珠光控股
ZHUGUANG HOLDINGS

ZHUGUANG HOLDINGS GROUP COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 1176

ANNUAL REPORT
2021

* For identification purposes only

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) *(Chairman)*
Mr. Liu Jie *(Chief Executive Officer)*
Mr. Liao Tengjia *(Deputy Chairman)*
Mr. Huang Jiajue *(Deputy Chairman)*
Mr. Chu Muk Chi (alias Mr. Zhu La Yi)
Ms. Ye Lixia

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wo Ping *JP*
Mr. Wong Chi Keung
Dr. Feng Ke

AUDIT COMMITTEE

Mr. Leung Wo Ping *JP (Committee Chairman)*
Mr. Wong Chi Keung
Dr. Feng Ke

REMUNERATION COMMITTEE

Mr. Wong Chi Keung *(Committee Chairman)*
Mr. Leung Wo Ping *JP*
Mr. Huang Jiajue

NOMINATION COMMITTEE

Mr. Wong Chi Keung *(Committee Chairman)*
Mr. Leung Wo Ping *JP*
Mr. Huang Jiajue

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 5702-5703, 57th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

COMPANY SECRETARY

Mr. Choi Kwok Keung Sanvic

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

Ernst & Young
Registered Public Interest Entity Auditor
27/F One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

LEGAL ADVISORS ON HONG KONG LAW

LCH Lawyers LLP
Room 702, 7/F.
Admiralty Centre Tower One
18 Harcourt Road
Admiralty
Hong Kong

LEGAL ADVISORS ON BERMUDA LAW

Conyers Dill & Pearman
29th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Agricultural Bank of China Limited
China Construction Bank (Asia) Corporation Limited
Bank of Guangzhou Co., Ltd.
China Zheshang Bank Co., Ltd.
Guangzhou Rural Commercial Bank

WEBSITE

www.zhuguang.com.hk

STOCK CODE

1176

CHAIRMAN'S STATEMENT

I herein present the results and report on the operations of Zhuguang Holdings Group Company Limited ("Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2021 ("FY2021").

RESULTS

The consolidated results of the Group for FY2021 are as follows: (1) the consolidated revenue of the Group for FY2021 was approximately HK$2,985,021,000, representing a decrease of 54.9% as compared with that of approximately HK$6,624,798,000 for the financial year ended 31 December 2020 ("FY2020"); (2) the consolidated gross profit of the Group decreased by 29.8% to approximately HK$2,262,611,000; and (3) the consolidated profit of the Group for FY2021 was approximately HK$109,616,000, representing a decrease of approximately 95.1% as compared with that of approximately HK$2,225,196,000 for FY2020. The consolidated profit attributable to the equity holders of the Company for FY2021 was approximately HK$71,018,000 and the basic earnings per share was HK0.29 cents, which were lower as compared with the consolidated profit attributable to the equity holders of the Company of approximately HK$2,242,404,000 and the basic earnings per share of HK30.50 cents for FY2020.

NET ASSET VALUE

As at 31 December 2021, the number of ordinary shares of the Company ("Shares") in issue was 7,225,632,753 Shares in aggregate and the shareholders' equity of the Group was approximately HK$8,934,685,000. The Group's consolidated net asset value per share attributable to the equity holders of the Company as at 31 December 2021 was approximately HK$1.24.

MARKET AND BUSINESS REVIEW

In 2021, the global economic recovery was still hindered by the outbreak of Coronavirus Disease-2019 ("COVID-19") and its variants. In spite of the increase in the vaccination rate, confirmed cases of COVID-19 still continued to rise. During the year under review, notwithstanding that various countries have lifted their lockdown measures at different degrees, business activities however were still lower than their pre-pandemic level, which was mainly due to the strict cross-border restrictions as well as the social distancing measures of varying degrees imposed by many governments.

During the year under review, China's property market went through a transition of rapid and in-depth adjustment. Under the regulations of the property market, the policies were to continue to maintain the major principles of "housing is for accommodation, not for speculative trading", "taking measures in response to local conditions", stabilising land prices, stabilising property prices and stabilising expectations, yet the overall regulation policies have tightened. In addition, due to the government's continuous deleveraging policies, several property developers in China's property market suffered from severe credit and liquidity crunch.

In 2021, being the first year under the "14th Five-Year Plan", the positioning of the principle emphasised by the government of the People's Republic of China ("PRC", "China" or "Mainland China") that "housing is for accommodation, not for speculative trading" has become clearer and the real estate industry has accelerated its transformation into the stock era. The "Recommendations of the Central Committee of CPC for the 14th Five-Year Plan for Economic and Social Development and the 2035 Vision of the People's Republic of China" put forward the enhancement of the transformation of old communities in cities and community construction, and the implementation of a number of major projects, which coincided with the continuous philosophy of 廣州珠光城市更新集團有限公司 (Guangzhou Zhuguang Urban Renewal Group Company Limited*) ("GZZG Urban Renewal"), a wholly-owned subsidiary of the Company and a member of the Company's urban renewal group.

The urban renewal group of the Company will continue its professionalism as an urban renewal specialist to implement each urban renewal project of the Group, secure the Group's most important source of land supply for the next three years and strengthen the characteristics and competitive edge of the Group's future development. The Group will also accelerate its efforts in seeking cooperation in various aspects with its strategic partners to strengthen and consolidate its position as an urban renewal specialist.

The Group will uphold its spirit of craftsmanship, focus on improving product quality, and proceed with details to build high-quality products with high added value, high profit and distinctive characteristics for the Group, and provide buyers with quality investment value.

** English name is translated for identification purpose only*

FINANCING COSTS AND CHANNELS

As at 31 December 2021, the gearing ratio of the Group was 65% (31 December 2020: 61%). The increase in the gearing ratio was mainly due to the increase in the balance of the interest-bearing bank and other borrowings as at 31 December 2021, as compared with those as at 31 December 2020. As at 31 December 2021, the bank balances and cash of the Group amounted to approximately HK$2,064 million (31 December 2020: HK$2,512 million) and the balance of the interest-bearing debts of the Group amounted to approximately HK$19,196 million (31 December 2020: HK$17,041 million). The weighted average cost of capital of the Group was 6.51% in FY2021 (FY2020: 7.94%).

