors;

(k) develop the procedures for the performance evaluation of the Board committees:

  (i) review and assess the skills, knowledge and experience required to serve on various Board committees, and make recommendations on the appointment of members of Board committees and the chairman of each committee;

  (ii) recommend candidates to the Board to fill vacancies or new positions on the Board committees as necessary or desirable;

  (iii) review the feedback in respect of the role and effectiveness of the Board committees arising from the evaluation of the Board and/or any Board committees and make recommendations for any changes;

(l) develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited to evaluating the balance of skills, knowledge and experience on the Board, and in the light of this evaluation prepared a description of the role and capabilities required for a particular appointment;

(m) keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;

(n) ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly the expectations of them in terms of time commitment, committee service and involvement outside Board meetings;

(o) review and assess the adequacy of the corporate governance guidelines of the Company and to recommend any proposed changes to the Board for approval;

(p) do any such things to enable the Nomination Committee to discharge its powers and functions conferred on it by the Board; and

(q) conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's constitution or imposed by legislation.

The Nomination Committee is primarily responsible for considering and nominating suitable candidates to become members of the Board. Criteria adopted by the Nomination Committee in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge with reference to the "Board Diversity Policy" adopted by the Board on 29 August 2013 and the requirements under the Listing Rules. The Board has adopted a board diversity policy (the "Board Diversity Policy") on 29 August 2013 which sets out the approach to achieve diversity on the Board. A summary of this policy together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

Summary of the Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to age, experience, cultural and educational background, expertise, skills and know-how.

Monitoring and Reporting

The Nomination Committee will review, as appropriate, to ensure the effectiveness of the Board Diversity Policy and monitor the implementation of this policy.

The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The Nomination Committee considers that the current Board composition has provided the Company with a good balance and diversity of skill and experience appropriate for the business of the Company.

Based on the above criteria, members of the Nomination Committee have also reviewed the composition of the Board which is determined by directors' skills and experience appropriate to the Company's business, the Nomination Committee confirmed that the existing Board was appropriately structured and no change was required.

During the year ended 31 December 2021, the Nomination Committee accessed the independence of the independent non-executive directors and the Directors to be re-elected at the 2021 annual general meeting of the Company before putting forth for discussion and approval by the Board, and also reviewed the composition of the Board.

AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2021 is set out in the section headed "Independent Auditors' Report" in this annual report.

For the year ended 31 December 2021, the total remuneration in respect of statutory audit services and non-audit services paid to the Company's auditors, Prism Hong Kong and Shanghai Limited, amounted to approximately RMB5,700,000 and RMB3,500,000 respectively.

INTERNAL CONTROLS

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness in order to safeguard the Group's assets and shareholders' interests. The Board will conduct regular review regarding internal control systems of the Group.

During the year ended 31 December 2021, the Audit Committee reviewed and discussed with the Group's internal audit team and the senior management on the adequacy and effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management. The Audit Committee further made recommendations to the Board to ensure reliability of financial reporting and compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board, to identify and manage potential risks of the Group. Besides, the Audit Committee and the Board will also perform regular review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

In respect of the year ended 31 December 2021, the Board considered the internal control and risk management system effective and adequate. No significant areas of concern that might affect shareholders were identified during the Relevant Period.

Non-audit services included (i) professional services for the continuing connected transactions of the Company; and (ii) special services provided for the issuance of the Company's very substantial disposal circular.

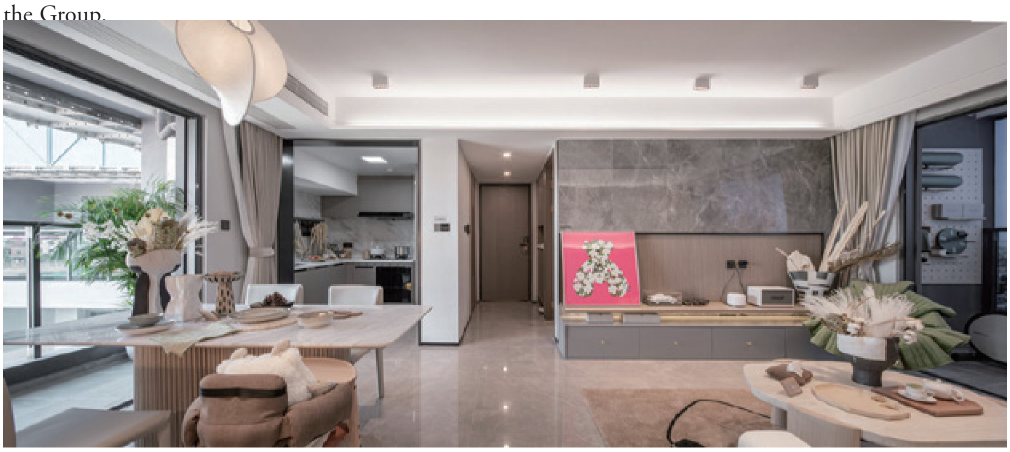
DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

The reporting responsibilities of our Company's external auditors on the financial statements of the Group are set out on page 57 of the "Independent Auditors' Report" in this annual report.

COMPANY SECRETARY

In compliance with Rule 3.28 of the Listing Rules, the Company Secretary is a full time employee and has the day-to-day knowledge of the Company's affairs. She is responsible for advising the Board on corporate governance matters. For the year under review, the Company Secretary confirmed that she has taken no less than 15 hours of relevant professional training.



SHAREHOLDERS RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings

Pursuant to the article 58 of the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders are provided with contact details of the Company, such as website, telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board or the Company Secretary through the above means. If shareholders have any enquiries in respect of their shareholdings and entitlements to dividend, they may contact Computershare Hong Kong Investor Services Limited, our share registrar from time to time.

INVESTOR RELATIONS

Constitutional Documents

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2021.

Effective Communication with Shareholders and Investors

As a showpiece of the Company facing the capital market, the Board believes that a transparent and timely disclosure of the Group's latest information will enable the shareholders and investors to have better understanding on the Group's operations and strategies. The Company recognises the importance of maintaining effective investor relations with the existing and potential investors. To enhance the communication between the Company and the investors, as well as to maintain the transparency of the Company, the team of Investor Relations engages in providing effective ways for shareholders and investors to obtain latest company information. In addition to the issue of monthly and quarterly newsletters and interim and annual financial reports, the Company's website at "www.cnfantasia.com" also acts as a communication platform with shareholders and investors, where information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. The Company will also actively correspond to any enquiries raised by the shareholders and investors through emails and phone calls. Meanwhile, the Company has also arranged company meetings, telephone conferences, investors meetings, luncheons and site visits, held a number of non-deal road shows and actively participated in a couple of global investors conferences and forums held by investment banks.

The Board also considers that general meetings of the Company provide a useful forum for shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Audit Committee, Remuneration Committee and Nomination Committee normally attend the annual general meetings and other shareholders' meetings of the Company to reply questions raised.

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions proposed at general meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cnfantasia.com) immediately after the relevant general meetings.

TO THE MEMBERS OF FANTASIA HOLDINGS GROUP CO., LIMITED
(incorporated in Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Fantasia Holdings Group Co., Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 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 matter 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

Multiple uncertainties relating to going concern

As set out in Note 3 to the consolidated financial statements, the Group incurred net loss of RMB10,839,798,000 for the year ended 31 December 2021. As at 31 December 2021, the Group's net current liabilities amounted to RMB3,416,011,000.

As at 31 December 2021, the Group did not repay certain interest-bearing liabilities (including bank and other borrowings, senior notes and bonds) of about RMB8,762,127,000 according to their scheduled repayment dates. As a result, as at 31 December 2021, interest-bearing liabilities (including bank and other borrowings, senior notes and bonds) with the aggregate principal amount of about RMB36,103,303,000 had become default or cross default. Subsequent to 31 December 2021, the Group did not repay certain other bank and other borrowings according to the scheduled repayment dates. These conditions, together with other matters disclosed in note 3 to the financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, which are set out in respective note to the financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including: (i) successfully completing the offshore debt restructuring; (ii) successfully carrying out the Group's business strategy plan including the acceleration of the sales of properties; (iii) successfully obtaining of additional new sources of financing as and when needed; (iv) successfully disposing of the Group's equity interest in project development companies when suitable; and (v) successfully implementing measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses.

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

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

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

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. We report solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on the 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.

The engagement partner on the audit resulting in the independent auditor's report is Lee Kwok Lun.

Prism Hong Kong and Shanghai Limited
Certified Public Accountants
Lee Kwok Lun
Practising Certificate Number: P06294
Hong Kong
10 August 2023

For the year ended at 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue			
Contracts with customers	5	**15,462,745**	21,586,402
Leases		**287,668**	172,442
Total revenue		**15,750,413**	21,758,844
Cost of sales and services		**(13,413,261)**	(16,414,675)
Gross profit	6	**2,337,152**	5,344,169
Other income	7	**156,691**	240,461
Other gains and losses	7	**582,677**	2,457,241
Impairment losses under expected credit loss model, net of reversal	8	**(1,241,797)**	(98,522)
Change in fair value of investment properties	18	**(1,765,840)**	129,399
Write-down of properties for sales	9	**(6,216,291)**	–
Selling and distribution expenses		**(465,868)**	(494,623)
Administrative expenses		**(1,763,558)**	(1,652,591)
Finance costs	10	**(2,870,498)**	(2,902,766)
Share of results of associates		**61,620**	31,420
Share of results of joint ventures		**(252,738)**	2,642
Net gain on disposal of subsidiaries	43	**22,095**	869,283
(Loss) profit before tax		**(11,416,355)**	3,926,113
Income taxation	11	**576,557**	(2,174,797)
(Loss) profit for the year	12	**(10,839,798)**	1,751,316
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Fair value change on hedging instruments designated as cash flow hedges		**(11,145)**	10,706
Items that will not be reclassified subsequently to profit or loss:			
Fair value change on equity instruments designated at fair value through other comprehensive income ("FVTOCI")		**(2,125)**	2,866
Deferred taxation effect		**531**	(716)
		(1,594)	2,150
Other comprehensive (expense) income for the year, net of income tax		**(12,739)**	12,856
Total comprehensive (expense) income for the year		**(10,852,537)**	1,764,172
(Loss) profit for the year attributable to:			
Owners of the Company		**(10,465,578)**	977,420
Other non-controlling interests		**(374,220)**	773,896
		(10,839,798)	1,751,316
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(10,477,552)**	989,244
Other non-controlling interests		**(374,985)**	774,928
		(10,852,537)	1,764,172
(Loss) earnings per share – basic (RMB cents)	15	**(181.30)**	16.94
(Loss) earnings per share – diluted (RMB cents)	15	**(181.30)**	16.85

At 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**1,235,411**	1,216,526
Right-of-use assets	17	**471,744**	697,905
Investment properties	18	**8,218,706**	10,298,393
Interests in associates	19	**1,987,215**	3,562,881
Interests in joint ventures	20	**4,377,387**	3,369,445
Equity instruments designated at FVTOCI	21	**142, 437**	54,582
Goodwill	22	**902,377**	2,329,732
Intangible assets	23	**30,929**	953,461
Other receivables	30	**863,288**	679,358
Contract assets	28	**–**	14,572
Amounts due from related parties	24	**–**	768,889
Pledged bank deposits	31	**–**	560,000
Deposits paid for potential acquisitions of subsidiaries and investments in associates and joint ventures	25	**6,188,480**	4,074,195
Deferred tax assets	26	**1,455,029**	746,467
		25,873,003	29,326,406
CURRENT ASSETS			
Properties for sale	27	**52,010,570**	32,709,730
Contract assets	28	**844,691**	801,968
Contract costs	29	**385,978**	348,236
Trade and other receivables	30	**12,904,945**	9,097,375
Tax recoverable		**1,012,911**	114,384
Amounts due from related parties	24	**6,871,726**	5,080,621
Restricted/pledged bank deposits	31	**4,232,500**	3,148,103
Bank balances and cash	31	**973,148**	24,923,383
		79,236,469	76,223,800
		105,109,472	105,550,206

At 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
CURRENT LIABILITIES			
Trade and other payables	32	**8,183,727**	7,926,045
Contract liabilities	33	**22,365,128**	17,264,645
Derivative financial instruments	40	–	193,780
Amounts due to related parties	34	**455,713**	817,461
Tax liabilities		**5,126,960**	6,464,480
Borrowings due within one year	35	**13,441,873**	3,690,034
Lease liabilities due within one year	36	**40,445**	87,234
Senior notes and bonds due within one year	37	**33,007,450**	14,489,978
Asset-backed securities issued due with in one year	38	–	20,206
Provisions	39	**31,184**	31,184
		82,652,480	50,985,047
NET CURRENT (LIABILITIES) ASSETS		**(3,416,011)**	25,238,753
TOTAL ASSETS LESS CURRENT LIABILITIES		**22,456,992**	54,565,159
NON-CURRENT LIABILITIES			
Derivative financial instruments	40	–	688
Deferred tax liabilities	26	**390,723**	1,310,494
Borrowings due after one year	35	**11,045,175**	7,505,897
Lease liabilities due after one year	36	**112,195**	265,959
Senior notes and bonds due after one year	37	–	21,158,479
Asset-backed securities issued due after one year	38	**255,438**	–
		11,803,531	30,241,517
NET ASSETS		**10,653,461**	24,323,642
CAPITAL AND RESERVES			
Share capital	41	**498,787**	498,588
Reserves		**5,836,692**	14,030,208
Equity attributable to owners of the Company		**6,335,479**	14,528,796
Non-controlling interests		**4,317,982**	9,794,846
TOTAL EQUITY		**10,653,461**	24,323,642

The consolidated financial statements on pages 58 to 207 were approved and authorised for issue by the board of directors on 10 August 2023 and are signed on its behalf by:

Mr. Pan Jun
Director

Mr. Timothy David Gildner
Director

For the year ended 31 December 2021

	Attributable to owners of the Company										Attributable to non-controlling interests				
	Share capital RMB'000	Share premium RMB'000 (note i)	Special reserve RMB'000 (note ii)	Share options reserve RMB'000 (note iii)	Contribution reserve RMB'000 (note iv)	Statutory reserve and discretionary reserve RMB'000 (note v)	Revaluation reserve RMB'000 (note vi)	Hedging reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Share-based payments reserve of Colour Life RMB'000 (note iii)	Share-based payments reserve of Morning Star RMB'000 (note iii)	Other non-controlling interests RMB'000	Sub-total RMB'000	Total RMB'000
At 1 January 2021	498,588	890,358	1,169,342	14,353	40,600	321,390	9,589	11,145	11,573,431	14,528,796	240,374	–	9,554,472	9,794,846	24,323,642
Loss for the year	–	–	–	–	–	–	–	–	(10,465,578)	(10,465,578)	–	–	(374,220)	(374,220)	(10,839,798)
Fair value change on hedging instruments designated as cash flow hedges	–	–	–	–	–	–	–	(11,145)	–	(11,145)	–	–	–	–	(11,145)
Fair value change on equity instruments designated at FVTOCI	–	–	–	–	–	–	(1,105)	–	–	(1,105)	–	–	(1,020)	(1,020)	(2,125)
Deferred taxation effect	–	–	–	–	–	–	276	–	–	276	–	–	255	255	531
Other comprehensive expense for the year	–	–	–	–	–	–	(829)	(11,145)	–	(11,974)	–	–	(765)	(765)	(12,739)
Total comprehensive expense for the year	–	–	–	–	–	–	(829)	(11,145)	(10,465,578)	(10,477,552)	–	–	(374,985)	(374,985)	(10,852,537)
Issue of shares upon exercise of share options of the Company	199	1,963	–	(493)	–	–	–	–	–	1,669	–	–	–	–	1,669
Dividend distributed to shareholders of the Company (note 14)	–	(342,315)	–	–	–	–	–	–	–	(342,315)	–	–	–	–	(342,315)
Dividend paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(78,994)	(78,994)	(78,994)
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	1,819,202	1,819,202	1,819,202
Recognition of equity-settled share-based payments (note 49)	–	–	–	–	–	–	–	–	–	–	2,660	–	–	2,660	2,660
Acquisition of subsidiaries (note 42)	–	–	–	–	–	–	–	–	–	–	–	–	503,699	503,699	503,699
Acquisition of additional interests in subsidiaries from non-controlling shareholders (note vii)	–	–	892,234	–	–	44,657	–	–	1,687,990	2,624,881	–	–	(7,346,505)	(7,346,505)	(4,721,624)
Disposal of subsidiaries (note 43)	–	–	–	–	–	–	–	–	–	–	–	–	(1,941)	(1,941)	(1,941)
Transfer	–	–	–	–	–	5,573	–	–	(5,573)	–	–	–	–	–	–
At 31 December 2021	498,787	550,006	2,061,576	13,860	40,600	371,620	8,760	–	2,790,270	6,335,479	243,034	–	4,074,948	4,317,982	10,653,461

	Attributable to owners of the Company										Attributable to non-controlling interests				
	Share capital RMB'000	Share premium RMB'000 (note i)	Special reserve RMB'000 (note ii)	Share options reserve RMB'000 (note iii)	Contribution reserve RMB'000 (note iv)	Statutory reserve and discretionary reserve RMB'000 (note v)	Revaluation reserve RMB'000 (note vi)	Hedging reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Share-based payments reserve of Colour Life RMB'000 (note iii)	Share-based payments reserve of Morning Star RMB'000 (note iii)	Other non-controlling interests RMB'000	Sub-total RMB'000	Total RMB'000
At 1 January 2020	498,359	1,174,950	1,090,196	16,264	40,600	235,804	8,471	439	10,671,159	13,736,242	233,676	5,744	6,616,326	6,855,746	20,591,988
Profit for the year	–	–	–	–	–	–	–	–	977,420	977,420	–	–	773,896	773,896	1,751,316
Fair value change on hedging instruments designated as cash flow hedges	–	–	–	–	–	–	–	10,706	–	10,706	–	–	–	–	10,706
Fair value gain on equity instruments designated at FVTOCI	–	–	–	–	–	–	1,490	–	–	1,490	–	–	1,376	1,376	2,866
Deferred taxation effect	–	–	–	–	–	–	(372)	–	–	(372)	–	–	(344)	(344)	(716)
Other comprehensive income for the year	–	–	–	–	–	–	1,118	10,706	–	11,824	–	–	1,032	1,032	12,856
Total comprehensive income for the year	–	–	–	–	–	–	1,118	10,706	977,420	989,244	–	–	774,928	774,928	1,764,172
Issue of shares upon exercise of share options of the Company	229	3,792	–	(1,911)	–	–	–	–	–	2,110	–	–	–	–	2,110
Dividend distributed to shareholders of the Company (note 13)	–	(288,384)	–	–	–	–	–	–	–	(288,384)	–	–	–	–	(288,384)
Dividend paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(26,112)	(26,112)	(26,112)
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	1,976,167	1,976,167	1,976,167
Recognition of equity-settled share-based payments (note 49)	–	–	–	–	–	–	–	–	–	–	6,698	–	–	6,698	6,698
Acquisition of subsidiaries (note 42)	–	–	–	–	–	–	–	–	–	–	–	–	432,764	432,764	432,764
Acquisition of additional interests in subsidiaries from non-controlling shareholders (note vii)	–	–	(2,778)	–	–	–	–	–	–	(2,778)	–	–	(7,131)	(7,131)	(9,909)
Disposal of subsidiaries (note 43)	–	–	–	–	–	–	–	–	–	–	–	–	(51,727)	(51,727)	(51,727)
Deemed disposal of partial interests in a subsidiary without loss of control	–	–	81,924	–	–	–	–	–	4,694	86,618	–	–	103,802	103,802	190,420
Disposal of partial interests in subsidiaries resulting in loss of control (note 43)	–	–	–	–	–	–	–	–	–	–	–	–	(264,545)	(264,545)	(264,545)
Transfer	–	–	–	–	–	85,586	–	–	(79,842)	5,744	–	(5,744)	–	(5,744)	–
At 31 December 2020	498,588	890,358	1,169,342	14,353	40,600	321,390	9,589	11,145	11,573,431	14,528,796	240,374	–	9,554,472	9,794,846	24,323,642

For the year ended 31 December 2021

Notes:

(i) Pursuant to article 16 of the Company's Article of Association, the Company is permitted to pay out dividend from share premium account.

(ii) Special reserve arising from the acquisition or disposal of equity interests in subsidiaries without loss of control. It represented the difference between the consideration paid or received and the adjustment to the non-controlling interests in subsidiaries after re-attribution.

(iii) Share options reserve represented the share-based payment under share option schemes of the Company, Colour Life Service Group Co., Limited ("Colour Life"), which is a subsidiary of the Company, and Morning Star Group Limited ("Morning Star"), which is a previous subsidiary of the Company.

(iv) Contribution reserve represented (a) the contribution/distribution to shareholders during the group reorganisation in 2009; (b) the difference between consideration paid and fair value of net assets acquired from related parties; (c) the difference between the consideration received and carrying amount of net assets disposed of to related parties during the Group reorganisation in 2009; and (d) the waiver of shareholder loans in 2009.

(v) The statutory reserve and discretionary reserve attributable to subsidiaries in the People's Republic of China (the "PRC") are non-distributable. Transfers to these reserves are determined by the board of directors or the shareholders' meeting of the PRC subsidiaries in accordance with the relevant laws and regulations of the PRC until the reserve reaches 50% of the registered capital. These reserves can be used to offset accumulated losses, expand the scale of production and business and transfer to capital upon approval from the relevant authorities.

(vi) Revaluation reserve mainly represented surplus arose from (a) the transfer of owner-occupied property to investment properties at the date of change in use; and (b) the accumulated changes in fair value of the equity instruments designated at FVTOCI, net of income tax effect.

(vii) During the year ended 31 December 2021, the Group acquired additional interests in subsidiaries from the non-controlling shareholders at a total consideration of RMB4,721,624,000 (2020: RMB9,909,000). The difference of RMB892,234,000 (2020: RMB2,778,000) between the consideration paid by the Group and attributable equity interests in the subsidiaries was credited/debited to special reserve.