The Company is committed to enhancing the communication with its shareholders ("Shareholders") and its dedication to investor relationship. Through various channels, such as an investor forum, an investment promotion conference and project visits, the Company has maintained smooth communication with the Shareholders and investors in an effective manner, and enabled the investors to have an in-depth understanding of the Company's development strategy and business philosophy.

OUTLOOK

Looking ahead, the global economy will remain unstable and full of challenges in 2022. Notwithstanding that the control of the COVID-19 pandemic has attained a certain degree of success on a global scale, the pandemic situation may still remain volatile. Factors such as the rise of global inflation, the raise of the interest rates earlier and quicker than expected, the gradual phase out of the quantitative easing policy, as well as the impact of the pandemic on the global supply chain will bring uncertainties to global economic growth and the financial markets.

China's economy has taken the lead in recovering from the pandemic and achieved a strong rebound. However, the fluctuating situation of the pandemic, weak consumption demands, unstable global supply chain and the risk of downward trend in the property sector will bring challenges to the economic growth in China in 2022. In terms of real estate policies, the government's regulation policies will continue to maintain continuity and stability, and the principles under the regulation policies such as "housing is for accommodation, not for speculative trading", "taking measures in response to local conditions", as well as stabilising land prices, stabilising property prices and stabilising expectations will remain unchanged.

In 2022, the Group's inventory for sale is still concentrated in its completed projects in Guangzhou. In the future, the Group will continue to drive up its sales in the Guangzhou area. Guangzhou will remain the key sales area of the Group in 2022, and the Group will continue to pay close attention to the sales in this market. In terms of land acquisition, the Group will continue to implement its strategy of focusing on urban renewal projects to support its development and to meet its needs. As the Group will continue to acquire its land resources through urban renewal projects in the future, it will leverage on the Group's competitive edge and strengths as well boost its urban renewal operations. In addition, the Group will continue to seek cooperation in various aspects with its partners, so as to enhance and strengthen its position in the industry as an urban renewal specialist.

In 2022, the Group will focus on the strategy of "Optimising the structure, Enhancing capabilities and Improving quality" and strive to overcome the challenges arising from the major adjustments in China's property market.

APPRECIATION

On behalf of the Board, I would like to thank our management team and every staff member of the Group. The growth of the Group would not have been possible without their dedication and contribution. I would also like to express my appreciation to our investors, customers and business partners for their strong support and confidence in the Group. The management and staff of the Group will continue to dedicate their professional knowledge with excellent team spirit to overcome every difficulty ahead so as to achieve more outstanding results.

Chu Hing Tsung
Chairman

Hong Kong, 22 April 2022

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in property development, property investment, project management, and other property development related services in the PRC.

Property Development and Sales

During FY2021, the Group continued its focus on the first-tier and key second-tier cities in the PRC with potential growth in demand for properties. The Group's respective contracted sales and contracted gross floor area ("GFA") sold for FY2021 amounted to approximately HK$1,638,529,000 and approximately 54,794 square metres ("sqm"), representing a decrease of approximately 62.82% and a decrease of approximately 63.20% respectively, as compared with those for FY2020. The details of the Group's contracted sales and contracted GFA sold for FY2021 are set out below:

Projects	Contracted sales (HK$'000)	Contracted GFA sold (sqm)
Zhuguang Financial Town One	**1,281,003**	22,954
Pearl Xincheng Yujing ("Xincheng Yujing")	**156,728**	17,360
Yujing Yayuan	**78,610**	4,820
Pearl Yunling Lake	**29,368**	2,381
Zhuguang Yujing Scenic Garden ("Yujing Scenic Garden")	**18,745**	1,221
Pearl Tianhu Yujing Garden ("Tianhu Yujing")	**18,107**	1,723
Project Tian Ying	**13,668**	914
Pearl Yijing	**2,333**	145
	1,598,562	51,518
Car parks	**39,967**	3,276
	1,638,529	54,794

** English name is translated for identification purpose only*

It is expected that the following projects will be available for sale, pre-sale or leasing in 2022:

Projects	**Available for sale/ pre-sale/ leasing period**	**GFA available for sale/lease** (sqm)	**Usage**
Zhuguang Financial Town One	1st quarter	367,165	Pre-sale/Sale
Xincheng Yujing	1st quarter	55,527	Leasing/Sale
Yujing Yayuan	1st quarter	18,044	Sale
Pearl Yunling Lake	1st quarter	359	Sale
Yujing Scenic Garden	1st quarter	26,336	Leasing/Sale
Tianhu Yujing	1st quarter	27,423	Leasing/Sale
Project Tian Ying	1st quarter	6,949	Sale
Pearl Yijing	1st quarter	17,388	Sale
Meizhou Chaotang Project	1st quarter	26,813	Leasing/Sale
Hua Cheng Yujing Garden	1st quarter	3,898	Leasing/Sale
Zhukong International	1st quarter	3,345	Leasing/Sale
Central Park	1st quarter	2,432	Leasing/Sale

As at 31 December 2021, the Group owned the following major property development projects, the details of which are as follows:

Zhuguang Financial Town One — 100% interest

"Zhuguang Financial Town One" is located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC, which is near the 三溪 (Sanxi*) Station of Guangzhou Metro Line No. 5 and within the scope of the planned 廣州國際金融城 (Guangzhou International Financial Town*) in the Tianhe District. The total site area of this project is approximately 63,637 sqm, which is being developed into office buildings, high-end apartment buildings, shopping malls and a commercial complex including underground car parks over four phases. The total GFA for sale of this project is approximately 393,195 sqm. During FY2021, contracted sales of approximately HK$1,281,003,000 with GFA of approximately 22,954 sqm were recorded with respect to "Zhuguang Financial Town One".

** English name is translated for identification purpose only*

Management Discussion and Analysis

Xincheng Yujing — 100% interest

"Xincheng Yujing" was acquired by the Group in September 2016. It is located at 種王上圍 (Zhong Su Shang Wei*), 陽光村 (Sunshine Village*), 湯南鎮 (Tang Nan Town*), 豐順縣 (Fengshun County*), Meizhou City, Guangdong Province, the PRC (next to Line G235), a county famous for its hot spring resources which is a major tourism attraction. The project has a site area of approximately 280,836 sqm and a total GFA for sale of approximately 310,657 sqm. The project is being developed into various types of villas, high-rise apartment buildings and an ancillary commercial development. The development of the project is divided into three phases. Phase I commenced pre-sale during 2017 with delivery commencing in 2018. Phase II commenced pre-sale in 2017 which was completed with delivery commencing in 2019. Phase III also commenced delivery during FY2020. Aggregate GFA of approximately 792 sqm, 3,176 sqm and 8,132 sqm were delivered under Phase I, Phase II and Phase III, respectively, during FY2021. The ancillary commercial building plus a basement with a total GFA of approximately 10,660 sqm were leased out during FY2021. During FY2021, contracted sales of approximately HK$156,728,000 with GFA of approximately 17,360 sqm were recorded with respect to "Xincheng Yujing".

Yujing Yayuan — 50% interest

"Yujing Yayuan" is located at Guoji, Fuyong, Nanqu, Zhongshan City, Guangdong Province, the PRC. The site area and the GFA available for development of this project are approximately 15,745 sqm and approximately 38,005 sqm, respectively. The development of this project into five blocks of modern residential buildings, a street-level commercial podium and an underground car park was completed in FY2020. As at 31 December 2021, the aggregate GFA delivered under this project was approximately 13,727 sqm. During FY2021, contracted sales of approximately HK$78,610,000 with GFA of approximately 4,820 sqm were recorded with respect to "Yujing Yayuan".

Pearl Yunling Lake — 100% interest

"Pearl Yunling Lake" is located at Provincial Highway S355 line at Jiekou Street, Conghua, Guangzhou City, Guangdong Province, the PRC, which is adjacent to the Fengyunling Forest Park, and is the main transportation link between Conghua and downtown Guangzhou City. The project site area is approximately 200,083 sqm and the total GFA is approximately 126,657 sqm. The development is divided into two phases, with Phase I comprising 57 villas and 5 apartment buildings, with an aggregate GFA of approximately 42,884 sqm, and Phase II comprising 44 villas, 3 apartment buildings and a hotel, with an aggregate GFA of approximately 83,773 sqm. Phase I with a total GFA available for sale of approximately 39,046 sqm and Phase II with a total GFA available for sale of approximately 29,040 sqm were launched for sale in the first and third quarters of 2017 respectively, whilst the hotel has been retained as a long-term asset of the Group.

As at 31 December 2021, the respective aggregate GFAs delivered under Phase I and Phase II were approximately 21,362 sqm and approximately 17,933 sqm, with approximately 2,326 sqm under Phase II being delivered during FY2021. The remaining GFA available for sale under Phase I and Phase II is expected to be delivered in 2022. During FY2021, contracted sales of approximately HK$29,368,000 with GFA of approximately 2,381 sqm were recorded with respect to "Pearl Yunling Lake".

** English name is translated for identification purpose only*

Yujing Scenic Garden — 100% interest

"Yujing Scenic Garden" is located at Provincial Highway G105 ("Highway G105") line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou City, Guangdong Province, the PRC, which is well connected via a number of highways to and from Guangzhou City. "Yujing Scenic Garden"' is a 20-minute drive from downtown Conghua and a 10-minute drive from Wenquan Town, Conghua, with a site area of approximately 294,684 sqm, which is being developed into a commercial and residential complex, comprising residential buildings and a street-level commercial podium, service apartments and car parks. The total GFA available for sale is approximately 758,606 sqm, which comprises four phases of development. As at 31 December 2021, the aggregate GFA delivered under this project was approximately 20,300 sqm. Apart from the properties developed for sale under Phases I to IV, "Yujing Scenic Garden" also comprises properties with a total GFA of approximately 3,652 sqm, which are held by the Group for investment purposes.

Properties with a total GFA of approximately 2,761 sqm were leased out during FY2021. During FY2021, contracted sales of approximately HK$18,745,000 with GFA of approximately 1,221 sqm were recorded with respect to "Yujing Scenic Garden".

Tianhu Yujing — 100% interest

"Tianhu Yujing" is located at Shui Di Village, Jiulibu District, Wenquan Town, Conghua, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 55,031 sqm. The land of this project is located adjacent to "Yujing Scenic Garden", and the Group has developed this land together with "Yujing Scenic Garden" to expand the Group's development and presence in Conghua. The project is developed into 5 blocks of 32-storey modern residential buildings and a street-level commercial podium with total GFA available for sale of approximately 186,895 sqm. The development is divided into two phases. The total GFA available for sale under Phase I and Phase II is approximately 97,183 sqm and approximately 89,712 sqm, respectively.

As at 31 December 2021, the respective aggregate GFAs delivered under Phase I and Phase II were approximately 93,018 sqm and approximately 45,359 sqm, with approximately 160 sqm under Phase II being delivered during FY2021. During FY2021, contracted sales of approximately HK$18,107,000 with GFA of approximately 1,723 sqm were recorded with respect to "Tianhu Yujing".

Project Tian Ying — 100% interest

"Project Tian Ying" is located in Jiang Pu Street, Conghua, Guangzhou City, Guangdong Province, the PRC, and is next to Highway G105, which is only a 10-minute drive and a one-hour drive from Conghua central business district and Guangzhou City, respectively. The site area of the project is approximately 22,742 sqm and the total GFA available for sale is approximately 59,679 sqm. The project, which was to be developed into a stylish low-density residential complex with a commercial podium and certain public facilities, was completed in 2019. As at 31 December 2021, the aggregate GFA delivered was approximately 50,026 sqm, of which approximately 1,583 sqm was delivered during FY2021. During FY2021, contracted sales of approximately HK$13,668,000 with GFA of approximately 914 sqm were recorded with respect to "Project Tian Ying".

Management Discussion and Analysis

Pearl Yijing — 100% interest

"Pearl Yijing" is located at No. 168 Xinkai Street, Xianghe County, Hebei Province, the PRC, with a site area of approximately 45,310 sqm and a total GFA available for sale of approximately 164,603 sqm. The project was developed into two phases with several residential buildings and street-level commercial areas. As at 31 December 2021, the aggregate GFA available for sale delivered under Phase I and Phase II were approximately 76,115 sqm and approximately 70,172 sqm, respectively. A total GFA of approximately 2,366 sqm under Phase I and Phase II was delivered during FY2021. During FY2021, contracted sales of approximately HK$2,333,000 with GFA of approximately 145 sqm were recorded with respect to "Pearl Yijing".

Meizhou Chaotang Project — 100% interest

"Meizhou Chaotang Project" is located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, Guangdong Province, the PRC. The site area and the GFA available for development under Phase I of the project are approximately 46,793 sqm and approximately 55,248 sqm, respectively. Phase I of the project will be developed into a number of different types of villas in addition to a hotel. The Group has designated the hotel with a GFA of approximately 7,389 sqm as an investment property held for long-term investment purpose.