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax	(11,416,355)	3,926,113
Adjustments for:		
Change in fair value of investment properties	1,765,840	(129,399)
Change in fair value of financial assets at FVTPL	–	(677,894)
Amortisation of intangible assets	119,076	138,685
Depreciation of property, plant and equipment	216,156	230,102
Depreciation of right-of-use assets	79,049	100,199
Share-based payment expenses	2,660	6,698
Loss on disposal of property, plant and equipment	5,452	5,915
Net loss (gain) on disposal of subsidiaries, associates and joint ventures	127,788	(869,283)
Gain on remeasurement of interests in associates and joint ventures	(97,466)	(193,995)
Impairment losses under expected credit loss model, net of reversal	1,241,797	98,522
Write-down of properties for sale	6,216,291	–
Impairment of property, plant and equipment	–	15,029
Interest income	(123,223)	(154,776)
Finance costs	2,870,498	2,902,766
Loss on repurchase/early redemption of senior notes and bonds and asset-backed securities issued	(94,639)	5,467
Net foreign exchange gain	(435,264)	(1,773,297)
Fair value change on hedging instruments	(91,814)	174,890
Share of results of associates	(61,620)	(31,420)
Share of results of joint ventures	252,738	(2,642)
Operating cash flows before movements in working capital	576,964	3,771,680
Increase in properties for sale	(6,300,448)	(1,213,956)
Decrease in inventories	–	42,623
(Increase) decrease in trade and other receivables	(7,541,938)	2,966,334
(Increase) decrease in contract costs	(37,742)	62,266
Increase in contract assets	(29,589)	(58,859)
Increase in trade and other payables	4,561,426	4,954,473
Increase (decrease) in contract liabilities	3,652,024	(2,304,196)
Increase in provisions	–	1,717
Others	–	(1,179)
Cash (used in) generated from operations	(5,119,303)	8,220,903
Income tax paid	(1,192,354)	(1,161,349)
Interest paid	(3,502,339)	(3,507,511)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	(9,813,996)	3,552,043

For the year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES			
Placement of restricted/pledged bank deposits		(2,843,862)	(2,592,555)
Withdrawal of restricted/pledged bank deposits		2,641,232	1,443,270
Settlement of consideration payables of acquisition of subsidiaries in prior years		(366,184)	–
Settlement of consideration receivables of disposal of subsidiaries		2,598,461	24,301
Purchases of property, plant and equipment		(358,457)	(148,384)
Payments for right-of-use assets		(200,000)	(17,048)
Proceeds from disposal of property, plant and equipment		363,988	182,955
Additions to investment properties		(391,641)	(810,997)
Proceeds from disposal of investment properties		1,398,342	1,289,422
Purchases of financial assets at fair value through profit or loss ("FVTPL")		–	(7,409)
Redemption of financial assets at FVTPL		–	35,354
Purchases of equity instruments designated at FVTOCI		(89,980)	–
Proceeds from disposal of equity instruments designated at FVTOCI		–	8,370
Acquisition and capital injection to associates and joint ventures		(4,022,495)	(2,544,742)
Disposal of associates and joint ventures		–	1,848
Acquisition of property projects and other assets and liabilities through acquisition of subsidiaries (net of cash and cash equivalents acquired)	42(a)	(1,463,158)	63,768
Acquisition of property operation businesses (net of cash and cash equivalents acquired)	42(b)	421	–
Deposits paid for potential acquisition of subsidiaries and investments in associates and joint ventures		(2,148,975)	(3,799,733)
Deposit refunded for acquisition of subsidiaries		2,500	595
Disposal of subsidiaries (net of cash and cash equivalent disposed of)	43	(5,135,072)	(1,495,096)
Deemed disposal of partial interests in a subsidiary without loss of control		–	190,420
Dividend received from joint ventures and associates		69,767	540
Interest received		123,223	107,562
Advance of loan receivables		(100,000)	(198,588)
Repayment of loan receivables		194,022	165,513
Advances to related parties		(6,384,159)	(6,356,314)
Repayment from related parties		5,103,408	2,819,554
NET CASH USED IN INVESTING ACTIVITIES		(11,008,619)	(11,637,394)

For the year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES			
Net proceeds from the issuance of senior notes and bonds and asset-backed securities	37	5,016,698	19,344,195
Repayment of senior notes and bonds	37	(4,527,841)	(5,554,627)
Repurchase/early redemption of senior notes and bonds	37	(3,209,734)	(889,584)
Repayment of principal receipts under securitisation arrangements	38	(20,000)	(85,740)
New borrowings raised		9,779,549	8,461,135
Repayment of borrowings		(6,221,837)	(10,575,737)
Repayment of lease liabilities		(211,765)	(130,786)
Issue of shares upon exercise of share options		1,669	2,110
Dividend paid to shareholders of the Company		(342,315)	(288,384)
Dividend paid to non-controlling shareholders of the subsidiaries		(78,994)	(26,112)
Contributions from non-controlling shareholders of the subsidiaries		1,819,202	1,976,167
Acquisition of additional interest in subsidiaries		(4,689,382)	(9,909)
Advances from related parties		1,881,820	1,474,816
Repayments to related parties		(2,243,568)	(984,086)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(3,046,498)	12,713,458
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(23,869,113)	4,628,107
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		24,923,383	20,379,733
Effect of foreign exchange rate changes		(81,122)	(84,457)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		973,148	24,923,383

For the year ended 31 December 2021

1. GENERAL

Fantasia Holdings Group Co., Limited (the "Company") is a limited liability company incorporated in Cayman Islands and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited ("the SEHK"). Its parent and its ultimate parent are Fantasy Pearl International Limited and Ice Apex Limited, respectively, both being limited liability companies incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling shareholder is Ms. Zeng Jie, Baby, who is a director of the Company. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 55.

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

2.1 BASIS OF PRESENTATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirement of the Hong Kong Companies Ordinance Cap. 622. 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. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Going concern basis

For the year ended 31 December 2021, the Group incurred net loss of RMB10,839,798,000. As at 31 December 2021, the Group's net current liabilities amounted to RMB3,416,011,000 and net assets amounted to RMB10,653,461,000. As at 31 December 2021, the Group's current liabilities (including those that had become default or cross-default or contain early demand clauses) amounted to RMB82,652,480,000.

As at 31 December 2021, the Group did not repay certain interest-bearing liabilities (including bank and other borrowings, senior notes and bonds) of about RMB8,762,127,000 according to their scheduled repayment dates. As a result, as at 31 December 2021, interest-bearing liabilities (including bank and other borrowings, senior notes and bonds) with the aggregate principal amount of about RMB36,103,303,000 had become default or cross default. Subsequent to 31 December 2021, the Group did not repay certain other bank and other borrowings according to the scheduled repayment dates. These events or conditions indicate that material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern.

2.1 BASIS OF PRESENTATION (continued)

In view of such circumstances, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and performance of the Group and the Group's available sources of financing and have considered the Group's cash flow projections prepared by management for a period of not less than 12 months from the date of reporting period. The following plans and measures are formulated with the objective to mitigate the liquidity pressure of the Group:

(i) The Company has appointed Houlihan Lokey (China) Limited as its financial adviser for its offshore debt restructuring. The Group is actively in discussions with the existing lenders on the renewal of the Group's certain borrowings. These discussions have been constructive and focused on possible actions in light of current circumstances but do require time to formulate or implement due to ongoing changes in market conditions. In addition, the Group will continue to seek for new sources of financing or accelerate asset sales address upcoming financial obligations and future operating cash flow requirements whilst engaging in existing lenders;

(ii) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and trade receivables. The Group will also continue to actively adjust sales and pre-sale activities to better respond to changing markets to achieve the latest budgeted sales and pre-sales volumes and amounts;

(iii) The Group will continue to seek suitable opportunities to dispose of its equity interest in certain project development companies to generate additional cash inflows; and

(iv) The Group has already taken measures to control administrative costs and contain unnecessary capital expenditures to preserve liquidity. The Group will continue to actively assess additional measures to further reduce discretionary spending.

The Directors, taking into account the above plans and measures, are of the opinion that, they are satisfied that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2021 on a going concern basis.

Notwithstanding the above, given the volatility of the property sector in Mainland China and the uncertainties to obtain support from the Group's creditors, material uncertainties exist as to whether or not the Group will be able to achieve its plans and measures as described above.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements of the Group for the year ended 31 December 2021.

For the year ended 31 December 2021

2.2 APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	COVID-19-Related Concession beyond 30 June 2021[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2, 4]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]

1 Effective for annual periods beginning on or after 1 April 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 Effective for annual periods beginning on or after a date to be determined

Except for new amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2.2 APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 16 *Property, Plant and Equipment – Proceeds before Intended Use*

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 Inventories.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

For the year ended 31 December 2021

2.2 APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

Amendments to HKAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application. Specifically, the amendments are applicable to the Group's assessment of onerous contracts in relation to sales of developed properties.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRSs *Annual Improvements to HKFRSs 2018-2020*

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and (Note)

2.2 APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)* (continued)

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

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

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

For the year ended 31 December 2021

2.2 APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

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

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

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 and services.

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 accounted for in accordance with HKFRS 16, 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.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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.

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets and liabilities is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

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

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Business combinations

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

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

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

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

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

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Acquisition of a subsidiary not constituting a business

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

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for the goodwill arising on the acquisition of associates and joint ventures is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest in a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint ventures and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate or joint venture.

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. 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 goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

For property management services, value added services, hotel accommodation services and travel agency services, the progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Input method

For construction of properties and engineering services, the progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (mainly sales commissions) as an asset if it expects to recover these costs. The asset so 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 assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises and commercial properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

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

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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 such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in consideration of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of 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 are denominated in foreign currencies are retranslated at the rates prevailing at the 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 are recognised in profit or loss in the period in which they arise, except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

Borrowing costs

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

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. 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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based Payments

Equity-settled share-based payment transactions

Shares/share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instrument that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest based on assessment of all the relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will continue to be held in share-based payments reserve.

For the year ended 31 December 2021

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 profit before tax 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.

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 differences 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, 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 and interests 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 the 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.

For the purposes of measuring deferred tax liabilities or deferred tax assets 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 tax liabilities and deferred tax assets 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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right– of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets", if any, in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to accumulated profits.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their 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.

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 also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Construction costs and interest expense 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. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. 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 the profit or loss in the period in which the item is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs 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 relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (continued)

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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 (or a cash-generating units) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Completed properties/properties under development for sale

Completed properties/properties under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, completed properties and properties under development are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development for sale are transferred to completed properties for sale upon completion.

The Group transfers a property from inventories to investment property when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the inception of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of fuel pumps are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, amounts due from related parties, restricted/pledged bank deposits and bank balances) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, contract assets, payments on behalf of residents and lease receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (a) it has a low risk of default, (b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables arising from property operation services, sales of fuel pumps and lease receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Lifetime ECL for certain trade receivables and payments on behalf of residents included in other receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of counterparties; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade receivables, lease receivables, contract assets, other receivables (including payments on behalf of residents and loan receivables), amount due from a joint venture and financial guarantee contracts where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amounts due to related parties, borrowings, senior notes, bonds and asset-backed securities issued, are subsequently measured at amortised cost, using the effective interest method.

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 payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKFRS 9; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition/modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Senior notes and bonds and asset-backed securities issued

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

Bonds and asset-backed securities issued by the subsidiaries of the Company that contain both liability and put option (which is closely related to the host contracts) are not separated into host contract and embedded derivatives on initial recognition. At the date of issue, the bonds and asset-backed securities issued are recognised at fair value.

In subsequent periods, the liability component of the senior notes, bonds and asset-backed securities issued are carried at amortised cost using the effective interest method. The early redemption option of senior notes is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that related to the issue of the senior notes and bonds and asset-backed securities issued are included in the carrying amount of the senior notes and bonds and asset-backed securities issued and amortised over the period of the senior notes and bonds and asset-backed securities issued using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;

- the effect of credit risk does not dominate the value changes that result from that economic relationship; and

- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Hedge accounting (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

For the purpose of reclassifying the amount of gains and losses accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the management has 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 tax 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 not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the 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 not rebutted. As at 31 December 2021, the carrying amount of deferred taxation on investment properties is RMB662,801,000 (2020: RMB1,280,845,000).

Key sources of estimation uncertainty

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

Determination of net realisable value of properties for sale

Properties for sale are stated at the lower of cost and net realisable value with an aggregate carrying amount of RMB52,010,570,000 (2020: RMB32,709,730,000). Cost, including the cost of land, development expenditures, borrowing costs capitalised in accordance with the Group's accounting policy and other attributable expenses, are allocated to each unit in each phase based on saleable gross floor area, using the weighted average method. The net realisable value is the estimated selling price (based on prevailing real estate market conditions in the PRC) less estimated selling expenses and estimated cost to completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be written down on the properties under development for sale and completed properties for sale. As at 31 December 2021, the balance of provision for net realisable value was RMB6,216,291,000 (2020: nil).

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Fair value measurements and valuation processes

The investment properties of the Group amounting to RMB8,218,706,000 (2020: RMB10,298,393,000) are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation team, which is headed up by the chief financial officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an investment property, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports the valuation team's findings to the board of directors of the Company periodically to explain the cause of fluctuations in the fair value of the investment properties. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of investment properties. Whilst the Group considers these valuations are the best estimates, the ongoing Covid-19 pandemic has resulted in greater market volatility and may cause further disruptions to the Group's businesses, which have led to higher degree of uncertainties in respect of the valuations in the current year. Note 17 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties of the Group.

Estimated impairment of goodwill

Determining whether goodwill arising on acquisition of property operation business through acquisition of subsidiaries is impaired requires an estimation of the recoverable amount of the cash-generating units (or group of cash-generating units) to which goodwill has been allocated which is the higher of the value in use and fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) based on five-year financial budgets approved by the management of the Group and a suitable discount rate in order to calculate the present value. The Group engages an independent valuer to assist the estimation. The valuation team of the Group works closely with the independent valuer to establish the appropriate estimation model and inputs to the model. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates, discount rates and expected future cash inflows/outflows including revenue, gross profit and operating expenses estimated. The cash flows beyond the five-year period are extrapolated using zero growth rate. Where the actual future cash flows are less than expected, or changes in facts and circumstances which result in downward revision of expected future cash inflows due to unfavourableness, a material impairment loss may arise. As at 31 December 2021, the carrying amount of goodwill net of accumulated impairment loss of RMB31,516,000 (2020: RMB31,516,000) was amounted to RMB902,377,000 (2020: RMB2,329,732,000).

Estimated impairment of intangible assets

Intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the cash-generating units to which intangible assets have been allocated exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value-in-use calculation requires the Group to estimate the future cash flows from the asset of cash-generating unit and a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2021, the carrying amount of intangible assets net of accumulated impairment loss was RMB30,929,000 (2020: RMB953,461,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Provision of ECL for contract assets and payments on behalf of residents included in trade and other receivables

The Group uses collective basis or individual assessment, where appropriate, to calculate ECL for the contract assets and payments on behalf of residents included in trade and other receivables except that contract assets relating to construction of properties are assessed for ECL individually. The estimated loss rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The collective basis is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered. As at 31 December 2021, the gross carrying amounts of contract assets and payments on behalf of residents were RMB851,329,000 and RMB1,398,993,000 (2020: RMB821,740,000 and RMB1,275,035,000), respectively, and the balances of allowance for credit losses were RMB6,638,000 and RMB353,690,000 (2020: RMB5,200,000 and RMB200,944,000), respectively.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's contract assets and payments on behalf of residents are disclosed in note 46.

Provision of ECL for trade receivables (including lease receivables)

The Group uses provision matrix or individual assessment, where appropriate, to calculate ECL for the trade receivables except that trade receivables with significant balances and credit-impaired are assessed for ECL individually. The provision rates are based on internal credit ratings as groupings of various debtors by their aging, which are considered of similar loss pattern. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. As at 31 December 2021, the gross carrying amount of trade receivables was RMB2,541,381,000 (2020: RMB1,872,650,000) and the balance of allowance for credit losses was RMB187,380,000 (2020: RMB68,915,000).

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 46.

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their LAT calculations and payments with any local tax authorities in the PRC. Accordingly, significant estimate is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the LAT based on the management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with the local tax authorities.

As explained in above, the carrying amounts of investment properties are presumed to be recovered entirely through sale, as such deferred tax charge on the fair value change of investment properties has taken into account the LAT payable upon the disposal of these properties.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit or taxable temporary difference will be available against which the tax losses can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits or taxable temporary difference together with future tax planning strategies. As at 31 December 2021, the carrying amount of deferred tax assets recognised for unused tax losses was RMB79,666,000 (2020: RMB169,048,000). In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties for sale and charged to the consolidated statement of profit or loss and other comprehensive income upon the recognition of the sales of the properties. Before the final settlement of the development costs and other costs relating to the sales of the properties, these costs are accrued by the Group based on the management's best estimate. During the development stage, the Group typically divides the development projects into phases. Costs that are common to different phases are allocated to individual phase based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2021

Segments	Property development RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Types of goods and services						
Property development						
Sales of completed properties	11,164,164	–	–	–	–	11,164,164
Construction of properties	96,195	–	–	–	–	96,195
Property agency services						
Provision of property agency services	–	43,246	–	–	–	43,246
Property operation services						
Provision of property management services	–	–	3,583,945	–	–	3,583,945
Provision of value-added services	–	–	211,773	–	–	211,773
Provision of engineering services	–	–	44,195	–	–	44,195
Hotel operations						
Provision of hotel accommodation services	–	–	–	114,381	–	114,381
Others						
Property project management and other related services	–	–	–	–	204,846	204,846
	11,260,359	43,246	3,839,913	114,381	204,846	15,462,745
Timing of revenue recognition						
A point in time	11,164,164	43,246	87,398	–	129,571	11,424,379
Over time	96,195	–	3,752,515	114,381	75,275	4,038,366
	11,260,359	43,246	3,839,913	114,381	204,846	15,462,745

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Segments	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Revenue disclosed in segment information (note 6)	11,260,359	287,668	43,246	3,965,513	114,381	204,846	15,876,013
Elimination	–	–	–	(125,600)	–	–	(125,600)
Leases	–	(287,668)	–	–	–	–	(287,668)
Revenue from contracts with customers	11,260,359	–	43,246	3,839,913	114,381	204,846	15,462,745

For the year ended 31 December 2021

5. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(i) Disaggregation of revenue from contracts with customers (continued)

For the year ended 31 December 2020

Segments	Property development RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Types of goods and services						
Property development						
Sales of completed properties	16,382,795	–	–	–	–	16,382,795
Construction of properties	61,390	–	–	–	–	61,390
Property agency services						
Provision of property agency services	–	24,980	–	–	–	24,980
Property operation services						
Provision of property management services	–	–	4,029,953	–	–	4,029,953
Provision of value-added services	–	–	257,567	–	–	257,567
Provision of engineering services	–	–	64,461	–	–	64,461
Hotel operations						
Provision of hotel accommodation services	–	–	–	99,864	–	99,864
Others						
Property project management and other related services	–	–	–	–	206,138	206,138
Manufacturing and sales of fuel pumps	–	–	–	–	420,063	420,063
Provision of travel agency services	–	–	–	–	39,191	39,191
	16,444,185	24,980	4,351,981	99,864	665,392	21,586,402
Timing of revenue recognition						
A point in time	16,382,795	24,980	–	–	420,063	16,827,838
Over time	61,390	–	4,351,981	99,864	245,329	4,758,564
	16,444,185	24,980	4,351,981	99,864	665,392	21,586,402

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Segments	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Revenue disclosed in segment information (note 6)	16,444,185	232,660	24,980	4,599,431	100,116	809,110	22,210,482
Elimination	–	(60,218)	–	(247,450)	(252)	(143,718)	(451,638)
Leases	–	(172,442)	–	–	–	–	(172,442)
Revenue from contracts with customers	16,444,185	–	24,980	4,351,981	99,864	665,392	21,586,402

5. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(ii) Performance obligations for contracts with customers

The Group recognises revenue from goods and services from the following major sources:

- Sales of completed properties;
- Construction of properties;
- Provision of property agency services;
- Provision of property management services;
- Provision of value-added services;
- Provision of engineering services;
- Provision of hotel accommodation services; and
- Provision of property project management and other related services.

For sales of completed properties, the Group presold the properties under construction and receives deposits from customers. Revenue is recognised at a point in time when the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable.

For construction of properties, the Group constructs the properties for customers. The construction revenue is recognised as performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for the construction based on the stage of completion of the contract using input method.

For provision of property agency services, agency commission is recognised at a point in time when a buyer and seller execute a legally binding sale agreement and performance obligations are satisfied. Payment of the transaction is due immediately when performance obligations are satisfied.

Property management services mainly include property management services under lump sum basis, commission basis and at pre-delivery stage and consultancy services. For property management services, the Group bills a fixed rate for services provided on a monthly/regular basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For the year ended 31 December 2021

5. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(ii) Performance obligations for contracts with customers (continued)

For property management services income from properties managed under lump sum basis, the Group acts as principal and is primary responsible for providing the property management services to the property owners. As the property owners simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from property owners as its revenue over time and all related property management costs as its cost of services.

For property management services income from properties managed under commission basis, the Group recognises the commission for providing the property management services to the property management offices of residential communities, which is calculated by certain percentage of the total property management fee charged to the property owners. As the property management offices of residential communities simultaneously receives and consumes the benefit provided by the Group's performance as the Group renders property management services, the Group recognises the fee received or receivables from property management offices of residential communities as its revenue for arranging and monitoring the services as provided by other suppliers to the property management offices of residential communities over time.

For property management services income at pre-delivery stage, the Group acts as principal and is primary responsible for providing the property management services for the property developers. As the property developers simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from property developers as its revenue over time and all related property management costs as its cost of services.

For consultancy services income for residential communities under consultancy service arrangement included in property management services, where the Group acts as principal and is primary responsible for providing the consultancy services for the property management companies. The Group agrees the fee for services with the property management companies upfront. As the property management companies simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from the property management companies, as its revenue over time and all related property management costs as its cost of services.

For value-added services, the Group agrees the fixed rate for services with the customers upfront and issues the bill on a monthly/regular basis to the customers which varies based on the actual level of service completed in that month/period. As the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, the revenue is recognised over time when the performance obligations are satisfied. Payment of the transaction is due immediately when performance obligations are satisfied.

For engineering services, the Group's performance creates or enhances an asset or work in progress that the customers control as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of satisfaction of the performance obligation.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(ii) Performance obligations for contracts with customers (continued)

For provision of hotel accommodation services, the Group agrees the fixed rate for services with the customers upfront. As the customer simultaneously receives and consumes the benefits provided by the Group's performance, the revenue is recognised over time when the performance obligations are satisfied. Payment of the transaction is due immediately when performance obligations are satisfied.

For provision of property project management and other related services, the Group pre-agrees the fixed project management fee income for project management services rendered with the customers. As the customer simultaneously receives and consumes the benefits provided by the Group's performance, thus the revenue is recognised over time when the performance obligations are satisfied.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining unsatisfied performance obligations as at 31 December 2021 and the expected timing of recognising revenue are as follows:

	Sales of completed properties RMB'000	**Construction of properties RMB'000**
Within one year	9,099,180	24,093
More than one year	13,241,855	–

The transaction price allocated to the remaining unsatisfied performance obligations as at 31 December 2020 and the expected timing of recognising revenue are as follows:

	Sales of completed properties RMB'000	**Construction of properties RMB'000**
Within one year	11,795,810	90,230
More than one year	5,442,723	–

For the year ended 31 December 2021

5. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers (continued)

The performance obligation of property agency services, property management services, value-added services, engineering services, hotel accommodation services, property project management and other related services are parts of the contracts that have an original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts in relation to these services is not disclosed.

(iv) Leases

	2021 **RMB'000**	**2020** **RMB'000**
For operating leases:		
Total revenue arising from leases		
Operating lease income with fixed lease payments	287,668	172,442

6. SEGMENT INFORMATION

The segment information reported externally was analysed on the basis of the different products and services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the directors of the Company, the chief operating decision makers, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group by different type of products sold and services rendered.

The Group has six reportable and operating segments, comprising of property development, property investment, property agency services, property operation services, hotel operation and others (including project management and other related services).

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by each segment without allocation of interest income, change in fair value of derivative financial instruments, gain on remeasurement of interests in associates and joint ventures, net exchange gain (loss), loss on repurchase, early redemption and modification of senior notes, bonds and asset-backed securities issued, share-based payment expenses, finance costs, share of results of associates and joint ventures, net gain (loss) on disposal of subsidiaries, associates and joint ventures, central administration costs and directors' salaries. This is a measure reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance.

Inter-segment revenues are charged at prevailing market rate.

6. SEGMENT INFORMATION (continued)

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision makers also review the segment assets attributable to each operating segment, which comprises assets other than interests in associates and joint ventures, equity instruments designated at FVTOCI, deposits paid for potential acquisitions of subsidiaries and investments in associates and joint ventures, derivative financial instruments, amounts due from related parties, restricted/pledged bank deposits, bank balances and cash and other corporate assets.

The following is an analysis of the Group's revenue, results and other material items by operating and reportable segment under review:

For the year ended 31 December 2021

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Segment revenues	11,260,359	287,668	43,246	3,965,513	114,381	204,846	15,876,013
Segment results	(7,661,056)	(1,478,172)	(1,488)	291,581	(34,840)	(23,680)	(8,907,655)
Segment assets	65,844,275	8,218,706	25,266	4,999,151	666,426	89,924	79,843,748
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets (note)	312,673	467,803	109	271,064	17,233	4,071	1,072,953
Loss from change in fair value of investment properties	–	(1,765,840)	–	–	–	–	(1,765,840)
Amortisation of intangible assets	–	–	–	119,076	–	–	119,076
Depreciation of property, plant and equipment	69,128	5,931	3,973	75,474	27,801	27,918	210,225
Depreciation of right-of-use assets	61,963	–	–	12,993	–	–	74,956
Loss on disposal of property, plant and equipment	(4,530)	–	–	(922)	–	–	(5,452)
Impairment losses under credit loss model, net of reversal	(675,814)	–	–	(565,983)	–	–	(1,241,797)
Write-down on properties for sales	(6,216,291)	–	–	–	–	–	(6,216,291)

For the year ended 31 December 2021

6. SEGMENT INFORMATION (continued)

For the year ended 31 December 2020

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Segment revenues	16,444,185	232,660	24,980	4,599,431	100,116	809,110	22,210,482
Segment results	2,405,176	301,841	(16,696)	802,543	(44,260)	77,518	3,526,122
Segment assets	39,980,195	10,336,549	20,047	7,862,323	989,327	209,819	59,398,260
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets (note)	121,112	879,238	1,092	69,948	2,320	2,014	1,075,724
Gain from change in fair value of investment properties	–	129,399	–	–	–	–	129,399
Impairment of property, plant and equipment	–	–	–	–	15,029	–	15,029
Amortisation of intangible assets	–	–	–	137,811	–	874	138,685
Depreciation of property, plant and equipment	45,691	4,593	4,018	72,317	32,081	67,290	225,990
Depreciation of right-of-use assets	85,820	–	–	8,903	377	–	95,100
Loss on disposal of property, plant and equipment	1,960	–	–	972	–	2,983	5,915
Impairment losses under credit loss model, net of reversal	7,213	–	–	91,309	–	–	98,522

Note: Additions to non-current assets exclude interests in associates and joint ventures, equity instruments designated at FVTOCI, deposits paid for acquisition of land use rights, deposits paid for potential acquisition of subsidiaries and investments in associates and joint ventures, other receivables (non-current) and deferred tax assets.

6. SEGMENT INFORMATION (continued)

Reconciliation:

	2021 RMB'000	2020 RMB'000
Revenue:		
Total revenue for operating and reportable segments	15,876,013	22,210,482
Elimination of inter-segment revenues	(125,600)	(451,638)
Group's total revenue	15,750,413	21,758,844
Total segment results	(8,907,655)	3,526,122
Elimination of inter-segment results	–	(97,403)
Unallocated amounts:		
Interest income	123,223	154,776
Net exchange gain	435,264	1,773,297
Fair value change on hedging instruments	91,814	(174,890)
Change in fair value of financial assets at FVTPL	–	677,894
Share-based payment expenses	(2,660)	(6,698)
Finance costs	(2,870,498)	(2,902,766)
Share of results of associates and joint ventures	(191,118)	34,062
Net (loss) gain on disposal of subsidiaries, associates and joint ventures	(127,788)	869,283
Gain on remeasurement of interests in associates and joint ventures	97,466	193,995
Gain (loss) on repurchase/early redemption of senior notes and bonds	94,639	(5,467)
Other unallocated expenses	(159,042)	(116,092)
Profit before tax	(11,416,355)	3,926,113

	2021 RMB'000	2020 RMB'000
Assets:		
Total assets for operating and reportable segments	79,843,748	59,398,260
Unallocated assets:		
Interests in associates	1,987,215	3,562,881
Interests in joint ventures	4,377,387	3,369,445
Deposits paid for potential acquisitions of subsidiaries and investments in associates and joint ventures	6,188,480	4,074,195
Equity instruments designated at FVTOCI	142,437	54,582
Amounts due from related parties	6,871,726	5,849,510
Restricted/pledged bank deposits	4,232,500	3,708,103
Bank balances and cash	973,148	24,923,383
Other unallocated corporate assets	492,831	609,847
Group's total assets	105,109,472	105,550,206

For the year ended 31 December 2021

6. SEGMENT INFORMATION (continued)

The Group's revenue from external customers is derived solely from its operations in the PRC, and non-current assets of the Group are mainly located in the PRC and the United States of America (the "USA").

During the years ended 31 December 2021 and 2020, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

As the Group's segment liabilities are not regularly reviewed by the chief operating decision makers, the liabilities for each operating segment is therefore not presented.

	2021 **RMB'000**	**2020** **RMB'000**
Additions to non-current assets		
Reportable segment total	1,072,953	1,075,724
Unallocated amount	3,092	2,981
Group's total	1,076,045	1,078,705
Depreciation of property, plant and equipment		
Reportable segment total	210,225	225,990
Unallocated amount	5,931	4,112
Group's total	216,156	230,102
Depreciation of right-of-use assets		
Reportable segment total	74,956	95,100
Unallocated amount	4,093	5,099
Group's total	79,049	100,199

7. OTHER INCOME, GAINS AND LOSSES

	Notes	2021 RMB'000	2020 RMB'000
Other income			
Interest income		123,223	154,776
Partial exemption of PRC value-added tax		15,876	59,893
Unconditional government grants		13,557	25,792
Others		4,035	–
		156,691	240,461
Other gains and losses			
Change in fair value of financial assets at FVTPL		–	677,894
Loss on disposal of interests in associates and joint ventures		(149,883)	–
Gain on remeasurement of interests in associates and joint ventures		97,466	193,995
Net exchange gain		435,264	1,773,297
Fair value change on hedging instruments		91,814	(174,890)
Gain (loss) on repurchase/early redemption of senior notes and bonds and asset-backed securities issued		94,639	(5,467)
Loss on disposal of plant, property and equipment		(5,452)	(5,915)
Impairment of property, plant and equipment		–	(15,029)
Others		18,829	13,356
		582,677	2,457,241

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2021 RMB'000	2020 RMB'000
Impairment loss recognised on		
– trade and other receivables and deposits	(981,824)	(93,240)
– amount due from a related party	(258,535)	(4,010)
– contract assets	(1,438)	(1,272)
	(1,241,797)	(98,522)

Details of impairment assessment are set out in note 46.

For the year ended 31 December 2021

9. WRITE-DOWN OF PROERPTEIS FOR SALES

During the year ended 31 December 2021, mainly due to the combined impact of multiple unfavourable factors in macroeconomic, industry and financing environments, a provision for impairment loss on properties for sale of RMB6,216,291,000 (2020: nil) was recognised to reflect the decrease in relevant net realisable value.

The net realisable value is determined by reference to the estimated selling prices of the properties for sale, which takes into account a number of factors including the latest market prices of similar property types in the same project or by similar properties, and the prevailing real estate market conditions in the PRC, less estimated selling expenses and estimated cost to completion. The net realisable value were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Sallmanns Limited, an independent qualified professional valuers which are not connected with the Group, which has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

10. FINANCE COSTS

	2021 **RMB'000**	**2020** **RMB'000**
Interest on:		
– bank and other borrowings	1,189,056	1,044,242
– senior notes and bonds	3,210,832	2,956,468
– lease liabilities	23,843	27,441
– asset-backed securities issued	15,754	7,715
	4,439,485	4,035,866
Imputed interest expenses arising from deposits received from sales of properties	935,194	998,137
	5,374,679	5,034,003
Less: Amount capitalised in properties under development for sale	(2,425,361)	(2,065,242)
Amount capitalised in investment properties under construction	(76,162)	(63,021)
Amount capitalised in construction in progress	(2,658)	(2,974)
	2,870,498	2,902,766

During the year ended 31 December 2021, certain amounts of finance costs capitalised arose from the general borrowing pool and were calculated by applying the capitalisation rate of 10.7% (2020: 10.2%) per annum to expenditures on qualifying assets.

11. INCOME TAXATION

	2021 RMB'000	2020 RMB'000
Current tax in the PRC		
EIT		
– Current year	808,231	1,641,003
LAT	471,134	978,492
	1,279,365	2,619,495
Deferred tax (note 26)		
Credit to profit and loss	(1,855,922)	(444,698)
	(576,557)	2,174,797

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong.

The Group's EIT is calculated based on the applicable tax rate on assessable profits, if applicable.

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 cost of land use rights and all property development expenditures.

The income taxation for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Notes	2021 RMB'000	2020 RMB'000
(Loss) profit before tax		(11,416,355)	3,926,113
Tax at PRC EIT rate of 25% (2020: 25%)	(a)	(2,854,089)	981,528
Tax effect of share of results of associates and joint ventures		47,780	(8,516)
Tax effect of income not taxable for tax purpose		(155,429)	(487,031)
Tax effect of expenses not deductible for tax purpose	(b)	980,864	772,961
Tax effect of expenses not recognised		633,215	6,492
Tax effect of tax losses not recognised		489,992	404,083
Utilisation of tax losses previously not recognised		(36,929)	(186,568)
LAT		471,134	978,492
Tax effect of LAT		(117,784)	(244,623)
Tax effect of tax rate differential of certain subsidiaries with preferential tax rate	(c)	(31,954)	(43,747)
Others		(3,357)	1,726
Income taxation for the year		(576,557)	2,174,797

For the year ended 31 December 2021

11. INCOME TAXATION (continued)

Notes:

(a) Majority of the assessable profits of the Group were derived from subsidiaries situated in the PRC and the applicable EIT rate of those subsidiaries is 25%.

(b) The amounts for the years ended 31 December 2021 and 2020 mainly represented the tax effect of expenses incurred by offshore companies, including the interest on senior notes, share-based payment expenses, exchange loss, loss on repurchase, early redemption and modification of senior notes and bonds and asset-backed securities issued, change in fair value of derivative financial instruments, impairment of goodwill and professional fees.

(c) The different tax rates mainly come from certain PRC companies, which are regarded as advanced technology enterprise or engaged in the encouraged industries by local governments, are entitled to the PRC income tax at a preferential rate of 15% for both the years ended 31 December 2021 and 2020.

12. (LOSS) PROFIT FOR THE YEAR

	2021 **RMB'000**	**2020** **RMB'000**
(Loss) profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 13)	21,254	24,969
Other staff's salaries and allowances	2,523,972	2,340,807
Retirement benefit scheme contributions	95,616	130,447
Share-based payments	2,660	6,698
Total staff costs	2,643,502	2,502,921
Less: Amount capitalised in properties under development for sale	(184,812)	(194,132)
	2,458,690	2,308,789
Auditor's remuneration	5,700	5,700
Depreciation of property, plant and equipment	216,156	230,102
Depreciation of right-of-use assets	79,049	100,199
Amortisation of intangible assets	119,076	138,685
Loss on disposal of property, plant and equipment	5,452	5,915
Cost of properties sold recognised as an expense	11,139,672	12,105,061

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATIONS

The emoluments paid or payable to the directors and the chief executive disclosed pursuant to the applicable Listing Rules and CO were as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2021						
Executive directors:						
Mr. Pan Jun (潘軍) (note i)	–	3,288	–	84	–	3,372
Ms. Zeng Jie, Baby (曾寶寶)	–	3,476	–	81	–	3,557
Mr. Ke Kasheng (柯卡生)	–	3,990	–	22	–	4,012
Mr. Zhang Huiming (張惠明) (note ii)	–	–	–	–	–	–
Mr. Chen Xinyu (陳新禹)	–	3,583	–	18	–	3,601
Mr. Zhu Guogang (朱國剛) (note iii)	–	2,657	3,023	130	–	5,810
Non-executive directors:						
Mr. Liao Qian (廖騫) (note iv)	176	–	–	–	–	176
Mr. Su Boyu (蘇波宇) (nove v)	–	–	–	–	–	–
Independent non-executive directors:						
Mr. He Min (何敏) (note vi)	187	–	–	–	–	187
Mr. Liao Jianwen (廖建文) (note vii)	80	–	–	–	–	80
Ms. Wong Pui Sze (王沛詩) (note viii)	187	–	–	–	–	187
Mr. Guo Shaomu (郭少牧)	240	–	–	–	–	240
Mr. Kwok Chi Shing (郭志誠) (note ix)	32	–	–	–	–	32
	902	16,994	3,023	335	–	21,254
For the year ended 31 December 2020						
Executive directors:						
Mr. Pan Jun (潘軍)(note i)	–	4,162	1,800	38	–	6,000
Ms. Zeng Jie, Baby (曾寶寶)	–	4,162	1,800	38	–	6,000
Mr. Ke Kasheng (柯卡生)	–	2,940	1,260	–	–	4,200
Mr. Zhang Huiming (張惠明)(note ii)	–	2,762	1,200	38	–	4,000
Mr. Chen Xinyu (陳新禹)	–	2,504	1,080	16	–	3,600
Non-executive directors:						
Mr. Li Dongsheng (李東生)(note x)	99	–	–	–	–	99
Mr. Liao Qian (廖騫)(note iv)	110	–	–	–	–	110
Independent non-executive directors:						
Mr. He Min (何敏) (note vi)	240	–	–	–	–	240
Mr. Liao Jianwen (廖建文) (note vii)	240	–	–	–	–	240
Ms. Wong Pui Sze (王沛詩) (note viii)	240	–	–	–	–	240
Mr. Guo Shaomu (郭少牧)	240	–	–	–	–	240
	1,169	16,530	7,140	130	–	24,969

For the year ended 31 December 2021

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATIONS (continued)

Notes:

(i) Mr. Pan Jun is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(ii) Mr. Zhang Huiming was resigned on 8 December 2021.

(iii) Mr. Zhu Guogang was appointed as executive director on 8 December 2021.

(iv) Mr. Liao Qian was resigned on 29 May 2020 and re-appointed as non-executive director on 17 December 2020. Mr. Liao Qian was resigned as non-executive director on 24 September 2021.

(v) Mr. Su Boyu was appointed as non-executive director on 7 September 2021.

(vi) Mr. He Min was resigned on 11 October 2021.

(vii) Mr. Liao Jianmin was resigned on 12 May 2021.

(viii) Mr. Wong Pui Sze was resigned on 11 October 2021.

(ix) Mr. Kwok Chi Shing was appointed as independent non-executive director on 12 November 2021.

(x) Mr. Li Dongsheng resigned on 30 May 2020.

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were paid for their services as directors of the Company or its subsidiaries.

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

The discretionary bonus is determined by the Board of Directors based on the Group's performance for each financial year.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years.

Five highest paid employees

The five individuals with the highest emoluments in the Group included one (2020: two) directors for the year ended 31 December 2021. Details of their emoluments are set out above. The emoluments of the remaining four (2020: three) of the five highest paid individuals is as follows:

	2021 RMB'000	**2020 RMB'000**
Salaries and allowances	10,619	7,911
Discretionary bonus	14,823	6,659
Retirement benefit scheme contributions	451	129
	25,893	14,699

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATIONS (continued)

Five highest paid employees (continued)

Their emoluments were within the following band:

	2021 Number of employees	2020 Number of employees
HKD5,000,001 to HKD5,500,000	–	2
HKD5,500,001 to HKD6,000,000	–	1
HKD7,000,001 to HKD7,500,000	2	–
HKD8,000,001 to HKD8,500,000	2	–

During the years ended 31 December 2021 and 2020, no remuneration was paid by the Group to any of the directors, 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 for both the years ended 31 December 2021 and 2020.

14. DIVIDENDS

During the year ended 31 December 2021, a final dividend in respect of the year ended 31 December 2020 of RMB5.93 cents (2020: final dividend in respect of the year ended 31 December 2019 of RMB5.0 cents) per share was declared and RMB342,315,000 (2020: RMB288,384,000) was paid to the owners of the Company.

Subsequent to the end of the reporting period, no dividend in respect of year ended 31 December 2021 (2020: final dividend in respect of year ended 31 December 2020 of RMB5.93 cents per share) has been proposed by the directors for approval by the shareholders in the annual general meeting.

For the year ended 31 December 2021

15. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2021	2020
(Loss) earnings (RMB'000)		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share ((loss) profit for the year attributable to owners of the Company)	(10,465,578)	977,420
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	5,772,401	5,768,814
Effect of dilutive potential ordinary shares:		
Share options	–	32,851
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	5,772,401	5,801,665

For the year ended 31 December 2020, the computation of diluted earnings per share does not take into account the effect of the share option granted by Colour Life, a non wholly-owned subsidiary of the Company, since the exercise price of the share options was higher than the average market price of the Colour Life's share.

For the year ended 31 December 2021, the computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in a decrease in loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings RMB'000	Leasehold land and buildings RMB'000	Renovations and leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2020	912,391	784,619	333,613	636,553	40,241	253,213	2,960,630
Transfer upon completion	–	76,425	–	27,964	–	(104,389)	–
Additions	–	–	50,109	61,671	9,641	29,937	151,358
Transfer from right-of-use assets	–	–	–	–	62,397	–	62,397
Disposal of subsidiaries (note 43)	(65,512)	(551,253)	(6,503)	(148,242)	(5,467)	(51,770)	(828,747)
Disposals	–	–	–	(223,583)	(2,388)	–	(225,971)
At 31 December 2020	846,879	309,791	377,219	354,363	104,424	126,991	2,119,667
Transfer upon completion	17,233	26,369	–	–	–	(43,602)	–
Additions	–	216,826	86,956	44,854	13,219	–	361,855
Disposals	–	(31,258)	(13,111)	(155,147)	(21,455)	–	(220,971)
At 31 December 2021	864,112	521,728	451,064	244,070	96,188	83,389	2,260,551
DEPRECIATION AND IMPAIRMENT							
At 1 January 2020	149,723	116,633	221,926	275,715	24,574	–	788,571
Provided for the year	29,122	42,899	68,828	79,142	10,111	–	230,102
Transfer from right-of-use assets	–	–	–	–	16,230	–	16,230
Impairment loss recognised in profit or loss	15,029	–	–	–	–	–	15,029
Eliminated on disposal of subsidiaries (note 43)	(36,086)	(4,265)	(109)	(67,062)	(2,168)	–	(109,690)
Eliminated on disposals	–	–	–	(34,911)	(2,190)	–	(37,101)
At 31 December 2020	157,788	155,267	290,645	252,884	46,557	–	903,141
Provided for the year	28,001	41,258	84,957	51,386	10,554	–	216,156
Eliminated on disposals	–	(1,978)	(4,623)	(70,895)	(16,661)	–	(94,157)
At 31 December 2021	185,789	194,547	370,979	233,375	40,450	–	1,025,140
CARRYING AMOUNTS							
At 31 December 2021	678,323	327,181	80,085	10,695	55,738	83,389	1,235,411
At 31 December 2020	689,091	154,524	86,574	101,479	57,867	126,991	1,216,526

The above items of property, plant and equipment, except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis at the following useful lives:

Hotel buildings	Over the shorter of the term of lease or 20 years
Leasehold land and buildings	Over the shorter of the term of lease or 50 years
Renovations and leasehold improvements	Over the shorter of the term of lease or 5 to 10 years
Furniture, fixtures and equipment	5 years
Transportation equipment	5 to 15 years

The hotel buildings and leasehold land and buildings are all situated on land in the PRC and the USA.

For the year ended 31 December 2021

17. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Office premises RMB'000	Transportation equipment RMB'000	Total RMB'000
As at 31 December 2021				
Carrying amount	134,151	337,593	–	471,744
As at 31 December 2020				
Carrying amount	137,498	188,405	372,002	697,905
For the year ended 31 December 2021				
Depreciation charge	3,347	38,213	37,489	79,049
For the year ended 31 December 2020				
Depreciation charge	14,141	40,606	45,452	100,199

	2021 RMB'000	2020 RMB'000
Expense relating to short-term leases and other leases with lease terms ended within 12 months from the date of initial application of HKFRS 16	9,831	22,755
Expense relating to leases of low-value assets, excluding short-term leases and other leases with lease terms ended within 12 months from the date of initial application of HKFRS 16, of low value assets	1,472	3,400
Total cash outflow for leases	423,068	173,989
Additions to right-of-use assets	206,861	41,281

For both years, the Group leases office premises and transportation equipment for its operations. Lease contracts are entered into for fixed term of 5 months to 31 years. Certain leases of equipment were accounted for as finance leases and carried interest ranged from 7.73% to 10.24% per annum. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several hotel buildings and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group has no extension and/or termination options in the leases for lands and office premises.

During the year ended 31 December 2020, the Group obtained ownership of a transportation equipment upon the early repayment of lease liabilities in full and exercise of the purchase option, the cost of the transportation equipment amounting to RMB62,397,000 and accumulated depreciation amounting to RMB16,230,000 are transferred to property, plant and equipment.

During the year ended 31 December 2021, the Group disposed the transportation equipment amounting to RMB334,513,000 to independent third parties, with insignificant loss recognised in profit or loss for the year.

18. INVESTMENT PROPERTIES

The Group leases out properties under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 20 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

For the years ended 31 December 2021 and 2020, no payment is made for acquiring leasehold lands.

	Completed investment properties RMB'000	**Investment properties under construction RMB'000**	**Total RMB'000**
At 1 January 2020	10,072,304	1,852,100	11,924,404
Additions	12,048	874,018	886,066
Net change in fair value recognised in profit or loss	(121,058)	250,457	129,399
Transfer upon completion of construction work	844,675	(844,675)	–
Disposal of subsidiaries (note 43)	(818,554)	(533,500)	(1,352,054)
Disposals	(1,289,422)	–	(1,289,422)
At 31 December 2020	8,699,993	1,598,400	10,298,393
Additions	–	467,803	467,803
Net change in fair value recognised in profit or loss	(1,444,137)	(321,703)	(1,765,840)
Transfer upon completion of construction work	409,000	(409,000)	–
Transfer from properties for sales	739,062	–	739,062
Disposal of subsidiaries (note 43)	(122,370)	–	(122,370)
Disposals	(1,398,342)	–	(1,398,342)
At 31 December 2021	6,883,206	1,335,500	8,218,706

For the year ended 31 December 2021

18. INVESTMENT PROPERTIES (continued)

As at 31 December 2021, the fair value of the Group's completed investment properties of RMB6,883,206,000 (2020: RMB8,699,993,000) and investment properties under development of RMB 1,335,500,000 (2020: RMB1,598,400,000) were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Sallmanns Limited, an independent qualified professional valuers which are not connected with the Group, which has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuations of completed investment properties as at 31 December 2021 and 2020 are determined by income capitalisation method and direct comparison method. Income capitalisation method is arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate. The valuations of investment properties under construction as at 31 December 2021 and 2020 are arrived at by residual method and direct comparison method, which is based on market observable transactions of similar properties and taken into account the construction costs that will be expended to complete the development. Direct comparison approach is arrived at by reference to comparable market transactions and suppose that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowance for variable factors. In estimating the fair value of the properties, highest and best use of the properties is their current use.