Hua Cheng Yujing Garden — 100% interest

"Hua Cheng Yujing Garden" was acquired by the Group in 2018. This project is located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 60,237 sqm. The total GFA available for sale of this project which belongs to the Group is approximately 108,675 sqm. Out of the GFA of approximately 108,675 sqm, a GFA of approximately 48,043 sqm is attributable to a commercial and residential complex which comprises carparks, residential buildings, shopping malls and office premises, and a GFA of approximately 60,632 sqm is attributable to a commercial complex which comprises car parks, shopping malls and office premises. As at 31 December 2021, the aggregate GFA delivered under this project was approximately 87,013 sqm.

Zhukong International — 80% interest

"Zhukong International", which is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC, at the junction of 廣州大道 (Guangzhou Avenue*) and 黃埔大道 (Huang Pu Da Dao*), is a 35-storey high-rise commercial complex, including a 6-storey commercial podium, a 29-storey Grade A office building and a 3-storey underground car park. The complex was completed in 2015 with a site area of approximately 10,449 sqm and a total GFA available for sale (including carpark areas) and leasing of approximately 109,824 sqm. As at 31 December 2021, the aggregate GFA of the office building and carparks sold was approximately 43,824 sqm, and GFA of approximately 3,345 sqm of this property was still available for sale or leasing. The Group has designated GFA of approximately 62,655 sqm of this property as investment properties held for long-term investment purpose.

** English name is translated for identification purpose only*

Central Park — 100% interest

"Central Park" is located at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 3,430 sqm, and a total GFA available for sale of approximately 28,909 sqm thereof has been developed into a 30-storey building, including service apartments, a street-level commercial podium and a 4-storey underground car park. As at 31 December 2021, the aggregate GFA available for sale of the service apartments delivered was approximately 23,631 sqm. The Group has designated GFA of approximately 2,746 sqm of this property as investment properties held for long-term investment purpose.

Land Bank

It is the Group's strategy to maintain a sufficient land bank and design accurate urban layout to support the Group's own development pipeline for at least the next three to five years. The Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects and acquisition of other property development projects. As at 31 December 2021, the Group had a land bank in the PRC, which consisted of total GFA available for sale, total GFA pre-sold pending delivery and total GFA available for lease, of approximately 903,970 sqm in aggregate. The Group will continue to explore new opportunities for investment and development in cities in the PRC in which the Group already has land investments, as well as other cities in the PRC with growth potential and the best investment value.

Project Management Services

The Group has been using its expertise in project management and urban renewal to provide project management services for property development projects and urban redevelopment projects in the PRC, particularly under the "Three Old" Redevelopment Works regime (「三舊」改造工作) initiated by the Guangzhou Municipal Government, being a regime for the redevelopment of rural land collectively owned by the village residents through a rural collective economic organisation (農村集體經濟聯合社). Projects under the "Three Old" Redevelopment Works regime are subject to specific PRC laws, regulations and policies which, among other things, (1) regulate the various models of property redevelopment for these projects (each a "Redevelopment Model"); and (2) restrict the transfer of ownership of the land use rights in the rural land for redevelopment under these projects.

Under this operating model, the Group has been providing project management services to each of its customers who have entered into cooperation agreements with various rural collective economic organisations for the redevelopment of rural land under the "Three Old" Redevelopment Works regime. Pursuant to each of these cooperation agreements, the relevant rural collective economic organisation has agreed to provide the rural land for redevelopment under the project ("Project Land"), and the relevant customer has obtained the contractual right and responsibility (including the funding responsibility) and management rights to carry out the redevelopment of the project. Pursuant to the "Three Old" Redevelopment Works regime, the Group's customer may, as the contract redeveloper, acquire the land use rights of the relevant Project Land either by way of contract or through a public listing-for-sale process depending on the Redevelopment Model adopted by the relevant rural collective economic organisation.

The Group is not a party to the cooperation agreements with the rural collective economic organisations. Instead, it has entered into project management agreements with each of its customers, pursuant to which the Group has obtained such management rights and undertaken the responsibility (including funding responsibility) to carry out the redevelopment of the project. In carrying out its business in the provision of such project management services for projects under the "Three Old" Redevelopment Works regime, the Group is responsible for preparing redevelopment and resettlement compensation plans, obtaining approvals from village residents with respect to such plans, assisting the rural collective economic organisations to manage land title issues, obtaining government approvals, certificates and permits to carry out the property development works (including development of resettlement properties), funding the operations and development of the project and other project management services. In return for the Group's project management services and contribution:

(a) if the subsidiary of the Group's customer ("Project Company") directly or indirectly acquires the land use rights in the Project Land and to the extent a transfer of the equity interest in the Project Company is permitted under the PRC laws, regulations and policies, the Group is entitled to (i) exercise its pre-emptive rights to acquire the equity interest in the Project Company or (ii) an income from the sale of the equity interest in the Project Land to a third party;

(b) to the extent that the equity interest in the Project Company (which directly or indirectly holds the land use rights in the Project Land) is not capable of being transferred due to regulatory reasons or government policies, the Group is entitled to an income from the sale of saleable properties developed under the project; and

(c) if the Project Company has not directly or indirectly acquired the land use rights in the Project Land, the Group is entitled to an amount equal to (i) the total amount of funds incurred and contributed by the Group under its contractual funding responsibility plus (ii) an income from a fixed rate of return at an agreed percentage of such funds, which represents the minimum consideration receivable by the Group as an assured return on investment for its provision of project management services.

The Group recorded project management services segment revenue of approximately HK$1,893,417,000 for FY2021, compared with that of approximately HK$2,063,545,000 for FY2020. The decrease in the revenue generated from this business segment was mainly attributable to the decrease in the number of project management agreements entered into by the Group in FY2021. The Group will continue to utilise its expertise in project management and urban renewal to further develop its project management services business to broaden its source of income.

Property Investments

As at 31 December 2021, the Group owned (1) certain floors of Royal Mediterranean Hotel ("RM Hotel") located at 518 Tianhe Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with GFA of approximately 18,184 sqm (31 December 2020: 18,184 sqm); (2) "Zhukong International" with GFA of approximately 62,655 sqm (31 December 2020: 43,918 sqm); (3) certain floors of a commercial complex in "Hua Cheng Yujing Garden" with GFA of approximately 15,918 sqm (31 December 2020: 14,832 sqm); (4) a hotel located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, Guangdong Province, the PRC, with GFA of approximately 7,389 sqm (31 December 2020: 7,389 sqm); and (5) certain commercial properties in the Guangdong Province, the PRC, with GFA of approximately 19,058 sqm (31 December 2020: 18,483 sqm) as investment properties. During FY2021, RM Hotel, "Zhukong International", the hotel located in Meizhou City and certain commercial properties were partially leased out with total rental income of approximately HK$196,446,000 generated, representing an increase of approximately 10.8% as compared with that of approximately HK$177,230,000 for FY2020. The existing investment properties held by the Group are intended to be held for medium-term to long-term investment purposes. The Group will continue to seek high quality properties with potential appreciation in value for investment purposes and build up a portfolio that will generate steady cash flows for the Group in the future.

MATERIAL ACQUISITIONS AND DISPOSALS

During FY2021, the Group completed the following material acquisition:

On 7 December 2020, Pacific Win Investments Limited (保鋒投資有限公司) ("Pacific Win"), a wholly-owned subsidiary of the Company, as purchaser, and 廣東珠光集團有限公司 (Guangdong Zhuguang Group Company Limited*) ("Guangdong Zhuguang Group"), as vendor, entered into an agreement ("Second AEC Agreement"), pursuant to which Pacific Win has conditionally agreed to purchase, and Guangdong Zhuguang Group has conditionally agreed to sell, 49% of the equity interest of 廣州發展汽車城有限公司 (Guangzhou Development Automobile City Co., Ltd.*) ("Guangzhou Project Company") at the consideration of RMB900 million (equivalent to approximately HK$1,038 million) ("Second AEC Acquisition"). Guangzhou Project Company held interest in an urban renewal project in Tianhe District in Guangzhou City known as "Zhuguang Financial Town One* (珠光金融城壹號)", further details of which are set out in the paragraph headed "Business Review – Property Development and Sales – Zhuguang Financial Town One – 100% interest" in the section headed "Management Discussion and Analysis" in this annual report. The Group already held 51% of the equity interest of Guangzhou Project Company before entering into the Second AEC Agreement. The Second AEC Acquisition was completed in March 2021, upon which Guangzhou Project Company became a wholly-owned subsidiary of the Company, with its financial results being consolidated into those of the Group.

Further details of the Second AEC Acquisition are set out in the announcements of the Company dated 7 December 2020 and 25 March 2021 and the circular of the Company dated 24 December 2020.

Save for the Second AEC Acquisition, the Group had no other material acquisitions or disposals during FY2021.

FINANCIAL REVIEW

Revenue

During FY2021, the Group's revenue by operating segment included revenue from property development, project management services and property investment. The total revenue of the Group for FY2021 was approximately HK$2,985,021,000 (FY2020: HK$6,624,798,000), which represented a decrease of approximately 54.9% as compared with that for FY2020.

Revenue from property development for FY2021 amounted to approximately HK$895,158,000 (FY2020: HK$4,384,023,000). The decrease was mainly due to (1) the recognition of sales revenue of approximately HK$2,103,445,000 from the sale of properties by the Group in FY2020 resulted from the Group's disposal of its entire equity interest in 廣州御嘉投資有限公司 (Guangzhou Yujia Investments Company Limited*) ("Guangzhou Yujia") in FY2020, which held a block of office and commercial building and car parks for sale, while the Group had no such sales revenue in FY2021; and (2) the decrease in the number of properties delivered by the Group in FY2021.

The income from project management services segment contributed approximately HK$1,893,417,000 (FY2020: HK$2,063,545,000) to the total revenue of the Group for FY2021. The decrease was mainly due to the decrease in the number of project management services agreements entered into by the Group in FY2021.

** English name is translated for identification purpose only*

The Group recorded an increase of approximately 10.8% in rental income for FY2021, as compared with that for FY2020. The rental income increased from approximately HK$177,230,000 for FY2020 to approximately HK$196,446,000 for FY2021, mainly due to the increase in GFA of the investment properties leased out by the Group during FY2021.

Gross profit

For FY2021, the Group recorded a gross profit of approximately HK$2,262,611,000 (FY2020: HK$3,223,940,000). The decrease was mainly due to the decrease in the Group's revenue from sale of properties in FY2021.

Fair value gain/(loss) on investment properties, net

For FY2021, the fair value gain on investment properties, net, recorded by the Group amounted to approximately HK$77,679,000 as compared with the fair value loss on investment properties, net, of approximately HK$97,233,000 in FY2020. The fair value gain on investment properties, net, for FY2021 was mainly due to the increase in the GFA of "Zhukong International" (a property held by the Group for sale and investment purposes, with part of its GFA being classified as investment properties as at 31 December 2021), being leased out during FY2021.

Other income and gains

Other income and gains of the Group decreased to approximately HK$623,983,000 during FY2021 (FY2020: HK$1,144,136,000). The decrease was primarily due to the decrease in the foreign exchange gain to approximately HK$406,130,000 recorded by the Group for FY2021 as compared with that of approximately HK$865,753,000 in FY2020.

Administrative expenses and selling and marketing expenses

Administrative expenses and selling and marketing expenses of the Group increased from approximately HK$461,334,000 for FY2020 to approximately HK$503,651,000 for FY2021. The increase was mainly due to the increase in the professional fees paid and payable by the Group for corporate exercises and the increase in the staff costs during FY2021.

Other expenses

Other expenses of the Group decreased from approximately HK$763,495,000 for FY2020 to approximately HK$660,345,000 for FY2021. Other expenses mainly comprised (1) the recognition of a loss on re-measurement of pre-existing interest in a joint venture of approximately HK$250,285,000 by the Group for FY2021 (FY2020: Nil) in association with the Group's then 51% equity interests in Guangzhou Project Company, in accordance with the applicable accounting policy; (2) the net fair value loss on derivative financial instruments of approximately HK$116,147,000 recorded by the Group during FY2021, following the fair value assessment of the warrants issued by the Company in 2019 ("2019 Warrants") which remained outstanding as at 31 December 2021, as compared with the net fair value gain on derivative financial instruments of approximately HK$20,489,000 recorded by the Group for FY2020; (3) the impairment of goodwill of approximately HK$128,292,000 recorded for FY2021 (FY2020: HK$126,876,000); and (4) the impairment of properties under development and completed properties held for sale of approximately HK$103,393,000 recorded for FY2021 (FY2020: HK$53,707,000).