All of the Group's property interests held under operating leases to earn rentals are classified and accounted for as investment properties and are measured using the fair value model.

The following table gives information about how the fair values of these investment properties as at 31 December 2021 and 2020 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are under Level 3 as the inputs to the fair value measurements is unobservable.

18. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group	Fair value as at 31 December 2021 RMB'000	Location	Fair value hierarchy	Valuation techniques and key inputs	Significant observable/ unobservable inputs	Range	Sensitivity
Completed investment properties	6,363,872	Shenzhen, Tianjin, Chengdu, Nanjing, Dongguan, Guilin, Wuhan, Suzhou, Shanghai, Huizhou	Level 3	Income capitalisation method – income capitalisation of the net income and made provisions for reversionary income potential.	1. Term yield	1.5% – 5.5%	A significant increase/decrease in term yield would result in significant decrease/increase in fair value.
					2. Reversionary yield	2% – 6%	A significant increase/decrease in reversionary yield would result in significant decrease/ increase in fair value.
Completed investment properties	519,334	Shenzhen, Huizhou, Wuhan, Dongguan, Tianjin, Nanjing, Shanghai, Chengdu, Nantong, Wuxi, Jingzhou, Jiujiang, Wenzhou, Kunming, Changzhou, Hangzhou, Yantai, Dalian, Taiyuan and Baotou	Level 3	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	1. Market unit sales price (RMB/sqm)	5,600 – 19,900	A significant increase/decrease in market unit sales price would result in significant increase/ decrease in fair value.
					2. Adjustment made to account for differences in location	1% – 10%	A significant increase/decrease in adjustment would result in significant decrease/increase in fair value.
Investment properties under construction	1,303,800	Chengdu, Wuhan and Nanjing	Level 3	Residual method – based on gross development value and taken into account the construction costs to completion, developer's profit, marketing costs.	1. Gross development value on completion basis (RMB'000)	1,589,000	A significant increase/decrease in gross development value would result in significant increase/decrease in fair value.
					2. Developer's profit	8% – 10%	A significant increase/decrease in developer's profit would result in significant decrease/ increase in fair value.
					3. Marketing costs	2% – 3%	A significant increase/decrease in marketing costs would not result in significant decrease/ increase in fair value.
					4. Construction costs to completion (RMB'000)	128,140	A significant increase/decrease in construction costs to completion would result in significant decrease/increase in fair value.
Investment property under construction	31,700	Chongqing		Residual method – based on gross development value and taken into account the construction costs to completion, developer's profit, marketing costs.	1. Gross development value on completion basis (RMB'000)	7,469	A significant increase/decrease in market unit sales price would result in significant increase/ decrease in fair value.
					2. Developer's profit	10%	A significant increase/decrease in adjustment would result in significant increase/decrease in fair value.
	8,218,706						

For the year ended 31 December 2021

18. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group	Fair value as at 31 December 2020 RMB'000	Location	Fair value hierarchy	Valuation techniques and key inputs	Significant observable/ unobservable inputs	Range	Sensitivity
Completed investment properties	7,608,308	Shenzhen, Tianjin, Chengdu, Nanjing, Dongguan, Guilin, Wuhan, Suzhou, Shanghai, Huizhou	Level 3	Income capitalisation method – income capitalisation of the net income and made provisions for reversionary income potential.	1. Term yield	2% – 6%	A significant increase/decrease in term yield would result in significant decrease/increase in fair value.
					2. Reversionary yield	2.5% – 6.5%	A significant increase/decrease in reversionary yield would result in significant decrease/ increase in fair value.
Completed investment properties	1,091,685	Shenzhen, Huizhou, Wuhan, Dongguan, Tianjin, Shanghai, Chengdu, Nantong, Nanjing, Wuxi, Jingzhou, Jiujiang, Wenzhou, Kunming, Changzhou, Hangzhou, Yantai, Dalian, Taiyuan and Jiangsu	Level 3	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	1. Market unit sales price (RMB/sqm)	3,200 – 120,000	A significant increase/decrease in market unit sales price would result in significant increase/ decrease in fair value.
					2. Adjustment made to account for differences in location	1% – 22%	A significant increase/decrease in adjustment would result in significant decrease/increase in fair value.
Investment properties under construction	1,248,300	Chengdu and Wuhan	Level 3	Residual method – based on gross development value and taken into account the construction costs to completion, developer's profit, marketing costs.	1. Gross development value on completion basis (RMB'000)	743,000 – 1,014,700	A significant increase/decrease in gross development value would result in significant increase/decrease in fair value.
					2. Developer's profit	8% – 15%	A significant increase/decrease in developer's profit would result in significant decrease/ increase in fair value.
					3. Marketing costs	4%	A significant increase/decrease in marketing costs would not result in significant decrease/ increase in fair value.
					4. Construction costs to completion (RMB'000)	101,420 – 250,000	A significant increase/decrease in construction costs to completion would result in significant decrease/increase in fair value.
Investment properties under construction	350,100	Nanjing	Level 3	Direct comparison method – based on market observable transactions of similar lands and adjusted to reflect the conditions of the subject lands.	1. Market unit sales price (RMB/sqm)	1,500 – 2,100	A significant increase/decrease in market unit sales price would result in significant increase/ decrease in fair value.
					2. Adjustment made to account for differences in location	8%	A significant increase/decrease in adjustment would result in significant decrease/increase in fair value.
	10,298,393						

There were no transfers into or out of Level 3 during the years ended 31 December 2021 and 2020.

19. INTERESTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Cost of investments, unlisted	1,894,362	3,516,583
Share of post-acquisition results, net of dividends received	92,853	46,298
	1,987,215	3,562,881

Details of the Group's principal associates at the end of the reporting period are as follow:

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group 2021	Equity interest attributable to the Group 2020	Proportion of voting power held by the Group 2021	Proportion of voting power held by the Group 2020	Principal activities
深圳市航天物業管理有限公司 Shenzhen Hantian Property Management Co., Ltd. ("Shenzhen Hangtian") (note a)	PRC	PRC	40.06%	40.06%	40.06%	40.06%	Property management in the PRC

Notes:

(a) Pursuant to the article of association of Shenzhen Hangtian, the Group has the right to cast 40.06% of the votes of Shenzhen Hangtian at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Hangtian. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting, therefore, Shenzhen Hangtian is accounted for as an associate of the Group.

(b) During the year ended 31 December 2021, the Group made investments of RMB1,867,265,000 (2020: RMB2,526,740,000) to establish/acquire certain associates with/from a number of associate partners. The associates mainly engaged in investment holdings, property development and property operation services.

(c) During the year ended 31 December 2021, the Group has disposed of the interests in certain associates at a total consideration of RMB2,530,716,000 (2020: nil), with loss on disposal amounting to RMB103,072,000 (2020: nil) recognised and included in "other gains and loss" in the consolidated statement of profit or loss and other comprehensive income.

(d) During the year ended 31 December 2021, the Group received dividend of RMB31,105,000 (2020: RMB540,000) from associates.

(e) All these companies are accounted for as associates as at respective period end date as in accordance with the memorandum and articles of the companies, the Group has significant influence at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns.

Summarised financial information in respect of the Group's principal associates are set out below. The summarised financial information below represented amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

The associates are accounted for using equity method in these consolidated financial statements.

For the year ended 31 December 2021

19. INTERESTS IN ASSOCIATES (continued)

Shenzhen Hangtian

	2021 RMB'000	2020 RMB'000
Current assets	240,259	241,934
Non-current assets	67,804	65,157
Current liabilities	(132,056)	(138,492)
Profit and other comprehensive income for the year	75,070	66,255
Dividend distributed during the year	67,662	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shenzhen Hangtian recognised in the consolidated financial statements:

	2021 RMB'000	2020 RMB'000
Net assets of Shenzhen Hangtian	176,007	168,599
Proportion of the Group's ownership interest	40.06%	40.06%
	70,508	67,541
Goodwill	74,519	74,519
Carrying amount of the Group's interest	145,027	142,060

Aggregate information of other associates:

	2021 RMB'000	2020 RMB'000
The Group's share of profit and other comprehensive income	31,547	9,965
Aggregate carrying amount of the Group's interests	1,842,188	709,774

20. INTERESTS IN JOINT VENTURES

	2021 RMB'000	2020 RMB'000
Cost of investments, unlisted	4,691,371	3,413,139
Share of post-acquisition results, net of dividends received	(313,984)	(43,694)
	4,377,387	3,369,445

20. INTERESTS IN JOINT VENTURES (continued)

Details of the Group's principal joint ventures at the end of the reporting period are as follow:

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group		Proportion of voting power held by the Group		Principal activities
			2021	2020	2021	2020	
深圳玉石房地產開發有限公司 Shenzhen Yushi Property Development Co., Ltd. ("Shenzhen Yushi")	PRC	PRC	51%	51%	51%	51%	Property development in the PRC
成都花樣清江房地產開發有限公司Chengdu Huayang Qingjiang Property Development Co., Ltd. ("Chengdu Huaqingjiang")	PRC	PRC	55%	55%	55%	55%	Investment holdings in the PRC

Notes:

(a) All these companies are accounted for as joint ventures as at respective period end date as in accordance with the memorandum and articles of the companies, major financial and operating policies of these companies require the unanimous consent of all directors.

(b) During the year ended 31 December 2021, the Group made investments of RMB2,155,230,000 (2020: RMB16,660,000) to establish/acquire certain joint ventures with/from a number of joint venture partners. The joint ventures mainly engaged in property development and property operation services.

(c) During the year ended 31 December 2021, the Group has disposed of the interets in certain joint ventres at a total consideration of RMB481,951,000 (2020: nil), with loss on disposal amounting to RMB46,811,000 (2020: nil) recognised in the consolidated statement of profit or loss and other comprehensive income.

(d) During the year ended 31 December 2021, the Group received dividend of RMB38,662,000 (2020: nil) from joint ventures.

Summarised financial information in respect of the Group's principal joint venture is set out below. The summarised financial information below represented amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using equity method in these consolidated financial statements.

For the year ended 31 December 2021

20. INTERESTS IN JOINT VENTURES (continued)

Shenzhen Yushi

	2021 **RMB'000**	**2020** **RMB'000**
Current assets	3,998,453	3,151,356
Current liabilities	(850,065)	(801,615)
Loss and other comprehensive expense for the year	(1,353)	(1,376)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shenzhen Yushi recognised in the consolidated financial statements:

	2021 **RMB'000**	**2020** **RMB'000**
Net assets of Shenzhen Yushi	3,148,388	2,349,741
Proportion of the Group's ownership interest	51%	51%
Carrying amount of the Group's interest	1,605,678	1,198,368

Chengdu Huaqingjiang

	2021 **RMB'000**	**2020** **RMB'000**
Current assets	4,537,703	3,381,815
Current liabilities	(2,811,577)	(2,752,255)
Loss and other comprehensive expense for the year	(103,434)	(61,465)

20. INTERESTS IN JOINT VENTURES (continued)

Chengdu Huaqingjiang (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Chengdu Huaqingjiang recognised in the consolidated financial statements:

	2021 RMB'000	2020 RMB'000
Net assets of Chengdu Huaqingjiang	1,726,126	629,560
Proportion of the Group's ownership interest	55%	55%
Carrying amount of the Group's interest	949,369	346,258

Aggregate information of other joint ventures:

	2021 RMB'000	2020 RMB'000
The Group's share of loss and other comprehensive expense	(195,159)	(2,738)
Aggregate carrying amount of the Group's interests	1,822,340	758,626

21. EQUITY INSTRUMENTS DESIGNATED AT FVTOCI

	2021 RMB'000	2020 RMB'000
Unlisted equity investments		
– Property operation services (note)	49,352	48,208
– Others	93,085	6,374
	142,437	54,582

Note: These unlisted equity securities represented the investments in certain private entities, which represented the equity interests ranging from 1% to 20% in the investees as at 31 December 2021 and 2020. The investees are mainly engaged in property operation services. These investments are not regarded as associate or joint venture of the Group because the Group has no right to appoint directors under such investment arrangements. Details of the fair value measurement of the investments are set out in note 46.

For the year ended 31 December 2021

22. GOODWILL

	RMB'000
COST	
At 1 January 2020	2,490,495
Disposal of subsidiaries (note 43)	(129,247)
At 31 December 2020	2,361,248
Acquisition of subsidiaries	18,403
Disposal of subsidiaries (note 43)	(1,445,758)
At 31 December 2021	933,893
IMPAIRMENT	
At 1 January 2020	91,574
Disposal of subsidiaries (note 43)	(60,058)
At 31 December 2020 and 2021	31,516
CARRYING VALUES	
At 31 December 2021	902,377
At 31 December 2020	2,329,732

For the purpose of impairment testing, goodwill above has been allocated to a group of subsidiaries in property operation services collectively as the property operation cash-generating units ("Property Operation CGU").

The recoverable amounts of Property Operation CGU have been determined based on a value in use calculation. The calculation uses cash flow projection based on financial budgets approved by the management covering a five-year period, including the growth rates, the pre-tax discount rates, estimated revenue, estimated gross profit, estimated operating expenses as at 31 December 2021 and 2020.

The discount rates reflect specific risks relating to Property Operation CGU. The growth rates within the five-year period have been based on past experience and management's expectation of market development. The cash flows beyond the five-year period are extrapolated using zero growth rate.

	2021	2020
Pre-tax discount rates	13%	17% – 18%
Growth rate within the five-year period	2% – 8%	0% – 4%

The management of the Group believes that any reasonably possible change in the key estimation of the value-in-use calculation would not cause the carrying amounts of Property Operation CGU to exceed its recoverable amounts.

23. INTANGIBLE ASSETS

	Property management contracts and customers' relationship RMB'000	Trademark RMB'000	Total RMB'000
COST			
At 1 January 2020	1,436,470	52,441	1,488,911
Disposal of subsidiaries (note 43)	–	(52,441)	(52,441)
At 31 December 2020	1,436,470	–	1,436,470
Addition	21,123		21,123
Disposal of subsidiaries (note 43)	(1,267,784)	–	(1,267,784)
At 31 December 2021	189,809	–	189,809
AMORTISATION			
At 1 January 2020	345,198	13,988	359,186
Provided for the year	137,811	874	138,685
Disposal of subsidiaries (note 43)	–	(14,862)	(14,862)
At 31 December 2020	483,009	–	483,009
Provided for the year	119,076	–	119,076
Disposal of subsidiaries (note 43)	(443,205)	–	(443,205)
At 31 December 2021	158,880	–	158,880
CARRYING AMOUNT			
At 31 December 2021	30,929	–	30,929
At 31 December 2020	953,461	–	953,461

The property management contracts, customers' relationship and trademark were acquired from third parties through the acquisition of subsidiaries.

The intangible assets have finite useful lives and are amortised on a straight line basis over 60 months to 120 months.

For the year ended 31 December 2021

24. AMOUNTS DUE FROM RELATED PARTIES

	2021 RMB'000	2020 RMB'000
Non-controlling shareholders of the subsidiaries of the Company	855,640	497,321
Joint ventures	3,303,503	4,065,400
Associates	2,502,574	1,254,545
Related parties	210,009	32,244
	6,871,726	5,849,510
Less: Amounts expected to realise after 1 year and shown under non-current assets	–	(768,889)
Amounts expected to realise within 1 year and shown under current assets	6,871,726	5,080,621

As at 31 December 2021, the amounts due from non-controlling shareholders of the subsidiaries of the Company, joint ventures, associates and related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

The subsidiaries, joint ventures, associates and related parties are mainly engaged in property development, property management and property leasing business, the Group determined the current or non-current portion based on the expected date of recovery of the advances, which is by reference to the status of the property projects and the financial position of the subsidiaries, joint ventures, associates and related parties.

Details of the impairment assessment are set out in note 46.

25. DEPOSITS PAID FOR POTENTIAL ACQUISITIONS OF SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

(a) As at 31 December 2021, the Group had made deposits of RMB162,340,000 (2020: RMB124,593,000) in relation to the acquisition of the equity interests in a property project company from an independent third party. The precedent condition for the acquisition is the approval of change of use of the target land use right by the PRC local government, from industrial land to residential and commercial land.

(b) As at 31 December 2021, the Group had made deposits of RMB122,262,000 (2020: RMB10,653,000) in relation to the acquisition of equity interests in certain companies which are principally engaged in property operation in the PRC from independent third parties.

(c) As at 31 December 2021, the Group had made deposits of RMB5,903,878,000 (2020: RMB3,938,949,000) in relation to the investments in certain associates and joint ventures, which are principally engaged in property development in the PRC, and cooperation in the property development projects with a number of independent investors.

Pursuant to the relevant investment agreements, in case the transaction is not completed, the deposit would be fully refunded to the Group by the independent investors and/or the investees.

(d) Details of the impairment assessment are set out in note 46.

For the year ended 31 December 2021

26. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Deferred tax assets	(1,455,029)	(746,467)
Deferred tax liabilities	390,723	1,310,494
	(1,064,306)	564,027

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

	Fair value change of investment properties and financial assets at FVTPL RMB'000	Revaluation of properties and other assets RMB'000	Temporary differences on deductible expenses RMB'000	Tax losses RMB'000	Intangible assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	1,504,049	(38,149)	(8,830)	(154,938)	277,816	(720,826)	859,122
Credit to profit and loss	(183,950)	–	(31,716)	(27,682)	(34,661)	(166,689)	(444,698)
Charge to other comprehensive income	–	716	–	–	–	–	716
Disposal of Subsidiaries (note 43)	(39,254)	–	4,457	13,572	(9,395)	179,507	148,887
At 31 December 2020	1,280,845	(37,433)	(36,089)	(169,048)	233,760	(708,008)	564,027
Credit to profit and loss	(618,044)	–	(1,231,307)	39,283	(24,582)	(21,272)	(1,855,922)
Charge to other comprehensive income	–	(531)	–	–	–	–	(531)
Acquisition of subsidiaries (note 42)	–	–	–	(2,134)	–	387,199	385,065
Disposal of subsidiaries (note 43)	–	–	–	52,233	(209,178)	–	(156,945)
At 31 December 2021	662,801	(37,964)	(1,267,396)	(79,666)	–	(342,081)	(1,064,306)

Notes:

(a) Temporary differences on deductible expenses mainly represent advertising expenses, ECL allowance and incremental sales commission, which would be deductible in the future.

(b) Others mainly represent the temporary differences arising from LAT provision and financing component in respect of contract liabilities.

26. DEFERRED TAXATION (continued)

As at 31 December 2021, the Group had unutilised tax losses of RMB6,518,086,000 (2020: RMB5,267,668,000). A deferred tax asset has been recognised in respect of RMB157,132,000 (2020: RMB676,192,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB1,959,968,000 (2020: RMB4,591,476,000) due to the unpredictability of future profits streams.

As at 31 December 2021, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised, was RMB16,819,343,000 (2020: RMB23,524,023,000). No deferred tax liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

27. PROPERTIES FOR SALE

	2021 **RMB'000**	**2020** **RMB'000**
Completed properties for sale	9,865,986	8,111,088
Properties under development for sale	48,360,875	24,598,642
	58,226,861	32,709,730
Less: Provisions for net realisable value	(6,216,291)	–
	52,010,570	32,709,730

For the year ended 31 December 2021, a provision for impairment loss on properties for sales of RMB6,216,291,000 was recognised to reflect the change in relevant net realisable value.

Included in the amount are properties under development for sale of RMB25,009,407,000 (2020: RMB13,770,306,000) in relation to property development projects that are expected to complete after one year from the end of the reporting period.

For the year ended 31 December 2021

28. CONTRACT ASSETS

	2021 RMB'000	2020 RMB'000
Unbilled revenue of		
– construction of properties	755,432	754,206
– engineering services	95,897	67,534
	851,329	821,740
Less: allowance for impairment losses	(6,638)	(5,200)
	844,691	816,540
Classified as:		
Non-current assets	–	14,572
Current assets	844,691	801,968
	844,691	816,540

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional upon the satisfaction by the customers on the construction work completed and/or engineering services rendered by the Group. The amounts are transferred out of contract assets to trade receivables when the rights become unconditional.

Details of the impairment assessment are set out in note 46.

29. CONTRACT COSTS

	2021 RMB'000	2020 RMB'000
Incremental costs to obtain contracts	385,978	348,236

Contract costs capitalised as at 31 December 2021 and 2020 relate to the incremental sales commissions paid to intermediaries/employees whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of cost of sales in the consolidated statement of profit or loss in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB286,133,000 (2020: RMB345,039,000). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the years ended 31 December 2020 and 2021.

30. TRADE AND OTHER RECEIVABLES

	Notes	2021 RMB'000	2020 RMB'000
Trade receivables			
– contracts with customers	(a)/(b)	2,325,100	1,776,761
– leasing	(b)	28,901	26,974
Other receivables	(c)	1,155,788	1,188,815
Loan receivables	(d)	101,841	225,949
Prepayments and other deposits		2,434,094	1,847,545
Prepayments to suppliers		567,780	265,118
Prepayments for construction work		2,287,762	761,984
Consideration receivables on disposal of equity interests in subsidiaries, associates and joint ventures		3,369,390	2,598,461
Amount due from Pixian Government	(e)	122,830	122,830
Other tax prepayments		1,374,747	962,296
		13,768,233	9,776,733
Less: Amounts shown under non-current assets		(863,288)	(679,358)
Amounts shown under current assets		12,904,945	9,097,375

For the year ended 31 December 2021

30. TRADE AND OTHER RECEIVABLES (continued)

Notes:

(a) As at 1 January 2020, 31 December 2020 and 2021, trade receivables from contracts with customers amounted to RMB2,482,579,000, RMB1,776,761,000 and RMB 2,325,100,000, respectively.

Consideration in respect of properties sold is paid in accordance with the terms of the related sales and purchase agreements, normally within 90 days from the date of agreement.

Property operation service fee is received in accordance with the terms of the relevant service agreements, normally within 30 days to 1 year after the issuance of demand note. Each customer from property operation services has a designated credit limit.

Hotel operation income are mainly in form of settlement in cash and credit cards.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 30 days from the issuance of invoices.

Consideration in respect of fuel pumps sold is paid in accordance with the terms of the related sales and purchase agreements, normally within 90 days from the date of delivery of fuel pumps. Each customer from sales of fuel pumps has a designated credit limit.

(b) The following is an aged analysis of trade receivables of the Group net of allowance for impairment losses presented based on the date of delivery of the properties to the customers for property sale or the invoice date or date of demand note for rendering of services at the end of the reporting period:

	2021 **RMB'000**	**2020** **RMB'000**
0 to 30 days	1,584,786	1,036,529
31 to 90 days	334,008	283,314
91 to 180 days	285,912	263,994
181 to 365 days	58,162	153,979
Over 1 year	91,133	65,919
	2,354,001	1,803,735

30. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(b) (continued)

Movement in the allowance for impairment losses

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Balance at 1 January 2020	7,709	76,058	83,767
Impairment losses, net of reversal	3,092	15,985	19,077
Transfer to credit-impaired	(4,225)	4,225	–
Amounts written off	–	(33,929)	(33,929)
Balance at 31 December 2020	6,576	62,339	68,915
Impairment losses, net of reversal	10,856	107,609	118,465
Transfer to credit-impaired	(4,774)	4,774	–
Balance at 31 December 2021	12,658	174,722	187,380

(c) The balance mainly includes the payment on behalf of residents for the utilities and sundry charges of property operation services segment.