Changes in fair value of financial assets at fair value through profit or loss

Changes in fair value of financial assets at fair value through profit or loss of the Group increased from approximately HK$367,802,000 for FY2020 to approximately HK$381,434,000 for FY2021. The increase was mainly due to the increase in the fair value of a project management services agreement as at 31 December 2021, under which the Group agreed to provide project management services in relation to the property development project to its customers.

Share of loss of an associate

Share of loss of an associate of the Company was approximately HK$429,391,000 during FY2021 (FY2020: HK$134,691,000), which represented the Company's share of the loss from its associate, Silver Grant International Holdings Group Limited (銀建國際控股集團有限公司) ("Silver Grant"), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") with stock code: 0171. Silver Grant and its subsidiaries are principally engaged in property leasing and investments. The Group held approximately 29.56% interest of the issued share capital of Silver Grant as at 31 December 2021.

Finance costs

Finance costs of the Group for FY2021 were approximately HK$1,510,796,000 (FY2020: HK$1,517,356,000), which were made up of interest expenses incurred by the Group during FY2021 after deduction of the interest expenses capitalised into development costs. The decrease in finance costs was mainly due to the decrease in the cost of borrowings incurred by the Group in FY2021.

Income tax expense

Income tax expense comprised corporate income tax ("CIT") and land appreciation tax ("LAT") in the PRC and deferred tax. CIT of approximately HK$327,988,000 (FY2020: HK$845,743,000), LAT of approximately HK$50,020,000 (FY2020: HK$522,156,000) and deferred tax credit of approximately HK$41,764,000 (FY2020: HK$255,538,000) accounted for the Group's total income tax expense of approximately HK$336,244,000 for FY2021 (FY2020: HK$1,112,361,000). The decrease in total income tax expense for FY2021 was mainly due to the decrease in the income generated by the Group during FY2021 which was subject to income tax, as compared with that in FY2020.

Profit for the year

The Group's profit for FY2021 was approximately HK$109,616,000 (FY2020: HK$2,225,196,000), which represented a decrease of approximately 95.1% as compared with that for FY2020. The decrease in profit was mainly attributable to (1) the decrease in the Group's revenue from the sale of properties to approximately HK$895,158,000 for FY2021 from that of approximately HK$4,384,023,000 for FY2020, mainly due to (a) the recognition of sales revenue of approximately HK$2,103,445,000 from the sale of properties by the Group in FY2020 resulted from the Group's disposal of its entire equity interest in Guangzhou Yujia in FY2020, which held a block of office and commercial building and car parks for sale, while the Group had no such sales revenue in FY2021; and (b) the decrease in the number of properties delivered by the Group in FY2021; (2) the gain from disposal of a subsidiary of approximately HK$2,037,683,000 realised from the Company's disposal of its entire equity interest in 廣州御宏投資有限公司 (Guangzhou Yuhong Investment Company Limited*) in FY2020, which was absent in FY2021; (3) the increase in the Company's share of the loss to approximately HK$429,391,000 for FY2021 (FY2020: share of loss of approximately HK$134,691,000) from its associate, Silver Grant, attributable to the increase in the loss incurred of Silver Grant in FY2021 for the reasons set out in the announcement by Silver Grant dated 21 April 2022; and (4) the decrease in the foreign exchange gain to approximately HK$406,130,000 recorded by the Group for FY2021 from that of approximately HK$865,753,000 recorded for FY2020.

** English name is translated for identification purpose only*

Management Discussion and Analysis

Treasury and funding policies

The Group has adopted a prudent approach with respect to its treasury and funding policies. The Group's financial and fundraising activities are subject to effective centralised management and supervision, with an emphasis on risk management and transactions that are directly related to the business of the Group. There is in general no seasonality in relation to the borrowing requirements of the Group.

Cash position

As at 31 December 2021, the Group's cash and bank balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK$2,063,976,000 (31 December 2020: HK$2,512,180,000). The cash and cash equivalents of the Group were mainly denominated in RMB, United States dollar ("US$") and HK$.

Borrowings, charges on group assets and gearing ratio

The Group's bank and other borrowings comprised the following:

	31 December 2021 HK$'000	31 December 2020 HK$'000
Bank loans — secured	**9,287,055**	5,671,151
Bank loans — unsecured and guaranteed	**—**	236,849
Senior notes — secured	**1,841,783**	2,438,908
Other borrowings — secured	**8,020,308**	8,580,261
Other borrowings — unsecured and guaranteed	**40,000**	100,000
Lease liabilities	**6,850**	13,850
	19,195,996	17,041,019

(a) As at 31 December 2021, the Group's total borrowings were made up of financing from (i) bank loans; (ii) senior notes; (iii) other borrowings, including trust loans, a margin loan and a term loan facility; and (iv) lease liabilities. Out of these borrowings, approximately HK$745,260,000 (31 December 2020: HK$1,037,773,000), approximately HK$16,113,464,000 (31 December 2020: HK$13,281,930,000) and approximately HK$2,337,272,000 (31 December 2020: HK$2,721,316,000) were denominated in HK$, RMB and US$, respectively. The senior notes and other borrowings carried fixed interest rates ranging from 7.76% to 12.4% (31 December 2020: 3% to 14%). Approximately 25.46% (31 December 2020: 41.58%) of the bank loans carried fixed interest rates ranging from 0.95% to 13% (31 December 2020: 2.35% to 13%) while the remaining 74.54% (31 December 2020: 58.42%) of the bank loans carried floating interest rates.

(b) The gearing ratio of the Group, being the Group's financial key performance indicator, is measured by the net debt (total interest-bearing borrowings net of cash and cash equivalents, term deposits with initial terms of over three months and restricted cash) over the total capital (total equity plus net debt) of the Group. As at 31 December 2021, the gearing ratio of the Group was 65% (31 December 2020: 61%).