Movement in the allowance for impairment losses

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Balance at 1 January 2020	11,841	140,185	152,026
Impairment losses, net of reversal	4,028	44,890	48,918
Transfer to credit-impaired	(2,936)	2,936	–
Balance at 31 December 2020	12,933	188,011	200,944
Impairment losses, net of reversal	5,937	146,809	152,746
Transfer to credit-impaired	(7,591)	7,591	–
Balance at 31 December 2021	11,279	342,411	353,690

For the year ended 31 December 2021

30. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(d) The loan receivables are as follows:

	Notes	2021 RMB'000	2020 RMB'000
Fixed-rate loans provided to			
– online platform and community-related service companies	(i)	160,745	227,817
– property management companies	(ii)	4,032	30,982
		164,777	258,799
Less: allowance for credit losses		(62,936)	(32,850)
		101,841	225,949
Classified as:			
Non-current assets		–	1,761
Current assets		101,841	224,188
		101,841	225,949

(i) As at 31 December 2021, the Group has entered into loan agreements with certain independent third parties, which engages in provision of online platform and community-related services, regarding the fund provision of RMB160,745,000 (2020: RMB227,817,000). The loans carry interests ranging from 6% to 15% per annum and will mature in one year and are classified as current assets.

(ii) As at 31 December 2021, the Group has entered into loan agreements with certain independent third parties, which engages in provision of property management services, regarding the fund provision of RMB4,032,000 (2020: RMB30,982,000). The loans carry interests was 12% per annum and matured in one year and are classified as current assets.

Movements of allowance for credit losses under lifetime ECL in relation to loan receivables

	Lifetime ECL (credit-impaired) RMB'000
Balance at 1 January 2020	16,250
Impairment loss	16,600
Balance at 31 December 2020	32,850
Impairment loss	30,086
Balance at 31 December 2021	62,936

(e) The balance represented the amount due from the Pixian Government in relation to the land development project located in Chengdu, Sichuan Province. Pursuant to the agreement between the Group and Pixian Government, the Group is responsible for provision of funds to Pixian Government and management of the Land Development Project to Pixian Government while the Pixian Government is required to repay finance cost at benchmark lending rate of People's Bank of China, investment income at 12% per annum and project management fee at 3% per annum.

As at 31 December 2021 and 2020, the outstanding principal amounting to RMB122,830,000 is required to be settled upon disposal of land by Pixian Government which is expected to be over one year from the end of the reporting period and is classified under non-current assets.

Details of the impairment assessment are set out in note 46.

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

The restricted/pledged bank deposits mainly represented that:

(a) In accordance with relevant requirement by State-Owned Land and Resource Bureau, certain subsidiaries of the Group engaged in property development are required to place in designated bank accounts certain amount of proceeds from pre-sale of properties as guaranteed deposits with the restriction of use for settlement of construction costs for relevant properties. The deposits will be released after the construction of relevant properties are completed or the ownership certificates of relevant properties are issued, whichever is earlier. As at 31 December 2021, such guaranteed deposits amounted to RMB1,881,694,000 (2020: RMB472,537,000).

(b) Certain bank balances were deposited as guaranteed deposit for the benefit of mortgage loan facilities granted by the banks to the purchasers of the properties developed by the Group. As at 31 December 2021, such restricted balances amounted to RMB1,377,458,000 (2020: RMB1,204,467,000).

(c) Certain bank balances were frozen under court notice in relation to the unfinalised legal proceedings. As at 31 December 2021, such restricted balances amounted to RMB64,343,000 (2020: RMB32,000,000).

(d) Certain bank balances were deposited as guaranteed deposits for borrowings and issuance of bills payables. As at 31 December 2021, the balances amounting to RMB909,005,000 were pledged for current banking facilities. As at 31 December 2020, the balances amounting to RMB1,439,099,000 and RMB560,000,000 were pledged for current and non-current banking facilities granted to the Group, respectively.

The Group's restricted/pledged bank deposits and bank balances carry variable interest rates ranging from 0.30% to 0.35% (2020: 0.05% to 4.2%) per annum and from 0.30% to 0.35% (2020: 0.01% to 1.61%) per annum, respectively.

As at 31 December 2021 and 2020, bank balances of the relevant group entities denominated in foreign currencies are as below:

	2021 **RMB'000**	**2020** **RMB'000**
Hong Kong Dollars ("HKD")	123,383	109,603
United States Dollars ("USD")	4,545	1,212,758

For the year ended 31 December 2021

32. TRADE AND OTHER PAYABLES

	Notes	2021 RMB'000	2020 RMB'000
Trade payables		5,270,231	4,717,083
Deposit received	(a)	396,958	949,984
Other payables	(b)	852,871	475,428
Other tax payables		1,155,131	821,224
Accrued staff costs		170,610	519,279
Consideration payables for acquisition of subsidiaries		–	333,942
Accruals		337,926	109,105
		8,183,727	7,926,045

Trade payables principally comprise amounts outstanding for purchase of materials and subcontracting fee for the construction of properties for sale. The average credit period for purchase of construction materials and settlement of subcontracting fee ranged from two months to one year.

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
0 to 60 days	2,814,693	3,627,559
61 to 180 days	1,917,210	610,244
181 to 365 days	233,373	212,197
1 – 2 years	302,454	265,107
2 – 3 years	2,501	1,608
Over 3 years	–	368
	5,270,231	4,717,083

Notes:

(a) The balance of deposits received amounting to RMB396,958,000 (2020: RMB949,984,000) mainly represents the earnest money received from potential property buyers.

(b) The balance of other payables mainly represents receipts on behalf of residents amounting to RMB409,003,000 (2020: RMB373,568,000).

33. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Sales of completed properties	22,195,199	16,653,968
Provision of property operation services	169,929	610,677
	22,365,128	17,264,645

The following table shows how much of the revenue recognised in both years relates to carried-forward contract liabilities.

	Sales of developed properties RMB'000	Property operation services RMB'000	Total RMB'000
Revenue recognised that was included in the contract liability balance at:			
– the beginning of the year ended 31 December 2021	8,761,710	610,677	9,372,387
– the beginning of the year ended 31 December 2020	12,561,390	432,322	12,993,712

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

Sales of completed properties

The Group receives 30% to 100% of the contract value as deposits from customers when they sign the sale and purchase agreement. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. The advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

In addition, the Group considers the advance payment schemes contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the relevant group entities. As this accrual increases the amount of the contract liability during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer.

Provision of property operation services

When the Group receives the monthly property management service fee from customers at the beginning of the month, it will give rise to contract liabilities, until the revenue is recognised on the relevant contract upon provision of property management services, which are expected to be satisfied within one year from the date of advance payment made by customers.

For the year ended 31 December 2021

34. AMOUNTS DUE TO RELATED PARTIES

	2021 RMB'000	2020 RMB'000
Associates	210,347	563,254
Joint ventures	132,670	118,040
Related parties	98,879	–
Non-controlling shareholders of the subsidiaries of the Company	13,817	136,167
	455,713	817,461

The amounts due to related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

35. BORROWINGS

	2021 RMB'000	2020 RMB'000
Bank loans	12,477,352	6,144,581
Other loans	12,009,696	5,051,350
	24,487,048	11,195,931
Secured	24,071,321	9,880,831
Unsecured	415,727	1,315,100
	24,487,048	11,195,931
Carrying amount repayable:		
Within one year	10,710,322	3,690,034
More than one year, but not exceeding two years	8,349,506	5,150,019
More than two years, but not exceeding five years	5,427,220	2,238,378
More than five years	–	117,500
	24,487,048	11,195,931
Less: Amounts due within one year shown under current liabilities	(13,441,873)	(3,690,034)
Amounts due after one year shown under non-current liabilities	11,045,175	7,505,897

35. BORROWINGS (continued)

Notes:

(a) Certain bank and other loans were secured by properties for sale, investment properties, pledged bank deposits and property, plant and equipment. Details are set out in note 54.

(b) Certain bank and other borrowings with the outstanding principal amount of RMB3,635,070,000 had not been repaid on demand or on schedule or otherwise renewed or extended, and have been classified as current liabilities as at 31 December 2021.

(c) Certain bank and other borrowings with the outstanding principal amount of RMB949,979,000 had become cross-default under the relevant terms set out in the loan agreements, and have been classified as current liabilities as at 31 December 2021.

As at 31 December 2021, all borrowings are denominated in RMB except that secured borrowings of RMB1,407,136,000 (2020: RMB143,548,000) and RMB415,727,000 (2020: RMB386,412,000) are denominated in USD and HKD, respectively.

The exposure of the Group's borrowings is as following:

	2021 RMB'000	**2020 RMB'000**
Fixed-rate borrowings	16,318,362	9,599,671
Variable-rate borrowings	8,168,686	1,596,260
	24,487,048	11,195,931

The ranges of effective interest rates on the Group's borrowings are as follows:

	2021	**2020**
Effective interest rate:		
Fixed-rate borrowings	4.72% – 17% per annum	4.2% – 12.5% per annum
Variable-rate borrowings	2% – 9.22% per annum	2% – 12.8% per annum

36. LEASE LIABILITIES

	2021 RMB'000	**2020 RMB'000**
Lease liabilities payable:		
Within one year	40,445	87,234
More than one year but not more than two years	23,760	64,137
More than two years but not more than five years	53,555	143,964
More than five years	34,880	57,858
	152,640	353,193
Less: Amount due for settlement within one year shown under current liabilities	(40,445)	(87,234)
Amount due for settlement after one year shown under non-current liabilities	112,195	265,959

For the year ended 31 December 2021

37. SENIOR NOTES AND BONDS

Senior notes and bonds	Maturity	Principal '000	Nominal interest rate	Effective interest rate	Carrying amount at 2021 RMB'000	Carrying amount at 2020 RMB'000
Senior notes:						
Fantasia Notes						
2016 USD500 million senior notes due 2021	5 years	USD500,000	7.38%	7.7%	1,382,921	3,313,056
2017 USD300 million senior notes due 2022	5 years	USD300,000	7.95%	8.26%	1,972,794	2,016,991
2018 USD600 million senior notes due 2021	3 years	USD600,000	8.38%	9.3%	–	3,212,655
2018 USD200 million senior notes due 2021	3 years	USD200,000	15%	15.64%	1,370,786	1,304,877
2019 USD100 million senior notes due 2021	2 years	USD100,000	15%	15.51%	688,841	652,895
2019 USD300 million senior notes due 2022	3 years	USD300,000	11.75%	13.2%	1,983,597	1,958,636
2019 USD350 million senior notes due 2022	3 years	USD350,000	12.25%	13.83%	2,430,910	2,323,651
2020 USD450 million senior notes due 2023	3 years	USD450,000	10.88%	11.31%	2,973,215	3,047,030
2020 USD300 million senior notes due 2023	3 years	USD300,000	11.88%	12.2%	1,977,471	1,954,902
2020 USD200 million senior notes due 2022	2 years	USD200,000	7.95%	7.55%	1,312,829	1,341,563
2020 USD350 million senior notes due 2023	3 years	USD350,000	9.25%	9.46%	2,163,468	2,359,228
2020 USD320 million senior notes due 2023	3 years	USD320,000	9.88%	10.18%	2,073,014	2,107,899
2020 USD50 million senior notes due 2021	1 year	USD50,000	6%	6%	–	325,049
2020 USD250 million senior notes due 2021	1 year	USD250,000	6.95%	7.32%	1,652,683	1,611,718
2021 USD150 million senior notes due 2023	2 years	USD150,000	11.88%	10.96%	1,033,492	–
2021 USD250 million senior notes due 2024	3 years	USD250,000	10.88%	11.72%	1,417,290	–
2021 USD50 million senior notes due 2022	1 year	USD50,000	14.50%	15.45%	331,273	–
2021 USD100 million senior notes due 2023	2 years	USD100,000	11.88%	14.08%	647,939	–
2021 USD200 million senior notes due 2024	3 years	USD200,000	14.50%	15.24%	776,895	–
Colour Life Notes						
2020 USD100 million senior notes due 2021	1 year	USD100,000	8%	10.31%	–	668,659
2020 USD130 million senior notes due 2021	1 year	USD130,000	10%	10.25%	–	884,029
					26,189,418	29,082,838
Corporate bonds:						
Fantasia Bonds						
2018 RMB1,000 million bonds due 2021	3 years	RMB1,000,000	7.50%	7.62%	1,005,269	951,186
2019 RMB800 million bonds due 2022	3 years	RMB800,000	8.20%	8.27%	831,795	831,276
2019 RMB730 million bonds due 2022	3 years	RMB730,000	7.80%	7.84%	778,711	734,578
2020 RMB2,500 million bonds due 2023	3 years	RMB2,500,000	7.50%	7.54%	2,557,330	2,511,683
2020 RMB1,543 million bonds due 2023	3 years	RMB1,543,000	7.50%	7.51%	1,644,927	1,536,896
					6,818,032	6,565,619
					33,007,450	35,648,457
Carrying amounts repayable:						
Within one year					15,742,409	14,489,978
More than one year, but not exceeding two years					15,070,856	11,689,420
More than two years, but not exceeding five years					2,194,185	9,469,059
					33,007,450	35,648,457
Less: Amounts shown under current liabilities					(33,007,450)	(14,489,978)
Amounts shown non-current liabilities					–	21,158,479

37. SENIOR NOTES AND BONDS (continued)

Notes:

(a) Fantasia Notes were issued on the Singapore Exchange Securities Trading Limited and guaranteed by certain subsidiaries of the Company. Fantasia Bonds were issued by Fantasia Group (China) Co., Ltd. (花樣年集團(中國)有限公司) ("Fantasia Group China"), a wholly-owned subsidiary of the Company, on Shanghai Stock Exchange.

(b) During the year ended 31 December 2021, the Company issued guaranteed senior notes, including 2021 USD150 million senior notes due 2023, 2021 USD250 million senior notes due 2024, 2021 USD50 million senior notes due 2022, 2021 USD100 million senior notes due 2023 and 2021 USD200 million senior notes due 2024.

(c) During the year ended 31 December 2021, the Company repaid 2018 USD600 million senior notes due 2021 and 2020 USD50 million senior notes due 2021 upon maturity in 2021.

(d) During the year ended 31 December 2021, the Company repurchased the senior notes of 2016 USD500 million senior notes due 2021, 2018 USD600 million senior notes due 2021, 2018 USD200 million senior notes due 2021, 2019 USD300 million senior notes due 2022, 2020 USD450 million senior notes due 2023, 2020 USD300 million senior notes due 2023, 2020 USD350 million senior notes due 2023, 2020 USD320 million senior notes due 2023, 2021 USD150 million senior notes due 2023 and 2021 USD250 million senior notes due 2024 with the aggregate principal amount of USD610,224,000 at a total consideration of RMB3,134,047,000. The gain on repurchase of senior notes of RMB94,639,000 is recognised in profit or loss. Upon completion of the repurchase, all repurchased senior notes were cancelled.

(e) During the year ended 31 December 2020, Colour Life, a non-wholly owned subsidiary of the Company, issued non-public senior notes of 2020 USD100 million senior notes due 2021 and 2020 USD130 million senior notes due 2021. The senior notes have been redeemed by Colour Life in full upon maturity in 2021.

(f) During the year ended 31 December 2021, Fantasia Group China repurchased the 2019 RMB800 million bonds due 2022 with the aggregate principal amount of RMB75,665,000 with insignificant gain on repurchase. Upon completion of the repurchase, all repurchased senior notes were cancelled.

Due to the cross-default terms and conditions set out in the relevant agreements of Fantasia Notes and Fantasia Bonds, all of the outstanding Fantasia Notes and Fantasia Bonds have been classified as current liabilities as at 31 December 2021.

The movements of the senior notes and bonds during the year are set out below:

	2021 **RMB'000**	**2020** **RMB'000**
At 1 January	35,648,457	24,083,270
Net proceeds on the date of issuance	4,761,698	19,344,195
Exchange gain	(483,562)	(1,839,780)
Interest expenses	3,210,832	2,956,468
Payment of interest	(2,297,761)	(2,456,952)
Repayment of senior notes and bonds	(4,527,841)	(5,554,627)
Repurchase/early redemption of senior notes and bonds	(3,304,373)	(884,117)
At 31 December	33,007,450	35,648,457

For the year ended 31 December 2021

38. ASSET-BACKED SECURITIES ISSUED

	Notes	2021 RMB'000	2020 RMB'000
Asset-backed securities issued			
2016 ABS	(a)	–	20,206
2021 ABS	(b)	255,438	–
		255,438	20,206
Carrying amounts repayable:			
Within one year		–	20,206
More than one year, but not exceeding two years		255,438	–
		255,438	20,206
Classified as:			
Current		–	20,206
Non-current		255,438	–
		255,438	20,206

Notes:

(a) In 2016, Shenzhen Colour Life Services Group Co., Limited 深圳市彩生活服務集團有限公司 ("Shenzhen Colour Life"), a non-wholly owned subsidiary of the Company, issued asset-backed securities ("2016 ABS") under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia Group China. The 2016 ABS were mature and fully repaid in 2021.

(b) In 2021, a subsidiary of the Company, issued asset-backed securities ("2021 ABS") under securitisation arrangements collateralised by the future earnings relating to the operation of carparks and guaranteed by Fantasia China.

The aggregate nominal value of 2021 ABS were RMB255,000,000 and the interets of 2021 ABS were ranging from 7.0% to 7.5% per annum. Under the securitisation arrangement, the principal and interests are payable quarterly and with maturity in 2023.

38. ASSET-BACKED SECURITIES ISSUED (continued)

The movement of the asset-backed securities issued during the year is set out below:

	2021 RMB'000	2020 RMB'000
At 1 January	20,206	104,548
Effective interest recognised	15,754	7,715
Repayment of principal	(20,000)	(85,740)
Issuance of ABS	255,000	–
Interest paid	(15,522)	(6,317)
At 31 December	255,438	20,206

39. PROVISIONS

	2021 RMB'000	2020 RMB'000
Analysed for reporting purposes as:		
Current liabilities	31,184	31,184

In 2013, the Group acquired Shenzhen Tengxing Hongda Investment Development Co., Ltd. (深圳騰星宏達投資發展有限公司) ("Shenzhen Tengxing") from an independent third party. Pursuant to the sales and purchase agreement, the Group agreed with the former equity holder of Shenzhen Tengxing that after the property project construction completed by the Group, the Group is required to transfer 5% of the completed property of this property project to the former shareholder of Shenzhen Tengxing. The cost incurred for construction of this 5% completed property is accounted for as a provision. The property project construction was completed by 31 December 2021 and under the handover process with the former shareholder as at 31 December 2021.

For the year ended 31 December 2021

40. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 Assets RMB'000	2021 Liabilities RMB'000	2020 Assets RMB'000	2020 Liabilities RMB'000
Derivative financial instruments (under hedge accounting)				
Cash flow hedge				
– Foreign currency option contracts	–	–	–	4,113
– Foreign currency forward contracts	–	–	–	190,355
	–	–	–	194,468
Classified as:				
Current	–	–	–	193,780
Non-current	–	–	–	688
	–	–	–	194,468

As at 31 December 2020, the Group had foreign currency forward contracts and foreign currency option contracts designated as effective hedging instruments in order to minimise its exposures to foreign currency risk on its fixed rate USD senior notes. The aforesaid contracts were settled during the year ended 31 December 2021.

41. SHARE CAPITAL

	Notes	Number of shares	Amount HK$	Equivalent to RMB'000
Ordinary shares of HK0.1 each				
Authorised:				
At 1 January 2020, 31 December 2020 and 2021		8,000,000,000	800,000,000	704,008
Issued and fully paid:				
At 1 January 2020		5,767,670,304	576,767,030	498,359
Issue of shares upon exercise of share options	(a)	2,540,120	254,012	229
At 31 December 2020		5,770,210,424	577,021,042	498,588
Issue of shares upon exercise of share options	(b)	2,387,440	238,744	199
At 31 December 2021		5,772,597,864	577,259,786	498,787

Notes:

(a) During the year ended 31 December 2020, the Company issued 2,540,120 ordinary shares of HK$0.10 each upon exercise of share options at a total consideration of RMB2,110,000 in aggregate. The exercise price of the share options during the year ranging from HK$0.8 to HK$0.836 per share. The new ordinary shares rank pari passu with the then existing shares in all respects.

(b) During the year ended 31 December 2021, the Company issued 2,387,440 ordinary shares of HK$0.10 each upon exercise of share options at a total consideration of RMB1,669,000 in aggregate. The exercise price of the share options during the year ranging from HK$0.8 to HK$0.836 per share. The new ordinary shares rank pari passu with the then existing shares in all respects.

For the year ended 31 December 2021

42. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of property projects and other assets and liabilities through acquisition of subsidiaries

For the year ended 31 December 2021

During the year ended 31 December 2021, the Group acquired the following companies at a total cash consideration of RMB2,201,398,000. The acquirees engage in property development business in the PRC, and the major assets acquired by the Group relate to properties under development for sale and therefore the acquisition of equity interest in the aforesaid subsidiaries are accounted for as assets acquisition.

Name of subsidiaries acquired	**Consideration** RMB'000	**Acquisition date**	**Equity interests acquired**	**Total equity interests held upon acquisition**
Wuhan Xiangyun Jinrui Property Development Co., Ltd. (武漢市祥雲錦瑞房地產開發有限公司)	177,600	31 August 2021	92%	100%
Changhuang Industrial (Shenzhen) Co., Ltd. (昌煌實業(深圳)有限公司)	1,573,798	30 September 2021	55%	100%
Shenzhen Haohanying Industrial Co., Ltd. (深圳市浩瀚盈實業有限公司)	10,000	31 August 2021	85%	95%
Tianjin Huachuang Property Development Co., Ltd. (天津花創房地產開發有限公司)	– (note)	1 July 2021	70%	100%
Shenzhen Huawanjia Investment Co., Ltd. (深圳市花萬嘉投資有限公司)	25,500	31 August 2021	51%	100%
Wuhan Xinchengkai Industrial Co., Ltd. (武漢欣誠開實業有限公司)	56,500	31 August 2021	82%	100%
Zhongjia Huachuang (Shaoxing) Property Co., Ltd. (中交花創(紹興)置業有限公司)	38,000	30 June 2021	2%	51%
Wuhan Huatong Property Development Co., Ltd. (武漢華通置業發展有限公司)	– (note)	30 September 2021	31%	100%
Shenzhen Fantasia Property Development Co., Ltd. (深圳市花樣年房地產開發有限公司)	320,000	30 September 2021	100%	100%

Note: The consideration is less than RMB1,000.

42. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of property projects and other assets and liabilities through acquisition of subsidiaries (continued)

For the year ended 31 December 2021 (continued)

Assets acquired and liabilities recognised at the dates of acquisition are as follows:

	RMB'000
Net assets acquired	
Interests in associates	180,000
Property, plant and equipment	740
Deferred tax assets	2,134
Properties under development for sale	16,681,358
Other receivables	14,340,361
Restricted bank deposits	336,704
Bank balances and cash	741,240
Contract liabilities	(784,413)
Trade, tax and other payables	(17,192,817)
Deferred tax liabilities	(387,199)
Borrowings	(9,766,229)
	4,151,879

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and were recognised as an expense in the year incurred within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

	RMB'000
Cash consideration paid	2,204,398
Add: Non-controlling interests	503,231
Fair value of the Group's previously held equity interests in assoicates	1,108,105
Fair value of the Group's previously held equity interests in joint ventures	336,145
	4,151,879

For the year ended 31 December 2021

42. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of property projects and other assets and liabilities through acquisition of subsidiaries (continued)

For the year ended 31 December 2021 (continued)

The fair value of the Group's previously held equity interests in associates and joint ventures is estimated by an independent valuer through application of income approach and the key inputs of the valuation are the gross development value on completion basis, construction costs to completion and the discount rates. The difference between the fair value and the carrying amount of the Group's previously held interests in associates and joint ventures amounting to RMB97,466,000 was recognised as gain on remeasurement during the year ended 31 December 2021.