(c) As at 31 December 2021, the Group had outstanding secured bank loans of approximately HK$9,287 million, which were secured by the following: (i) the Group's investment properties; (ii) the Group's property and equipment; (iii) the Group's properties under development and completed properties held for sale; (iv) the Group's term deposits; (v) the entire equity interest of the Company's subsidiaries, namely, GZZG Urban Renewal, 香河縣逸景房地產開發有限公司 (Xianghe County Yijing Property Development Company Limited*), 梅州御景房地產有限公司 (Meizhou Yujing Property Company Limited*), 廣東海聯大廈有限公司 (Guangdong Hailian Building Company Limited*) and Guangzhou Project Company; (vi) the entire equity interest of a subsidiary of Guangdong Zhuguang Group; (vii) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; and (viii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung and Mr. Liao Tengjia. The secured bank loans comprised (1) a bank loan in the principal amount of RMB750 million due in January 2022; (2) a bank loan in the principal amount of HK$2.15 million due in March 2022; (3) a bank loan in the principal amount of RMB300 million due in April 2022; (4) bank loans in the aggregate principal amount of RMB40 million due in June 2022; (5) a bank loan in the principal amount of HK$104.5 million due in June 2022; (6) a bank loan in the principal amount of US$5.77 million due in June 2022; (7) a bank loan in the principal amount of HK$92.64 million due in June 2022; (8) a bank loan in the principal amount of RMB10 million due in August 2022; (9) bank loans in the aggregate principal amount of HK$207.45 million due in August 2022; (10) a bank loan in the principal amount of RMB10 million due in September 2022; (11) a bank loan in the principal amount of RMB1 million due in November 2022; (12) a bank loan in the principal amount of RMB10 million due in November 2022; (13) a bank loan in the principal amount of RMB2,500 million due in August 2023; (14) a bank loan in the principal amount of RMB5 million due in August 2023; (15) a bank loan in the principal amount of US$57.77 million due in August 2023; (16) a bank loan in the principal amount of RMB3,097.31 million repayable by instalments within 5 years with the last instalment due in December 2024; (17) a bank loan in the principal amount of RMB200 million due in February 2033; and (18) a bank loan in the principal amount of RMB2,500 million due in September 2035.

(d) As at 31 December 2021, the Group had outstanding 2019 Senior Notes in the aggregate principal amount of US$242.85 million (equivalent to approximately HK$1,842 million), due on 21 September 2022, which are secured and guaranteed by (i) 3,361,112,000 shares of the Company ("Shares") owned by Rong De Investments Limited (融德投資有限公司) ("Rong De"); (ii) the 100% equity interest of the Company's subsidiaries, namely, Ai De Investments Limited (靄德投資有限公司) ("Ai De"), All Flourish Investments Limited (通興投資有限公司) ("All Flourish"), Capital Fame Investments Limited (嘉鋒投資有限公司) ("Capital Fame"), Cheng Chang Holdings Limited (誠昌控股有限公司) ("Cheng Chang"), East Orient Investment Limited (達東投資有限公司) ("East Orient"), Ever Crown Corporation Limited (冠恒興業有限公司) ("Ever Crown"), Fresh International Limited (豐順國際有限公司) ("Fresh International"), Fully Wise Investment Limited (惠豐投資有限公司) ("Fully Wise"), Pacific Win, Polyhero International Limited (寶豪國際有限公司) ("Polyhero International"), Profaith International Holdings Limited (盈信國際控股有限公司) ("Profaith International"), Talent Wide Holdings Limited (智博控股有限公司) ("Talent Wide"), Top Asset Development Limited (通利發展有限公司) ("Top Asset"), Top Perfect Development Limited (泰恒發展有限公司) ("Top Perfect"), Vanco Investment Limited (雅豪投資有限公司) ("Vanco Investment") and World Sharp Investments Limited (華聲投資有限公司) ("World Sharp"); (iii) the corporate guarantees executed by Rong De, Zhuguang Group Limited (珠光集團有限公司) ("Zhuguang Group"), South Trend Holdings Limited (南興控股有限公司) ("South Trend"), Ai De, All Flourish, Capital Fame, Cheng Chang, East Orient, Ever Crown, Fresh International, Fully Wise, Pacific Win, Polyhero International, Profaith International, Talent Wide, Top Asset, Top Perfect, Vanco Investment and World Sharp; and (iv) the personal guarantees executed by the executive Directors, namely, Mr. Liao Tengjia, Mr. Chu Hing Tsung and Mr. Chu Muk Chi.

** English name is translated for identification purpose only*

Management Discussion and Analysis

(e) As at 31 December 2021, the Group had outstanding secured other borrowings of approximately HK$8,020 million, which were secured and guaranteed by (i) the Group's properties under development and completed properties held for sale; (ii) the Group's assets under construction included in property and equipment; (iii) the Group's investment properties; (iv) the security provided by Guangdong Zhuguang Group; (v) the entire equity interest of the Company's subsidiaries, namely, 廣州市潤啟房地產有限公司 (Guangzhou City Runqi Property Company Limited*), 廣州東港合眾房地產有限公司 (Guangzhou Dong Gang He Zhong Property Company Limited*) and 廣州珠光實業集團有限公司 (Guangzhou Zhuguang Industrial Group Company Limited*); (vi) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; (vii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi; (viii) 525,000,000 Shares owned by Rong De; and (ix) 681,240,000 shares in Silver Grant owned by the Company. The secured other borrowings comprised (1) a loan in the principal amount of RMB629.6 million repayable by instalments within 4 years with the last instalment due in January 2022; (2) a loan in the principal amount of RMB2,500 million due in May 2022; (3) a loan in the principal amount of RMB1,104.3 million repayable by instalments within 5 years with the last instalment due in June 2022; (4) a margin loan in the principal amount of HK$290 million due in October 2022; (5) a loan in the principal amount of RMB450 million due in November 2022; (6) loans in the aggregate principal amount of RMB2,400 million due in January 2023; (7) loans in the aggregate principal amount of RMB220 million due in December 2023; (8) a loan in the principal amount of RMB551 million repayable by instalments within 8 years with the last instalment due in November 2024; and (9) a loan in the principal amount of RMB636 million due in April 2026.

(f) As at 31 December 2021, the Group had outstanding unsecured and guaranteed other borrowings of HK$40 million, which were guaranteed by the personal guarantee executed by an executive Director, Mr. Chu Hing Tsung. The unsecured and guaranteed other borrowings comprised a loan in the principal amount of HK$40 million due in April 2022.