	RMB'000
Net cash outflow arising on acquisitions	
Bank balances and cash acquired	741,240
Less: cash consideration paid	(2,204,398)
	(1,463,158)

For the year ended 31 December 2020

During the year ended 31 December 2020, the Group made capital injection of RMB71,110,000 to Suzhou Linjiayan, which was previously accounted for as associate of the Group. Upon completion of the capital injection and the revision of the article of association of Suzhou Linjiayan, the equity interest in Suzhou Linjiayan held by the Group and the voting power in the shareholders' meeting of the Group increased from 42.81% to 50.81% such that the Group has obtained control over the relevant activities of Suzhou Linjiayan. Suzhou Linjiayan engages in property development business in Suzhou, the PRC, and the major assets acquired by the Group relate to properties under development for sale and therefore the acquisition of equity interest in Suzhou Linjiayan is accounted for as assets acquisition.

42. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of property projects and other assets and liabilities through acquisition of subsidiaries (continued)

For the year ended 31 December 2020 (continued)

Assets acquired and liabilities recognised at the dates of acquisition are as follows:

	RMB'000
Net assets acquired	
Properties under development for sale	971,614
Amounts due from certain subsidiaries of the Company	1,707,406
Trade and other receivables	400,290
Pledged bank deposits	3,793
Bank balances and cash	63,768
Trade, tax and other payables	(173,399)
Contract liabilities	(1,588,912)
Borrowings due after one year	(500,000)
	884,560

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and were recognised as an expense in the year incurred within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

	RMB'000
Total consideration satisfied by:	
Capital injected by the Group	71,110
Add: Non-controlling interests	432,764
Fair value of the Group's previously held equity interest in Suzhou Linjiayan	380,686
	884,560

For the year ended 31 December 2021

42. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of property projects and other assets and liabilities through acquisition of subsidiaries (continued)

For the year ended 31 December 2020 (continued)

The fair value of the Group's previously held equity interests in Suzhou Linjiayan is estimated by an independent valuer through application of income approach and the key inputs of the valuation are the gross development value on completion basis, construction costs to completion and the discount rates. The difference between the fair value and the carrying amount of the Group's previously held interests in associates amounting to RMB18,555,000 was recognised as gain on remeasurement during the year ended 31 December 2020.

	RMB'000
Net cash inflow arising on acquisitions	
Bank balances and cash acquired	63,768

(b) Acquisition of property operation businesses

For the year ended 31 December 2021

During the year ended 31 December 2021, the Group acquired certain subsidiaries, which engages in property management services in PRC, at a total consideration of RMB1,092,000, after consideration of the impact of net assets acquired and non-controlling interests, goodwill amounting to approximately RMB18,403,000 was arose on the aforesaid acquisitions.

43. DISPOSAL OF SUBSIDIARIES

(a) For the year ended 31 December 2021

During the year ended 31 December 2021, the Group disposed its equity interests in certain subsidiaries, which engaged in property development business and property operation business in the PRC, to independent third parties at a total consideration of RMB3,469,640,000.

The above transactions are accounted for as disposal of subsidiaries. Details of the net assets disposed of in respect of these transactions are summarised below:

	Property development business RMB'000	Property operation business RMB'000	Total RMB'000
Analysis of assets and liabilities over which control was lost:			
Property, plant and equipment	8	91,879	91,887
Investment properties	–	122,370	122,370
Right-of-use assets	–	6,138	6,138
Goodwill	–	1,445,758	1,445,758
Intangible assets	–	824,579	824,579
Deferred tax assets	–	52,233	52,233
Trade and other receivables	13,409,703	2,203,502	15,613,205
Restricted/pledged bank deposits	–	14,937	14,937
Bank balances and cash	8,126,559	73,830	8,200,389
Trade, tax and other payables	(21,108,277)	(1,374,837)	(22,483,114)
Lease liabilities	–	(6,170)	(6,170)
Contract liabilities	–	(271,148)	(271,148)
Deferred tax liabilities	–	(209,178)	(209,178)
Net assets disposed of	427,993	2,973,893	3,401,886
(Loss) gain on disposal of subsidiaries:			
Consideration transferred			
Cash consideration received	62,902	3,002,415	3,065,317
Consideration receivables	54,900	301,823	356,723
Non-controlling interests	–	1,941	1,941
Less: Net assets disposed of	(427,993)	(2,973,893)	(3,401,886)
	(310,191)	332,286	22,095
Net cash outflow arising on disposal:			
Cash consideration received	62,902	3,002,415	3,065,317
Bank balances and cash disposed of	(8,126,559)	(73,830)	(8,200,389)
	(8,063,657)	2,928,585	(5,135,072)

For the year ended 31 December 2021

43. DISPOSAL OF SUBSIDIARIES (continued)

(a) For the year ended 31 December 2020

During the year ended 31 December 2020, the Group disposed of its 100% equity interest in Morning Star, which is engaged in travel agency business, to an independent third party for a consideration of RMB50,416,000.The disposal transaction was completed in March 2020. Cash consideration of RMB20,000,000 has been received by the Group in 2020 and the remaining consideration of RMB30,416,000 will be settled by installment and will be fully settled in 2023. The fair value of the deferred consideration is determined to be RMB30,416,000, with the discount rate of 3.65%. The loss on disposal of Morning star amounting to RMB1,090,000 is recognised and included in net gain on disposal of subsidiaries.

During the year ended 31 December 2020, the Group disposed of its 100% equity interests in Beiyou Technology (Shenzhen) Co., Ltd. (北油科技(深圳)有限公司) and its subsidiaries ("Beiyou Technology"), which are engaged in manufacturing and sales of fuel pumps, to an independent third party for a cash consideration of RMB50,000,000. The disposal transaction was completed in December 2020. The consideration receivable is due in one year since the date of completion of the transaction and the gain on disposal of Beiyou Technology amounting to RMB13,575,000 was recognised in net gain on disposal of subsidiaries.

During the year ended 31 December 2020, the Group and two independent investors ("Investors") have agreed that the Investors will acquire 100% equity interests in Nanjing Zhongchu Property Development Co., Ltd. (南京中儲房地產開發有限公司) ("Nanjing Zhongchu"), in aggregate, on the condition that the Group has obtained 30% shareholding in Nanjing Zhongchu on behalf of the Investors. The total payment settled by the Investors is RMB700,000,000 which included (1) RMB226,677,000 returned to the Group for the acquisition of 30% shareholding in Nanjing Zhongchu from the non-controlling shareholder on behalf of the Investors in which the Group was not entitled to any interests in the aforesaid 30% shareholding; (2) RMB473,323,000 paid to the Group for the acquisition of 70% equity interests in Nanjing Zhongchu. The Group has provided certain guarantees to the investors to facilities this transaction. The disposal transaction was completed in June 2020. The gain on disposal of Nanjing Zhongchu amounting to RMB160,317,000 is recognised in net gain on disposal of subsidiaries.

During the year ended 31 December 2020, the Group disposed of its 80% equity interests in Yixing Jiangnan Suixiang Resort Co., Ltd. (宜興市江南水鄉度假村有限公司) and its subsidiaries, which hold certain completed properties and a hotel property located in Suzhou, the PRC, to an independent third party for a cash consideration of RMB4,401,000. The disposal transaction was completed in July 2020. The cash consideration is fully received by the Group in 2020 and the loss on disposal of the subsidiary amounting to RMB8,169,000 is recognised and included in net gain on disposal of subsidiaries.

During the year ended 31 December 2020, the Group disposed of its 100% equity interests in Suzhou Huawanli Hotel Co., Ltd. (蘇州花萬里酒店有限公司), which holds a parcels of land located in Suzhou and is engaged in property development in the PRC, to an independent third party for a cash consideration of RMB58,029,000. The disposal transaction was completed in July 2020. The cash consideration is fully received by the Group in 2020 and the gain on disposal of the subsidiary amounting to RMB5,867,000 is recognised in net gain on disposal of subsidiaries.

43. DISPOSAL OF SUBSIDIARIES (continued)

(a) For the year ended 31 December 2020 (continued)

The above transactions are accounted for as disposal of subsidiaries. Details of the net assets disposed of in respect of these transactions are summarised below:

	Morning Star RMB'000	Beiyou Technology RMB'000	Others RMB'000	Total RMB'000
Analysis of assets and liabilities over which control was lost:				
Property, plant and equipment	329	163,559	33,535	197,423
Right-of-use assets	–	4,046	223,641	227,687
Investment properties	–	–	702,000	702,000
Goodwill	69,189	–	–	69,189
Intangible assets	37,579	–	–	37,579
Deferred tax assets	–	–	26,576	26,576
Trade and other receivables	46,541	229,072	73,992	349,605
Amounts due from certain subsidiaries of the Company	–	15,000	30,807	45,807
Properties for sale	–	–	1,574,256	1,574,256
Inventories	–	74,554	–	74,554
Restricted/pledged bank deposits	–	–	7,189	7,189
Bank balances and cash	6,779	107,285	15,276	129,340
Trade, tax and other payables	(36,252)	(337,458)	(661,405)	(1,035,115)
Lease liabilities	–	(4,046)	–	(4,046)
Contract liabilities	–	–	(22,196)	(22,196)
Amounts due to certain subsidiaries of the Company	(67,722)	–	(524,206)	(591,928)
Amounts due to joint ventures	–	(207,614)	–	(207,614)
Borrowings	–	–	(1,050,000)	(1,050,000)
Provisions	–	(7,973)	–	(7,973)
Deferred tax liabilities	(4,937)	–	–	(4,937)
Net assets disposed of	51,506	36,425	429,465	517,396
(Loss) gain on disposal of subsidiaries:				
Cash consideration	20,000	–	62,430	82,430
Deferred consideration/ consideration receivables	30,416	50,000	473,323	553,739
	50,416	50,000	535,753	636,169
Add: Non-controlling interest	–	–	51,727	51,727
Less: Net assets disposed of	(51,506)	(36,425)	(429,465)	(517,396)
	(1,090)	13,575	158,015	170,500
Net cash inflow arising on disposal:				
Cash consideration	20,000	–	62,430	82,430
Bank balances and cash disposed of	(6,779)	(107,285)	(15,276)	(129,340)
	13,221	(107,285)	47,154	(46,910)

For the year ended 31 December 2021

43. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of partial interests in subsidiaries resulting in loss of control

For the year ended 31 December 2020

During the year ended 31 December 2020, the Group disposed of its 5% equity interest in Hangzhou Qifei to an independent third party for a cash consideration of RMB12,961,000 and the Group's shareholding in Hangzhou Qifei decreased from 49% to 44% and the voting right in Hangzhou Qifei's shareholders' meeting decreased from 100% to 44%, resulting in loss of control upon completion of the transaction. The cash consideration receivables of RMB12,961,000 was fully received before 31 December 2020. The aforesaid transaction was completed in June 2020. Pursuant to the revised article of association of Hangzhou Qifei, the Group has the right to cast 44% of the votes of Hangzhou Qifei at the shareholders' meeting, the governing body which directs the relevant activities that significantly affect the returns of Hangzhou Qifei. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting, therefore, the remaining 44% equity interest in Hangzhou Qifei is classified as interests in associates. Hangzhou Qifei is engaged in property investment in the PRC.

During the year ended 31 December 2020, the Group disposed of its 60% equity interest in Qianhai Huawanli to an independent third party for a cash consideration of RMB301,048,000 and the Group's shareholding and voting right in shareholders' meeting in Shenzhen Huawanli decreased from 100% to 40%, resulting in loss of control upon completion of the transaction. The aforesaid transaction was completed in July 2020 and the consideration receivable is due in one year since the date of completion of the transaction. At the date these consolidated financial statements are authorised for issuance, the consideration receivables amounting to RMB301,048,000 as at 31 December 2020 were subsequently settled. Pursuant to the revised article of association of Shenzhen Huawanli, the Group has the right to cast 40% of the votes of Shenzhen Huawanli at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Huawanli. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting, therefore, the remaining 40% equity interest in Shenzhen Huawanli is classified as interests in associates. Shenzhen Huawanli is engaged in investment management in the PRC.

During the year ended 31 December 2020, the Group disposed of its 60% equity interest in Shenzhen Kangnian to an independent third party for a consideration of RMB489,962,000 and the Group's shareholding and voting right in shareholders' meeting in Shenzhen Kangnian decreased from 100% to 40%, resulting in loss of control upon completion of the transaction. The aforesaid transaction was completed in July 2020 and the consideration receivable is due in one year since the date of completion of the transaction. At the date these consolidated financial statements are authorised for issuance, the consideration receivables amounting to RMB489,962,000 as at 31 December 2020 were subsequently settled. Pursuant to the revised article of association of Shenzhen Kangnian, the Group has the right to cast 40% of the votes of Shenzhen Kangnian at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Kangnian. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting, therefore, the remaining 40% equity interest in Shenzhen Kangnian is classified as interests in associates. Shenzhen Kangnian is engaged in investment management in the PRC.

43. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of partial interests in subsidiaries resulting in loss of control (continued)

For the year ended 31 December 2020 (continued)

During the year ended 31 December 2020, the Group entered into a series of investment agreements with two independent investors regarding the equity investments in Chengdu Huayang. According to the investment agreements, the Group disposed of its 5% equity interests in Chengdu Huayang to an investor at a consideration of RMB35,000,000 and the other investor injected capital in the form of registered capital and share premium amounting to RMB280,000,000 to Chengdu Huayang. Upon completion of the investment, the equity interests in Chengdu Huayang held by the Group was diluted from 100% to 55%. The aforesaid transaction was completed in July 2020 and the consideration receivables of RMB35,000,000 was fully received before 31 December 2020. As all of the strategic financial and operating decisions required approval by unanimous consent of the Group and the two independent investors, the remaining 55% equity interest in Chengdu Huayang was classified as interest in a joint venture. Chengdu Huayang holds a parcel of land located in Chengdu, the PRC and is engaged in property development of the aforesaid land.

During the year ended 31 December 2020, the Group, the non-controlling shareholders and an independent investor entered into an investment agreement regarding the capital injections to Shenzhen Jianian by the Group and the independent investor amounting to RMB239,700,000 and RMB239,910,000, respectively. Upon completion of the investment, the beneficial interests, profit sharing and voting rights held by the Group was diluted from 51% to 50%. The aforesaid transaction was completed in July 2020. As all of the strategic financial and operating decisions required approval by unanimous consent of the Group, the independent investor and the former non-controlling shareholders, the 50% equity interest in Shenzhen Jianian was classified as interest in a joint venture. Shenzhen Jianian and its subsidiaries hold certain property projects in Chengdu and Shanghai, the PRC and is engaged in property development of the aforesaid property projects.

During the year ended 31 December 2020, the Group disposed of its 5% equity interest in Anning Huaqianli to an independent third party for a cash consideration of RMB7,490,000 and the Group's shareholding and voting right in shareholders' meeting in Anning Huaqianli decreased from 63% to 58%, resulting in loss of control upon completion of the transaction. The aforesaid transaction was completed in October 2020 and the consideration receivable is due in one year since the date of completion of the transaction. At the date these consolidated financial statements are authorised for issuance, the consideration receivables amounting to RMB7,490,000 as at 31 December 2020 were subsequently settled. As all of the strategic financial and operating decisions required approval by unanimous consent of the Group, the independent investor and the former non-controlling shareholders, the remaining 58% equity interest in Anning Huaqianli was classified as interest in a joint venture. Anning Huaqianli holds a parcel of land located in Anning, the PRC and is engaged in property development of the aforesaid land.

43. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of partial interests in subsidiaries resulting in loss of control (continued)

For the year ended 31 December 2020 (continued)

During the year ended 31 December 2020, the Group disposed of its 63% equity interest in Wuhan Ruijin to an independent third party for a cash consideration of RMB58,590,000 and the Group's shareholding and voting right in shareholders' meeting in Wuhan Ruijin decreased from 100% to 37%, resulting in loss of control upon completion of the transaction. The aforesaid transaction was completed in December 2020 and the consideration receivable is due in one year since the date of completion of the transaction. Pursuant to the revised article of association of Wuhan Ruijin, the Group has the right to cast 37% of the votes of Wuhan Ruijin at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Wuhan Ruijin. The approval of relevant activities require by unanimous consent of the Group, the independent investor and the former non-controlling shareholder. As the Group holds no more than 50% of the voting power in the shareholders' meeting, therefore, the remaining 37% equity interest in Wuhan Ruijin is classified as interests in joint ventures. Wuhan Ruijin is engaged in property investment in the PRC.

During the year ended 31 December 2020, the Group disposed of its 70% equity interest in Shenzhen Jindiying to an independent third party for a cash consideration of RMB792,000,000 and the Group's shareholding and voting right in shareholders' meeting in Shenzhen Jindiying decreased from 81% to 11%, resulting in loss of control upon completion of the transaction. The aforesaid transaction was completed in December 2020 and the consideration receivable is due in one year since the date of completion of the transaction. At the date these consolidated financial statements are authorised for issuance, the consideration receivables amounting to RMB792,000,000 as at 31 December 2020 were subsequently settled. As all of the strategic financial and operating decisions required approval by unanimous consent of the Group and the independent investor, the remaining 11% equity interest in Shenzhen Jindiying was classified as interest in a joint venture. Shenzhen Jindiying holds a parcel of land located in Shenzhen, the PRC and is engaged in property development of the aforesaid land.

43. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of partial interests in subsidiaries resulting in loss of control (continued)

For the year ended 31 December 2020 (continued)

	RMB'000
Assets and liabilities disposed at the date of loss of control of the disposed subsidiaries are as follows:	
Property, plant and equipment	521,634
Investment properties	650,054
Right-of-use assets	18,457
Interest in a joint venture	336,727
Deferred tax assets	193,476
Properties under development for sale	8,271,775
Trade and other receivables	1,465,666
Amount due from a joint venture	22,400
Restricted/pledged bank deposits	102,460
Bank balances and cash	1,629,401
Trade, tax and other payables	(4,137,647)
Contract liabilities	(2,156,350)
Amounts due to certain subsidiaries of the Company	(3,729,771)
Amounts due to non-controlling shareholders	(309,508)
Borrowings	(114,900)
Deferred tax liabilities	(66,228)
	2,697,646

For the year ended 31 December 2021

43. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of partial interests in subsidiaries resulting in loss of control (continued)

For the year ended 31 December 2020 (continued)

	RMB'000
Gain on remeasurement and disposal of subsidiaries:	
Cash received during the year	181,215
Consideration receivables	1,515,836
	1,697,051
Non-controlling interest	264,545
Fair value of retained equity interests in joint ventures	
– Shenzhen Jianian	366,737
– Shenzhen Jindiying	124,575
– Chengdu Huaqingjiang	385,520
– Anning Huaqianli	87,211
– Wuhan Ruijin	34,487
	998,530
Fair value of retained equity interests in associates	
– Hangzhou Qifei	84,404
– Shenzhen Huawanli	200,698
– Shenzhen Kangnian	326,641
	611,743
	3,571,869
Less: Net assets disposed of	(2,697,646)
	874,223
Classified as:	
Gain on remeasurement included in other gains and losses	175,440
Gain on disposal of subsidiaries	698,783
	874,223
Net cash inflow (outflow) arising on disposal:	
Cash consideration	181,215
Bank balances and cash disposed of	(1,629,401)
	(1,448,186)

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Amounts due to related parties (note 34) RMB'000	Borrowings (note 35) RMB'000	Lease liabilities (note 36) RMB'000	Senior notes and bonds (note 37) RMB'000	Asset-backed securities issued (note 38) RMB'000	Dividend payables RMB'000	Total RMB'000
At 1 January 2021	817,461	11,195,931	353,193	35,648,457	20,206	–	48,035,248
Financing cash flows	(361,748)	3,557,712	(211,765)	(2,975,877)	235,000	(421,309)	(177,987)
Interest paid	–	(1,189,056)	–	(2,297,761)	(15,522)	–	(3,502,339)
Finance cost incurred during the year (note 10)	–	1,189,056	23,843	3,210,832	15,754	–	4,439,485
Inception/termination of leases	–	–	(6,461)	–	–	–	(6,461)
Acquisition of subsidiaries (note 42)	–	9,766,229	–	–	–	–	9,766,229
Disposal of subsidiaries (note 43)	–	–	(6,170)	–	–	–	(6,170)
Loss on repurchase, early redemption and modification of senior notes and bonds and asset-backed securities issued	–	–	–	(94,639)	–	–	(94,639)
Foreign exchange	–	(32,824)	–	(483,562)	–	–	(516,386)
Dividend declared to shareholders of the Company (note 14)	–	–	–	–	–	342,315	342,315
Dividend paid to non-controlling shareholders of the subsidiaries	–	–	–	–	–	78,994	78,994
At 31 December 2021	455,713	24,487,048	152,640	33,007,450	255,438	–	58,358,289
At 1 January 2020	843,853	13,985,362	444,396	24,083,270	104,548	–	39,461,429
Financing cash flows	490,730	(2,114,602)	(130,786)	12,899,984	(85,740)	(314,496)	10,745,090
Interest paid	–	(1,044,242)	–	(2,456,952)	(6,317)	–	(3,507,511)
Finance cost incurred during the year (note 10)	–	1,044,242	27,441	2,956,468	7,715	–	4,035,866
Inception of leases	–	–	24,233	–	–	–	24,233
Acquisition of subsidiaries (note 42)	–	500,000	–	–	–	–	500,000
Disposal of subsidiaries (note 43)	(517,122)	(1,164,900)	(4,046)	–	–	–	(1,686,068)
Loss on repurchase, early redemption and modification of senior notes and bonds and asset-backed securities issued	–	–	–	5,467	–	–	5,467
Foreign exchange	–	(9,929)	(8,045)	(1,839,780)	–	–	(1,857,754)
Dividend declared to shareholders of the Company (note 14)	–	–	–	–	–	288,384	288,384
Dividend paid to non-controlling shareholders of the subsidiaries	–	–	–	–	–	26,112	26,112
At 31 December 2020	817,461	11,195,931	353,193	35,648,457	20,206	–	48,035,248

For the year ended 31 December 2021

45. 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 balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debt, which includes amounts due to related parties, borrowings, lease liabilities, senior notes and bonds, asset-backed securities issued, as disclosed in respective notes, net of the cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves. In managing the Group's capital structure, the management will also monitor the utilisation of borrowings, senior notes and bonds and asset-backed securities issued to ensure compliance with financial covenants.

The directors of the Company review the capital structure periodically. As a part of this review, the corporate finance department reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding and considers the cost of capital and the risks associated with each class of capital, the Group does not have any target gearing ratio.

The directors of the Company then assess the annual budget and consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts or the redemption of existing debts.

46. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets at amortised cost	25,369,704	40,420,786
Equity instruments designated at FVTOCI	142,437	54,582
Financial liabilities		
Financial liabilities measured at amortised cost	64,400,809	53,784,924
Derivative financial instruments	–	194,468

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables and deposits, amounts due from related parties, equity instruments designated at FVTOCI, restricted/pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, borrowings, senior notes and bonds, asset-backed securities issued, lease liabilities and derivative financial instruments. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly has bank balances, borrowings, lease liabilities and senior notes which are denominated in foreign currencies of the relevant group entities, hence is exposed to exchange rate fluctuations.

The Group entered into foreign currency forward contracts and foreign currency option contracts to hedge certain material senior notes denominated in foreign currency. Given this, the management considers that the net exposure to currency risk is kept to an appropriate level. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged items to maximise hedge effectiveness. Details of the foreign currency forward contracts and the foreign currency option contracts entered into by the Group at the end of the reporting period are set out in note 40.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward contracts and the foreign currency option contracts match the critical terms of the fixed rate senior notes dominated in USD (i.e. notional amount of the foreign currency forward contracts and the foreign currency option contracts, outstanding principal amounts of the senior notes, maturity dates, interest payments and principal repayment dates). Details of the terms of the foreign currency forward contracts and foreign currency option contracts are disclosed in note 40. The Group does not hedge 100% of its senior notes.

For the year ended 31 December 2021

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective reporting periods are as follow:

	2021 RMB'000	2020 RMB'000
Assets		
USD	123,383	1,212,758
HKD	4,545	109,603
Liabilities		
USD	26,605,145	29,576,744
HKD	1,407,136	386,412

Other than the derivative contracts entered into by the Group as mentioned above, the Group currently does not enter into any other derivative contracts to minimise the currency risk exposure. However, the management will consider further hedging significant currency risk should the need arise.

Sensitivity analysis

The Group mainly exposes to the effects of fluctuation in USD and HKD against RMB.

The sensitivity analyses below were prepared based on the Group's sensitivity to a 10% increase and decrease in RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items (taking into consideration of certain senior notes with foreign currency forward contracts and foreign currency option contracts designated as the relevant hedging instruments) and adjusts their translation at the year end for a 10% change in foreign currency rates. Accordingly, the sensitivity analysis includes bank balances, borrowings, lease liabilities and senior notes (taking into consideration of those senior notes subject to foreign currency forward contracts and foreign currency option contracts designated as hedging instruments). 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis also includes bank balances, borrowings, lease liabilities, obligations under finance leases and senior notes. A positive (negative) number indicates an increase (a decrease) in profit for the year.

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity analysis

The impact of RMB strengthening for 10% against the relevant currencies are as follow:

	2021 RMB'000	2020 RMB'000
USD		
Decrease in loss for the year/increase in profit for the year	2,648,176	2,618,283
HKD		
Decrease in loss for the year/increase in profit for the year	140,259	27,681

The impact of RMB weakening for 10% against the relevant currencies are as follow:

	2021 RMB'000	2020 RMB'000
USD		
Increase in loss for the year/decrease in profit for the year	(2,648,176)	(2,721,153)
HKD		
Increase in loss for the year/decrease in profit for the year	(140,259)	(27,681)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate borrowings.

The Group is also exposed to fair value interest rate risk which relates primarily to its fixed-rate loan receivables included in trade and other receivables, borrowings, lease liabilities, senior notes and bonds and asset-backed securities issued.

For the year ended 31 December 2021

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The Group currently does not use any derivative contracts to hedge its loans to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the benchmark rates.

Sensitivity analysis

Bank balances and restricted/pledged bank deposits

The sensitivity analysis below has been determined based on the exposure to interest rates for the bank balances and restricted/pledged bank deposits at the end of the reporting period. A 25 basis points (2020: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2020: 25 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2021 would have increased/decreased by RMB9,759,000 (2020: RMB53,682,000).

Variable-rate borrowings

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable-rate borrowings at the end of the reporting period. A 50 basis points (2020: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2020: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2021 would have decreased/increased by RMB30,633,000 (2020: RMB5,986,000), assuming the interest on such borrowings would not be capitalised.

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

As at 31 December 2021 and 2020, other than those financial assets whose carrying best present 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 guarantees provided by the Group is disclosed in note 51.

Trade receivables, contract assets and payments on behalf of residents included in other receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assesses the potential customer's credit quality then applies internal credit rating and defines credit limits by customers. The Group reviews the customer's credit quality on a timely basis and carried out monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivable, contract assets and payments on behalf of residents individually or based on provision matrix or collective basis, where appropriate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group had no concentration of credit risk in respect of the trade receivables, contract assets and payments on behalf of residents with exposure spread over a number of counter parties.

Other receivables and deposits (excluding payments on behalf of residents), amounts due from related parties, restricted/pledged bank deposits and bank balances

The credit risk of other receivables and deposits (excluding payments on behalf of residents), amounts due from related parties are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. Further, the Group closely monitors the financial performance of the subsidiaries of the Company with these relevant non-controlling shareholders, associates, joint ventures and related parties. Based on assessment under ECL model by the directors of the Company, the expected credit loss on other receivables and deposits (excluding payments on behalf of residents and loan receivables), loan receivables and amount due from a joint venture for the year ended 31 December 2021 was RMB728,123,000, RMB62,936,000 and RMB271,151,000 (2020: RMB47,596,000, RMB32,850,000 and RMB12,616,000), respectively. Details of the quantitative disclosures are set out below in this note.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC, Singapore and Japan.

For the year ended 31 December 2021

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Financial guarantees

For properties under development which are subject to pre-sales agreements, the Group generally typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to forfeit the customer's purchase deposit and sell the property to recover any amounts paid by the Group to the bank. Therefore, the management considers it would likely recover any loss incurred arising from the guarantee by the Group. The management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market prices of the properties are higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For the joint ventures, associates and related parties which are engaged in property development, the Group provided guarantees on outstanding obligations under the bank borrowings incurred by the joint ventures, associates and related parties for developing their projects. If the joint venture, associate or related parties defaults on the payment of bank borrowing during the term of guarantee, the relevant bank may demand the Group to repay the outstanding amount of the borrowing and any accrued interest thereon. The management considers the credit risk exposure to financial guarantees provided to joint ventures and associates is limited because the facilities are secured by the properties under development and the market prices of the properties under development are higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's internal credit risk grading assessment comprises the following categories:

	External credit rating	Internal credit rating	Notes	12 m or life-time ECL	Gross carrying amount 2021 RMB'000	Gross carrying amount 2020 RMB'000
Trade receivables						
– property development receivables	N/A	(i)	30	Life-time ECL (individual assessment)	1,799,820	813,028
– property operation services, sales of fuel pumps and lease receivables	N/A	(i)	30	Life-time ECL (provision matrix)	296,177	664,695
				Life-time ECL (credit-impaired and provision matrix)	445,384	394,927
					2,541,381	1,872,650
Contract assets						
– construction of properties	N/A	Low risk	28	Life-time ECL (individual assessment)	755,432	754,206
– others	N/A	N/A	28	Life-time ECL (collective basis)	95,897	67,534
					851,329	821,740

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Financial guarantees (continued)

	External credit rating	Internal credit rating	Notes	12 m or life-time ECL	Gross carrying amount 2021 RMB'000	2020 RMB'000
Payments on behalf of residents	N/A	(ii)	30	Life-time ECL (collective basis)	679,658	795,215
(included in other receivables)	N/A	(ii)	30	Life-time ECL (credit-impaired and collective basis)	658,313	479,820
					1,337,971	1,275,035
Loan receivables	N/A	N/A	30	12m ECL	100,000	196,001
(included in other receivables)				Life-time ECL (credit-impaired and individual assessment)	64,777	62,798
					164,777	258,799
Amount due from a joint venture (credit-impaired)	N/A	(iii)	24	Life-time ECL (credit-impaired and individual assessment)	303,892	81,505
Other receivables and deposits (excluding payments on behalf of residents and loan receivables), amounts due from related parties (excluding the credit-impaired amount due from a joint venture)	N/A	(iv)	30/24/25	12m ECL	16,691,192	8,569,040
				Life-time ECL (credit-impaired and individual assessment)	728,123	47,596
					17,419,315	8,616,636
Restricted/pledged bank deposits and bank balances	AAA	Low risk	31	12m ECL	5,204,549	28,630,247
Financial guarantee contracts	N/A	Low risk	51	12m ECL	17,446,382	18,063,583

For the year ended 31 December 2021

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Financial guarantees (continued)

Notes:

(i) Trade receivables

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade receivables arising from property operation services and sale of fuel pumps, which are assessed collectively based on provision matrix or individually as at 31 December 2021 and 2020.

For trade receivables arising from property development and lease receivables, the amount of the loss allowance at 31 December 2021 and 2020 was considered as insignificant to the consolidated financial statements of the Group.

For trade receivables arising from property operation services, sales of fuel pumps and lease receivables in which impairment loss allowance was made:

		2021			2020		
	Category	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
0 – 30 days	Not credit-impaired	0.50%	169,432	847	0.5%	447,821	2,239
31 – 90 days	Not credit-impaired	3.00%	126,745	3,802	2.0%	216,874	4,337
91 – 180 days	Credit-impaired	6.00%	128,662	7,720	6.0%	181,162	10,870
181 – 365 days	Credit-impaired	15.00%	61,716	9,257	12.0%	135,529	16,263
Over 1 year	Credit-impaired	65.00%	255,006	165,754	45.0%	78,236	35,206
			741,561	187,380		1,059,622	68,915

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without undue cost or effort.

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Financial guarantees (continued)

Notes: (continued)

(ii) Payments on behalf of residents

As part of the Group's credit risk management, the Group applies internal credit rating for its customers on payments on behalf of residents on a timely basis. The Group uses four categories for those receivables which reflect their credit risk.

Category	Group definition of category
Type I	Communities for which the Group have terminated or plan to terminate or non-renew of the related property management contracts because their financial performance does not meet the Group's expectations, the amounts are credit-impaired and the Group has low realistic prospect of recovery.
Type II	Communities for which the Group provides for the pre-delivery property management services for the property developers before the properties are delivered to owners, the property developers have a lower risk of default and a stronger capability to meet contractual cash flows than individual residents.
Type III	Communities where management offices' property management fee receivables due from residents exceed payments on behalf of residents of the relevant communities. The residents of the communities are diversified and have a low risk of default.
Type IV	Communities where payments on behalf of residents exceed management offices' property management fees receivables due from residents, which indicates the payments on behalf of residents are credit-impaired.

The following table provides information about the exposure to credit risk and ECL for payments on behalf of residents which are assessed on collective basis or individually as at 31 December 2021 and 2020.

		2021			2020		
	Category	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Type I	Credit-impaired	95%	280,993	266,943	95%	122,729	116,593
Type II	Not credit-impaired	5%	112,151	5,608	5%	124,511	6,226
Type III	Not credit-impaired	1%	567,507	5,675	1%	670,704	6,707
Type IV	Credit-impaired	20%	377,320	75,464	20%	357,091	71,418
			1,337,971	353,690		1,275,035	200,944

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without undue cost or effort.

For the year ended 31 December 2021

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Financial guarantees (continued)

Notes: (continued)

(iii) Amount due from a joint venture (credit-impaired)

In prior years, the Group had entered into a cooperative agreement with certain independent third parties to establish a joint venture and engage in sub-leasing of office premises and commercial buildings. Pursuant to the cooperative agreement, upon the formation establishment of the joint venture, all the Group's interests in the lease agreements in relation to the lease of office premises and commercial buildings located in Shanghai and the sub-leasing agreements with tenants were transferred to the joint venture. The gross amount due from the aforesaid joint venture, classified as amounts due from related parties, represented funds advanced by the Group for its purchases of property, plant and equipment. During the year ended 31 December 2021, the joint venture continued to suffer losses in the sub-leasing business and is in financial difficulty.

In the opinion of the directors of the Company, the risk of default by the joint venture is significantly increased and the Group further provided RMB258,535,000 (2020: RMB4,010,000) credit loss allowance under life-time ECL during the year ended 31 December 2021.

As at 31 December 2021, the accumulated credit loss allowance under life-time ECL was RMB271,151,000 (2020: RMB12,616,000).

(iv) Other receivables and deposits (excluding payments on behalf of residents and loan receivables), amounts due from related parties (excluding the credit-impaired amount due from a joint venture)

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

In relation to the past-due balance of RMB728,123,000 (2020: RMB8,645,000) included in the other receivables and deposits as at 31 December 2021, there was information indicating that the debtors were in severe financial difficulty and there is no realistic prospect of recovery. In the opinion of the directors of the Company, the risks of default by the debtors are significantly increased and the Group provided RMB728,123,000 (2020: RMB8,645,000) credit loss allowance during the year ended 31 December 2021.

The remaining balances RMB16,691,192,000 (2020: RMB8,569,040,000) of other receivables and deposits (excluding payments on behalf of residents and loan receivables), amounts due from related parties as at 31 December 2021 are all not past due. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant.

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on amounts due to joint ventures, associates and non-controlling shareholders of subsidiaries of the Company, borrowings, senior notes and bonds and asset-backed securities issued as significant sources of liquidity.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and derivative financial instruments. 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 other 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 at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected exchange rates at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management consider that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity table

	Weighted average effective interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2021							
Non-derivative financial liabilities							
Trade and other payables	–	6,195,160	–	–	–	6,195,160	6,195,160
Amounts due to related parties	–	455,713	–	–	–	455,713	455,713
Borrowings							
– fixed rate	10.21	7,859,101	3,942,327	5,560,265	–	17,361,693	16,318,362
– variable rate	5.22	106,591	886,266	7,956,926	–	8,949,783	8,168,686
Lease liabilities	9.14	13,092	39,275	109,795	82,660	244,822	152,640
Senior notes and bonds	10.50	33,007,450	–	–	–	33,007,450	33,007,450
Asset-backed securities issued	7.14	4,552	13,655	259,552	–	277,759	255,438
Financial guarantee contracts	–	17,446,785	–	–	–	17,446,785	–
		65,088,444	4,881,523	13,886,538	82,660	83,939,165	64,553,449

For the year ended 31 December 2021

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average effective interest rate %	On demand or less than 3 month RMB'000	3 months to 1 year RMB'000	1 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2020							
Non-derivative financial liabilities							
Trade and other payables	–	6,102,869	–	–	–	6,102,869	6,102,869
Amounts due to related parties	–	817,461	–	–	–	817,461	817,461
Borrowings							
– fixed rate	8.40	892,617	2,619,790	7,189,313	120,981	10,822,701	9,599,671
– variable rate	8.48	254,012	718,663	718,319	–	1,690,994	1,596,260
Lease liabilities	9.35	25,703	72,190	252,650	117,983	468,526	353,193
Senior notes and bonds	10.05	2,901,757	12,141,641	26,826,355	–	41,869,753	35,648,457
Asset-backed securities issued	6.10	13,564	6,606	–	–	20,170	20,206
Financial guarantee contracts		18,063,583	–	–	–	18,063,583	–
Derivatives-net settlement							
Derivative financial instruments		185,903	19,515	7,886	–	213,304	194,468
		29,257,469	15,578,405	34,994,523	238,964	80,069,361	54,332,585

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. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

46. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The directors have set up a valuation committee to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The valuation committee reports the findings to the directors every quarter to explain the cause of fluctuations in the fair value.

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at 31 December		**Fair value hierarchy**	**Valuation technique and key input**
	2021 RMB'000	**2020 RMB'000**		
Equity instruments designated at FVTOCI	142,437	54,582	Level 3	Discounted cash flow –Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return.
Derivative financial instruments – Liabilities	–	194,468	Level 2	Discounted cash flow – Fair value is estimated based on, inter alia, the contracted exchange rate and the forward rate.

For the year ended 31 December 2021

46. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

Fair value of the Group's other significant financial assets and financial liabilities that are not measured at fair value on a recurring basis

	Fair value hierarchy	2021 Carrying amount RMB'000	2021 Fair value RMB'000	2020 Carrying amount RMB'000	2020 Fair value RMB'000
Senior notes	Level 1	26,189,418	6,354,405	29,082,838	30,102,143

The management of the Group estimates the fair value of other financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

47. OPERATING LEASE

The Group as lessor

All of the properties held for rental purposes have committed lessees for the next 1 and 20 years respectively.

Minimum lease payments receivable on leases are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	193,882	246,801
In the second year	150,462	194,386
In the third year	103,657	147,430
In the fourth year	87,915	99,922
In the fifth year	85,077	83,576
After five years	201,113	338,616
	822,106	1,110,731

48. CAPITAL AND OTHER COMMITMENTS

	2021 RMB'000	2020 RMB'000
Construction commitments in respect of investment properties contracted for but not provided in the consolidated financial statements	400,012	509,790
Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	718,904	33,517
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	17,093	26,865

49. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share option scheme of the Company

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 October 2009 for the primary purposes of providing incentives to certain directors and employees of the Company and its subsidiaries ("Eligible Employees"). Under the Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HKD1 per option to the Eligible Employees to subscribe for shares in the Company ("Shares").

The maximum number of Shares which may be issued upon exercise of all options ("Options") to be granted under the Scheme and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue at any point in time. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

The exercisable period of an option is determined by the directors of the Company at their discretion. The expiry date of the Options may be determined by the Board of Directors of the Company which shall not be later than the expiry day of the Scheme.

The exercise price is determined by the directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

For the year ended 31 December 2021

49. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Share option scheme of the Company (continued)

As at 31 December 2021, the total number of shares to be issued upon the exercise of all options granted under the Scheme is 13,170,000 (2020: 72,558,000) of HKD0.1 each, representing approximately 0.23% (2020: 1.3%) of the issued share capital of the Company.

Details of the share options granted under the Scheme is as follows:

Category of grantees	Date of grant	Exercise price per share HKD	Vesting period	Exercisable period
Directors	29 August 2011	0.836	29/8/2011 – 28/8/2012	29/8/2012 – 28/8/2021
			29/8/2011 – 28/8/2013	29/8/2013 – 28/8/2021
			29/8/2011 – 28/8/2014	29/8/2014 – 28/8/2021
	16 October 2012	0.8	16/10/2012 – 15/10/2013	16/10/2013 – 15/10/2022
			16/10/2012 – 15/10/2014	16/10/2014 – 15/10/2022
			16/10/2012 – 15/10/2015	16/10/2015 – 15/10/2022
Employees	29 August 2011	0.836	29/8/2011 – 28/8/2012	29/8/2012 – 28/8/2021
			29/8/2011 – 28/8/2013	29/8/2013 – 28/8/2021
			29/8/2011 – 28/8/2014	29/8/2014 – 28/8/2021
	16 October 2012	0.8	16/10/2012 – 15/10/2013	16/10/2013 – 15/10/2022
			16/10/2012 – 15/10/2014	16/10/2014 – 15/10/2022
			16/10/2012 – 15/10/2015	16/10/2015 – 15/10/2022

49. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Share option scheme of the Company (continued)

The following table discloses movements of the Company's share options held by employees and directors during the years ended 31 December 2021 and 2020:

Category of grantees	Date of grant	Vesting period	Outstanding at 1 January 2020 '000	Granted during the year '000	Lapsed during the year '000	Exercised during the year '000	Outstanding at 31 December 2020 '000	Granted during the year '000	Lapsed during the year '000	Exercised during the year '000	Outstanding at 31 December 2021 '000
Directors	29 August 2011	29/8/2011 – 28/8/2012	1,078	–	–	–	1,078	–	(1,078)	–	–
		29/8/2011 – 28/8/2013	2,436	–	–	–	2,436	–	(2,436)	–	–
		29/8/2011 – 28/8/2014	7,266	–	–	–	7,266	–	(7,266)	–	–
	16 October 2012	16/10/2012 – 15/10/2013	1,078	–	–	–	1,078	–	(725)	–	353
		16/10/2012 – 15/10/2014	2,308	–	–	–	2,308	–	(1,552)	–	756
		16/10/2012 – 15/10/2015	7,394	–	–	–	7,394	–	(4,970)	–	2,424
			21,560	–	–	–	21,560	–	(18,027)	–	3,533
Employees	29 August 2011	29/8/2011 – 28/8/2012	2,326	–	–	(218)	2,108	–	(1,886)	(222)	–
		29/8/2011 – 28/8/2013	4,350	–	–	(435)	3,915	–	(3,502)	(413)	–
		29/8/2011 – 28/8/2014	16,581	–	–	(1,524)	15,057	–	(13,470)	(1,587)	–
	16 October 2012	16/10/2012 – 15/10/2013	3,029	–	–	(36)	2,993	–	(2,012)	(17)	964
		16/10/2012 – 15/10/2014	5,857	–	–	(73)	5,784	–	(3,889)	(32)	1,863
		16/10/2012 – 15/10/2015	21,395	–	–	(254)	21,141	–	(14,214)	(117)	6,810
			53,538	–	–	(2,540)	50,998	–	(38,973)	(2,388)	9,637
Total			75,098	–	–	(2,540)	72,558	–	(57,000)	(2,388)	13,170
Exercisable at the end of the year							72,558				13,170
Weighted average exercise price (HKD)							0.82				0.80
Weighted average exercise price at the date of exercise (HKD)						0.83				0.83	

In respect of the Company's share options exercised during the year ended 31 December 2021, the weighted average share price at the dates of exercise was HKD1.16 (2020: HKD1.49).

49. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Share option scheme of the Company (continued)

The closing price of the shares on the date of grant was HKD0.82 at 29 August 2011 and HKD0.77 at 16 October 2012. Binomial Option Pricing Model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	16 October 2012	**29 August 2011**
Market price	HKD0.77	HKD0.820
Exercise price	HKD0.80	HKD0.836
Expected volatility	44.87%	40.43%
Risk-free rate	0.66%	1.74%
Expected dividend yield	5.12%	4.88%

The estimated fair value of the options at the date of grant was RMB16,174,000 on 29 August 2011 and RMB13,682,000 on 16 October 2012, respectively. The Group did not recognise any expense for the years ended 31 December 2020 and 2021 in relation to share options granted by the Company.

(b) Share option scheme of Colour Life

Colour Life, a non-wholly owned subsidiary of the Company, operates a share option scheme (the "Colour Life's Scheme"). The Colour Life's Scheme was adopted pursuant to a resolution passed on 11 June 2014 for the primary purposes of providing incentives to certain directors and employees of the Colour Life and its subsidiaries and non-controlling shareholders of certain subsidiaries of Colour Life ("Eligible Persons"). Under the Colour Life's Scheme, the Board of Directors of Colour Life is authorised to grant options at a consideration of HKD1 per option respectively to the Eligible Persons to subscribe for shares of Colour Life ("Colour Life's Shares").

The maximum number of Colour Life's Shares which may be issued upon exercise of all options to be granted under the Colour Life's Scheme ("Colour Life's Options") and any other share option schemes of Colour Life shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of Colour Life in issue at any point in time. Colour Life's Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of Colour Life's share capital or with a value in excess of HKD5 million must be approved in advance by Colour Life's shareholders.

The exercisable period of an option is determined by the directors of Colour Life at their discretion. The expiry date of Colour Life's Options may be determined by the Board of Directors of Colour Life which shall not be later than the expiry day of Colour Life's Scheme.

49. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme of Colour Life (continued)

The exercise price is determined by the directors of Colour Life, and will not be less than the greater of: (i) the closing price of Colour Life on the offer date; (ii) the average of the closing price of Colour Life's shares for the five trading days immediately preceding the offer of Colour Life's options and (iii) the nominal value per share of Colour Life.

As at 31 December 2021, the total number of Colour Life's shares to be issued upon the exercise of all options granted under the Colour Life's Scheme is 55,964,000 (2020: 67,788,000) of HKD0.1 each, representing approximately 3.8% (2020: 4.7%) of the issued share capital of Colour Life.

Details of the share options granted under Colour Life's Scheme is as follows:

Category of grantees	Date of grant	Exercise price per share HKD	Vesting period	Exercisable period
Directors	29 September 2014	6.66	N/A	29/9/2014 – 28/9/2024
			29/9/2014 – 28/9/2015	29/9/2015 – 28/9/2024
			29/9/2014 – 28/9/2016	29/9/2016 – 28/9/2024
			29/9/2014 – 28/9/2017	29/9/2017 – 28/9/2024
	30 April 2015	11	30/4/2015 – 29/4/2016	30/4/2016 – 29/4/2025
			30/4/2015 – 29/4/2017	30/4/2017 – 29/4/2025
			30/4/2015 – 29/4/2018	30/4/2018 – 29/4/2025
	18 March 2016	5.76	18/3/2016 – 17/3/2017	18/3/2017 – 17/3/2026
			18/3/2016 – 17/3/2018	18/3/2018 – 17/3/2026
			18/3/2016 – 17/3/2019	18/3/2019 – 17/3/2026
	27 November 2018	4.11	27/11/2018 – 26/11/2019	27/11/2019 – 26/11/2029
			27/11/2018 – 26/11/2020	27/11/2020 – 26/11/2029
			27/11/2018 – 26/11/2021	27/11/2021 – 26/11/2029
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	6.66	N/A	29/9/2014 – 28/9/2024
			29/9/2014 – 28/9/2015	29/9/2015 – 28/9/2024
			29/9/2014 – 28/9/2016	29/9/2016 – 28/9/2024
			29/9/2014 – 28/9/2017	29/9/2017 – 28/9/2024
	30 April 2015	11	30/4/2015 – 29/4/2016	30/4/2016 – 29/4/2025
			30/4/2015 – 29/4/2017	30/4/2017 – 29/4/2025
			30/4/2015 – 29/4/2018	30/4/2018 – 29/4/2025
	18 March 2016	5.76	18/3/2016 – 17/3/2017	18/3/2017 – 17/3/2026
			18/3/2016 – 17/3/2018	18/3/2018 – 17/3/2026
			18/3/2016 – 17/3/2019	18/3/2019 – 17/3/2026
	27 November 2018	4.11	27/11/2018 – 26/11/2019	27/11/2019 – 26/11/2029
			27/11/2018 – 26/11/2020	27/11/2020 – 26/11/2029
			27/11/2018 – 26/11/2021	27/11/2021 – 26/11/2029

For the year ended 31 December 2021

49. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme of Colour Life (continued)

The following table of the Company discloses movements of Colour Life's share options held by Eligible Persons during the years ended 31 December 2021 and 2020:

Category of grantees	Date of grant	Vesting period	Outstanding at 1 January 2020 '000	Granted during the year '000	Lapsed during the year '000	Exercised during the year '000	Outstanding at 31 December 2020 '000	Granted during the year '000	Lapsed during the year '000	Exercised during the year '000	Outstanding at 31 December 2021 '000
Directors	29 September 2014	N/A	520	–	–	–	520	–	(145)	–	375
		29/9/2014 – 28/9/2015	1,014	–	–	–	1,014	–	(145)	–	869
		29/9/2014 – 28/9/2016	1,014	–	–	–	1,014	–	(144)	–	870
		29/9/2014 – 28/9/2017	498	–	–	–	498	–	(154)	–	344
	30 April 2015	30/4/2015 – 29/4/2016	376	–	–	–	376	–	(154)	–	222
		30/4/2015 – 29/4/2017	375	–	–	–	375	–	(154)	–	221
		30/4/2015 – 29/4/2018	375	–	–	–	375	–	(35)	–	340
	18 March 2016	18/3/2016 – 17/3/2017	367	–	–	–	367	–	(35)	–	332
		18/3/2016 – 17/3/2018	366	–	–	–	366	–	(35)	–	331
		18/3/2016 – 17/3/2019	366	–	–	–	366	–	(33)	–	333
	27 November 2018	27/11/2018 – 26/11/2019	934	–	–	–	934	–	(33)	–	901
		27/11/2018 – 26/11/2020	933	–	–	–	933	–	(33)	–	900
		27/11/2018 – 26/11/2021	933	–	–	–	933	–	–	–	933
			8,071	–	–	–	8,071	–	(1,100)	–	6,971
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	N/A	4,087	–	(1,311)	–	2,776	–	(711)	–	2,065
		29/9/2014 – 28/9/2015	8,458	–	(2,492)	–	5,966	–	(1,526)	–	4,440
		29/9/2014 – 28/9/2016	8,458	–	(2,492)	–	5,966	–	(1,526)	–	4,440
		29/9/2014 – 28/9/2017	4,253	–	(1,183)	–	3,070	–	(778)	–	2,292
	30 April 2015	30/4/2015 – 29/4/2016	5,527	–	(1,428)	–	4,099	–	(751)	–	3,348
		30/4/2015 – 29/4/2017	5,526	–	(1,428)	–	4,098	–	(751)	–	3,347
		30/4/2015 – 29/4/2018	5,526	–	(1,428)	–	4,098	–	(751)	–	3,347
	18 March 2016	18/3/2016 – 17/3/2017	5,968	–	(1,641)	–	4,327	–	(677)	–	3,650
		18/3/2016 – 17/3/2018	5,968	–	(1,641)	–	4,327	–	(677)	–	3,650
		18/3/2016 – 17/3/2019	5,966	–	(1,641)	–	4,325	–	(677)	–	3,648
	27 November 2018	27/11/2018 – 26/11/2019	5,555	–	–	–	5,555	–	(633)	–	4,922
		27/11/2018 – 26/11/2020	5,555	–	–	–	5,555	–	(633)	–	4,922
		27/11/2018 – 26/11/2021	5,555	–	–	–	5,555	–	(633)	–	4,922
			76,402	–	(16,685)	–	59,717	–	(10,724)	–	48,993
Total			84,473	–	(16,685)	–	67,788	–	(11,824)	–	55,964
Exercisable at the end of the year							61,300				55,964
Weighted average exercise price (HKD)							6.51				6.51

49. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme of Colour Life (continued)

The closing price of Colour Life's shares on the date of grant was HKD6.66 on 29 September 2014, HKD10.88 on 30 April 2015, HKD5.76 on 18 March 2016 and HKD4.11 on 27 November 2018, respectively. Binomial Option Pricing Model had been used to estimate the fair value of Colour Life's options. The variables and assumptions used in computing the fair value of the share options are based on Colour Life's best estimate. The value of Colour Life's option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	27 November 2018	**18 March 2016**	**30 April 2015**	**29 September 2014**
Market price	HKD4.11	HKD5.76	HKD10.88	HKD6.66
Exercise price	HKD4.41	HKD5.76	HKD11.00	HKD6.66
Expected volatility	52.95%	46.2%	46.26%	48.82%
Risk-free rate	2.28%	1.27%	1.63%	2.01%
Expected dividend yield	1.85%	1.55%	0.83%	0.01%

The estimated fair value of the options at the date of grant was RMB114,820,000 on 29 September 2014, RMB104,714,000 on 30 April 2015, RMB72,023,000 on 18 March 2016 and RMB36,249,000 on 27 November 2018, respectively. Colour Life recognised the total expense of RMB2,660,000 (2020: RMB6,698,000) in share option reserve of Colour Life included in non-controlling interests for the year ended 31 December 2021 in relation to share options granted by Colour Life.

For the year ended 31 December 2021

49. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(c) Share award scheme of Colour Life

The Board of Directors of Colour Life has adopted a share award scheme (the "Colour Life's Share Award Scheme") on 4 July 2016 for certain employees of Colour Life and consultants to Colour Life as incentives or rewards for their contribution to Colour Life by way of the Colour Life's shares acquired by and held through an independent trustee appointed by the Company (the "Trustee") until fulfilment of special conditions before vesting.

During the years ended 31 December 2021 and 2020, no shares held for the Colour Life Share Award Scheme were awarded.

Up to 31 December 2021 and 2020, total of 1,802,000 Company's shares acquired have not been awarded to eligible employees or consultants.

50. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the Mandatory Provident Fund Scheme, which contribution is matched by employees.

The employees of the Group in the PRC are members of state-managed retirement benefit scheme operated by the PRC Government. The Company's subsidiaries are required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

For the year ended 31 December 2021, the total cost charged to the consolidated statement of profit or loss and other comprehensive income of RMB95,951,000 (2020: RMB130,577,000) respectively, represented contributions from the continuing operation payable to the scheme.

51. CONTINGENT LIABILITIES

(a) As at 31 December 2021, the Group provided guarantees amounting to RMB11,613 million given to banks for mortgage facilities granted to purchasers of the Group's properties for sales. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate.

(b) The Group provided guarantees on several basis covering its respective shares of outstanding obligations under the borrowings incurred by the joint ventures and associates for developing their projects. As at 31 December 2021, the Group's aggregate shares of such guarantees provided in respective of loans borrowed by these joint ventures amounted to RMB1,913 million and associates amounted to RMB3,760 million, and the guarantees provided to the suppliers of the associated companies amounted to RMB160 million. In the opinion of the Directors, the possibility of the default of the purchasers is remote and the fair value of guarantee contracts is insignificant at the inception and at the end of each reporting date.

In the opinion of the directors, the possibility of the default of the parties is remote and the fair value of guarantee contracts is insignificant at the inception and at the end of each reporting period.

52. RELATED PARTY DISCLOSURES

During the years ended 31 December 2020 and 2021, in addition to those disclosed in elsewhere in the consolidated financial statements, the Group had following significant transactions with related parties:

(a) Related party transactions

	2021 RMB'000	2020 RMB'000
Commission income		
Entities controlled by Mr. Pan Jun, a director of the Company	–	23,583
Project management fee income		
Associates	–	150,615
Joint ventures	–	55,523
Property operation services income		
Associates	21,337	–
Joint ventures	1,499	–

For the year ended 31 December 2021

52. RELATED PARTY DISCLOSURES (continued)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2021 RMB'000	2020 RMB'000
Short-term benefits	84,443	108,650
Post-employment benefits	3,810	1,629
	88,253	110,279

(c) Others

During the year ended 31 December 2020, the Group had sold certain properties to its key management personnel of the Group, at a cash consideration of RMB56,093,000.

53. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2020, pursuant to the agreements entered into with the Group's certain independent property developers, all of which are customers of the Group, these customers agreed to dispose of their properties to the Group for the settlement of trade receivables due to the Group. During the year ended 31 December 2021, the carrying amounts of trade receivables of RMB12,048,000 were settled by the customers by transfer of properties to the Group.

During the year ended 31 December 2021, the Group entered into new lease agreements for the use of leased properties and office equipment and a parcel of leasehold land with lease terms ranging from 1 to 10 years. On the lease commencement, the Group recognised both right-of-use asset and lease liability of RMB6,861,000 (2020: RMB24,233,000).

54. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Group at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Properties for sale	34,206,342	10,350,784
Investment properties	6,082,175	3,985,665
Pledged bank deposits	64,343	414,118
Property, plant and equipment	800,376	513,833
	41,153,236	15,264,400

The Group's equity interests in certain subsidiaries have been pledged to secure certain banking and other facilities granted to the Group.

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) Material subsidiaries of the Company

Particulars of principal subsidiaries indirectly held, unless otherwise stated, by the Company as at 31 December 2021 and 2020 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Effective interest held by the Group 2021	2020	Principal activities	Legal form
Colour Life ^Δ^	The Cayman Islands 16 March 2011	84,313	51.98%	51.98%	Investment holding	Limited liability company
Fantasia Group China*	The PRC 20 January 2006	1,624,844	100%	100%	Investment holding	Limited liability company
Shenzhen Colour Life*#	The PRC 25 August 2006	100,000	51.98%	51.98%	Provision of property operation services	Limited liability company
深圳市花樣年地產集團有限公司 Shenzhen Huayangnian Property Development Group Co., Ltd*	The PRC 28 September 1996	150,000	100%	100%	Investment holding and property investment	Limited liability company
成都望叢房地產開發有限公司 Chengdu Wangcong Property Development Co., Ltd.*	The PRC 28 June 2014	394,000	100%	100%	Property development and property investment	Limited liability company
成都花樣家置業有限公司 Chengdu Huayangjia Properties Co., Ltd.*	The PRC 9 April 2018	180,000	100%	100%	Property development	Limited liability company
成都禦府房地產開發有限公司 Chengdu Yufu Property Development Co., Ltd.*	The PRC 2 August 2010	10,000	80%	80%	Property development	Limited liability company
四川瀚峰置業有限公司 Sichuan Hanfeng Real Estate Co., Ltd.*	The PRC 23 July 2008	594,750	95%	55%	Property development and property investment	Limited liability company

For the year ended 31 December 2021

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Effective interest held by the Group 2021	2020	Principal activities	Legal form
花樣年(成都)生態旅遊開發有限公司 Fantasia (Chengdu) Ecological Tourism Co., Ltd.*	The PRC 7 September 2006	1,921,386	100%	70%	Property development	Limited liability company
成都匯科房地產開發有限公司 Chengdu Huike Property Development Co., Ltd.*	The PRC 8 April 2020	10,000	100%	100%	Property development	Limited liability company
成都花錦房地產開發有限公司 Chengdu Huajin Property Development Co., Ltd.*	The PRC 27 November 2020	10,000	100%	100%	Property development	Limited liability company
成都望浦勵成房地產開發有限公司 Chengdu Wangpu Licheng Property Development Co., Ltd.*	The PRC 3 January 2020	10,000	51%	51%	Property development	Limited liability company
桂林萬豪房地產開發有限公司 Guilin Wanhao Property Co., Ltd.*	The PRC 14 November 2007	357,143	90%	70%	Property development and property investment	Limited liability company
桂林聚豪房地產開發有限公司 Guilin Juhao Property Development Co., Ltd.*	The PRC 14 November 2007	250,000	100%	100%	Property development	Limited liability company
南京星潤置業有限公司 Nanjing Xingrun Property Co., Ltd.*	The PRC 15 May 2017	50,000	100%	100%	Property development and property investment	Limited liability company
杭州花創房地產開發有限公司 Hangzhou Huachuang Property Development Co., Ltd.*	The PRC 19 February 2020	101,961	100%	100%	Property development	Limited liability company

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Effective interest held by the Group 2021	2020	Principal activities	Legal form
惠州TCL房地產開發有限公司 Huizhou TCL Property Development Co., Ltd.*	The PRC 29 December 2004	100,000	100%	100%	Property development and property investment	Limited liability company
廣東(惠州)TCL工業文化創意園發展有限公司 Guangdong (Huizhou) TCL Industrial Custom Innovation Park Development Co., Ltd.*	The PRC 2 September 2010	20,000	100%	100%	Property development	Limited liability company
武漢TCL置地投資有限公司 Wuhan TCL Real Estate Investment Co., Ltd.*	The PRC 6 May 2011	30,000	100%	100%	Property development and property investment	Limited liability company
武漢TCL康城房地產開發有限公司 Wuhan TCL Kangcheng Property Development Co., Ltd.*	The PRC 12 September 2012	10,000	100%	100%	Property development and property investment	Limited liability company
武漢中森華永紅房地產開發有限公司 Wuhan Zhongsenhua Yonghong Property Development Co., Ltd.*	The PRC 14 June 2011	100,000	100%	100%	Property development and property investment	Limited liability company
天津市花千里房地產開發有限公司 Tianjin Huaqianli Real Estate Co., Ltd.*	The PRC 22 December 2010	941,667	90%	60%	Property development and property investment	Limited liability company
天津花樣年碧雲天房地產開發有限公司 Tianjin Fantasia Biyuntian Property Development Co., Ltd.*	The PRC 05 June 2019	60,784	100%	51%	Property development	Limited liability company
寧夏回族自治區新聖基建築工程有限公司 Ningxia Huizu Xinshengji Engineering Project Co., Ltd.*	The PRC 22 July 2009	100,000	100%	100%	Provision of property operation services	Limited liability company

For the year ended 31 December 2021

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Effective interest held by the Group 2021	2020	Principal activities	Legal form
深圳市彩生活物業管理有限公司 Shenzhen Colour Life Property Management Co., Ltd.*#	The PRC 11 December 2000	35,000	51.98%	51.98%	Provision of property operation services	Limited liability company
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Services Co., Ltd.*#	The PRC 12 June 2007	90,000	51.98%	51.98%	Provision of property operation services	Limited liability company
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Science & Technology Co., Ltd.*#	The PRC 15 November 2001	5,000	51.98%	51.98%	Provision of engineering services	Limited liability company

* The English name is for identification purpose only.

\# These subsidiaries were held by a non-wholly owned subsidiary of the Company namely Colour Life as at 31 December 2020 and 2021.

Δ Except for the subsidiary directly held by the Company, all other subsidiaries are indirectly owned by the Company.

& The subsidiary is inactive as at 31 December 2021.

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

Except for Fantasia Group China and Shenzhen Colour Life, none of the subsidiaries had issued debt securities at the end of the year.

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(b) Composition of the Group

Information about the subsidiaries of the Company that are not material to the Group at the end of each reporting period is as follow:

Principal activities	Principal place of business	Number of subsidiaries 2021	2020
Investment holding	BVI	13	14
	Hong Kong	45	36
	PRC	70	36
	USA	5	5
	Singapore	1	1
	Cayman	5	6
Property development and investment	PRC	195	239
	Singapore	1	1
	Japan	–	1
	USA	–	1
Property agency services	PRC	3	1
Property operation services	PRC	192	211
Hotel operations	PRC	6	2
	USA	1	1
Other operations	Hong Kong	3	1
	PRC	39	–
	Macao	1	–
		580	556

For the year ended 31 December 2021

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Company as at 31 December 2021 and 2020 that have material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Ownership interests and rights held by non-controlling interests		Profit (loss) attributable to other non-controlling interests		Accumulated other non-controlling interests	
		2021	2020	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Colour Life and its subsidiaries	PRC	48.02%	48.02%	9,638	281,260	2,216,341	2,187,033
Individually immaterial subsidiaries with non-controlling interests				(383,858)	492,636	2,101,641	7,607,813
				(374,220)	773,896	4,317,982	9,794,846

Summarised financial information in respect of Company's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represented amounts before intra-group eliminations.

	Colour Life and its subsidiaries	
	2021 RMB'000	2020 RMB'000
Current assets	3,911,323	6,134,395
Non-current assets	1,833,566	4,162,042
Current liabilities	(1,315,172)	(4,949,649)
Non-current liabilities	(20,118)	(792,366)
Equity attributable to owners of the Company	2,193,258	2,367,389
Non-controlling interests	2,216,341	2,187,033
Revenue	3,123,274	3,596,450
Expenses	(3,104,458)	(3,054,395)
Profit (loss) for the year	18,816	542,055
Profit (loss) attributable to the owners of the Company	9,178	260,795
Profit (loss) attributable to the non-controlling interests	9,638	281,260
Net cash (outflow) inflow from operating activities	(368,236)	825,816
Net cash inflow (outflow) from investing activities	1,732,791	(293,136)
Net cash (outflow) inflow from financing activities	(3,223,055)	226,993
Net cash (outflow) inflow	(1,858,500)	759,673

56. FINANCIAL SUMMARY OF THE COMPANY

Statement of financial position of the Company

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	5,103,676	5,103,676
Amounts due from subsidiaries	15,673,019	18,056,124
	20,776,695	23,159,800
CURRENT ASSETS		
Other receivables	1,660,121	302,782
Bank balances and cash	11,963	90,903
	1,672,084	393,685
CURRENT LIABILITIES		
Other payables	45,580	8,202
Amounts due to subsidiaries	3,557,411	550,336
Derivative financial instruments	–	193,780
Bank borrowing	433,509	260,166
Senior notes	26,189,418	12,937,290
	30,225,918	13,949,774
NET CURRENT LIABILITIES	(28,553,834)	(13,556,089)
TOTAL ASSETS LESS CURRENT LIABILITIES	(7,777,139)	9,603,711
NON-CURRENT LIABILITIES		
Derivative financial instruments	–	688
Senior notes	–	14,592,859
	–	14,593,547
NET LIABILITIES	(7,777,139)	(4,989,836)
CAPITAL AND RESERVES		
Share capital	498,787	498,588
Reserves	(8,275,926)	(5,488,424)
	(7,777,139)	(4,989,836)

For the year ended 31 December 2021

56. FINANCIAL SUMMARY OF THE COMPANY (continued)

Movement of reserves

	Share premium RMB'000	Accumulated losses RMB'000	Hedging reserve RMB'000	Share-based payments reserve RMB'000	Total RMB'000
At 1 January 2020	1,174,950	(5,824,393)	439	16,264	(4,632,740)
Loss for the year	–	(579,887)	–	–	(579,887)
Fair value change on hedging instruments designated as cash flow hedges	–	–	10,706	–	10,706
Total comprehensive (expense) income for the year	–	(579,887)	10,706	–	(569,181)
Issue of shares upon exercise of share options	3,792	–	–	(1,911)	1,881
Dividend distributed to shareholders of the Company (note 14)	(288,384)	–	–	–	(288,384)
At 31 December 2020	890,358	(6,404,280)	11,145	14,353	(5,488,424)
Loss for the year	–	(2,435,512)	–	–	(2,435,512)
Fair value change on hedging instruments designated as cash flow hedges	–	–	(11,145)	–	(11,145)
Total comprehensive expense for the year	–	(2,435,512)	(11,145)	–	(2,446,657)
Issue of shares upon exercise of share options	1,963	–	–	(493)	1,470
Dividend distributed to shareholders of the Company (note 14)	(342,315)	–	–	–	(342,315)
At 31 December 2021	550,006	(8,839,792)	–	13,860	(8,275,926)

57. EVENTS AFTER THE END OF THE REPORTING PERIOD

(1) Subsequent to 31 December 2021 and up to the date of the consolidated financial statements, the Group has certain litigations with its business partners regarding the settlement of the outstanding/overdue operational payables, banks and other borrowings and senior notes. The Group has been proactive in seeking ways to settle the outstanding litigation of the Group, however, the outcome of the claims and disputes is not certain at current stage.

(2) In May 2022, the Group entered into an equity transfer agreement with the non-controlling shareholder of CCCG Huachuang (Shaoxing) Real Estate Co., Ltd., a subsidiary of the Group, for disposal of its 51% equity interests at an aggregate consideration of approximately RMB760,557,000.

(3) In 2023, modification of the Fantasia Bond repayment arrangements had been approved by the respective bondholder's meeting, in respect of the principal and related interests , where the maturity date had been extended to between 2023 and 2028.

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Spring No.7, partial screen | Zhou Li | 2020 | Mixed media on canvas | 250 × 600 cm | BAO COLLECTION

CAYMAN ISLANDS PRINCIPAL
SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH
SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 01777

REGISTERED OFFICE

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

CORPORATE HEAD OFFICE IN HONG KONG

21 Floor
CMA Building
64 Connaught Road Central
Hong Kong

CORPORATE HEADQUARTERS
IN PEOPLE'S REPUBLIC OF CHINA

Block A, Funian Plaza
Shihua Road and Zijing Road
Interchange in Futian Duty-free Zone
Shenzhen 518048
Guangdong Province, China

www.cnfantasia.com