(g) As at 31 December 2021, notwithstanding that the Group reported net current assets of HK$14,955 million, the Group's outstanding interest-bearing bank and other borrowings amounted to HK$7,623 million which are due to be repaid within one year from the end of the reporting period, comprising offshore borrowings of HK$2,641 million and onshore borrowings in Mainland China of HK$4,982 million, while the Group's cash and cash equivalents and term deposits (with initial terms of over three months) amounted to HK$976 million of which the majority are kept by the Group's subsidiaries in Mainland China. In addition to the bank and other borrowings due to be repaid within one year as mentioned above, the Group had capital commitments contracted but not provided for in its consolidated financial statements of approximately HK$1,603 million. In consideration of the prevailing slow-down of the property market, coupled with the challenging market conditions for financing from the capital market, the Group may take a longer time than expected to realise cash from the sale of its properties and/or have the cash from external financing to meet its loan repayment obligations. Notwithstanding the aforesaid, the consolidated financial statements of the Group for FY2021 have been prepared on a going concern basis. The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Group has carried out certain plans as set out in note 1.2 to its consolidated financial statements to address its financial needs in the coming 12 months. The Directors have reviewed the Group's cash flow forecast covering a period of 12 months from the end of FY2021, and they are of the opinion that, taking into account the plans and measures as set out in note 1.2 to the Group's consolidated financial statements, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe it is appropriate to prepare the consolidated financial statements of the Group for FY2021 on a going concern basis.

** English name is translated for identification purpose only*

Issue of perpetual capital securities

On 30 November 2021, the Company issued perpetual capital securities ("2021 Perpetual Securities") in the aggregate principal of HK$250,000,000 at a distribution rate of 8% per annum to Rong De (the controlling shareholder (within the meaning of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") of the Company). The 2021 Perpetual Securities have no fixed redemption date and are redeemable at the option of the Company at any time and from time to time, whether in whole or in part, at any time after its issue. While distribution is payable by the Company every six months, the Company may, at its sole discretion, elect to defer, in whole or in part, any distribution (including any arrears of distribution) to the next distribution payment date. The proceeds from the issue of the 2021 Perpetual Securities were used for financing the corporate funding requirement of the Group.

FINANCIAL GUARANTEE CONTRACTS

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties as follows:

	31 December 2021	31 December 2020
	HK$'000	*HK$'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**4,886,244**	3,643,803

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) the issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgage loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principal together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.

Except for the financial guarantee contracts as disclosed above, the Group had no material contingent liabilities as at 31 December 2021 (31 December 2020: Nil).

FOREIGN EXCHANGE RATE

During FY2021, the Group conducted its business almost exclusively in RMB except that certain transactions were conducted in HK$ and US$. The conversion of RMB into HK$, US$ or other foreign currencies has been based on the rates set by the People's Bank of China. The value of RMB against the HK$, US$ and other foreign currencies may fluctuate and is affected by factors such as changes in the PRC's political and economic conditions. During FY2021, the Group did not adopt any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risk it encounters so as to decide on the hedging policy required against the possible foreign exchange risk that may arise.

CAPITAL COMMITMENTS

The capital expenditures for 2022 are currently expected to be settled by cash through internal resources of the Group. Please refer to note 42 to the consolidated financial statements for the details of the capital commitments of the Group as at 31 December 2021. Other than those as disclosed, the management of the Group does not expect there to be any plans for material investments or capital assets in 2022 with reference to the current situation as at the date of this annual report.

EMPLOYEES AND REMUNERATION POLICIES

The Group had in aggregate 927 employees in Hong Kong and the PRC as at 31 December 2021 (31 December 2020: 289). The increase in the number of employees was primarily due to the increase in the number of employees of the property development segment of the Group hired in the last quarter of FY2021 to cope with the business needs of this segment, which was in line with the business development of the Group. During FY2021, the level of the Group's overall staff cost was approximately HK$267.0 million (FY2020: HK$183.2 million). The employees of the Group are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus and retirement benefits. The Directors' remuneration is determined based on their qualifications, experience, duties and responsibilities, the Company's remuneration policy and the prevailing market conditions.

The Group encourages sustainable training of its employees through coaching and further studies. In-house training was provided to eligible employees during FY2021, including training on updates of accounting standards and training on market updates.

During FY2021, the Group did not experience any significant problem with its employees or disruption to its operations due to labour discipline nor did it experience any difficulty in the recruitment and retention of experienced staff. The Group has maintained a good relationship with its employees. Most members of the senior management have been working for the Group for many years.

BIOGRAPHY OF DIRECTORS

The Board currently comprises nine Directors, six of whom are executive Directors and three of whom are independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) ("Mr. Chu HT"), aged 52, is the chairman of the Company ("Chairman") and an executive Director. He has been appointed as an executive Director since September 2009 and he was appointed as the chief executive officer of the Company ("Chief Executive Officer") on 9 September 2009. In February 2010, he was appointed as a deputy chairman of the Company ("Deputy Chairman"). In December 2013, he was re-designated as the Chairman. With effect from 21 August 2015, Mr. Chu HT has resigned as the Chief Executive Officer. Mr. Chu HT is a shareholder of Rong De, the controlling shareholder of the Company, which is owned as to 34.06% by Mr. Chu HT. Mr. Chu HT has over 23 years of extensive experience in corporate management and property development in the PRC. He is the younger brother of Mr. Chu Muk Chi, an executive Director. Mr. Chu HT has been appointed as a non-executive director, the chairman of the board of directors and the chairman of the nomination committee of Silver Grant with effect from 29 January 2019. He has been re-designated from a non-executive director to an executive director and appointed as the chief executive officer and an authorised representative under Rule 3.05 of the Listing Rules of Silver Grant with effect from 1 August 2021.

Mr. Liu Jie ("Mr. Liu"), aged 58, was appointed as an executive Director and the Chief Executive Officer on 17 March 2017. He obtained a degree of Bachelor of Science from the Guangzhou Teachers College* (廣州師範學院) (now known as Guangzhou University) in 1985. Mr. Liu was a Deputy Mayor (副區長) of the People's Government of Haizhu District of Guangzhou Municipality of the PRC (廣州市海珠區人民政府) from November 2006 to April 2015 and the Mayor (區長) of the People's Government of Liwan District of Guangzhou Municipality of the PRC (廣州市荔灣區人民政府) from April 2015 to September 2016. Mr. Liu has over 32 years of experience in administrative and operation management in the PRC.

Mr. Liao Tengjia ("Mr. Liao"), aged 58, is a Deputy Chairman and an executive Director. He was appointed as the Chairman and an executive Director in September 2009 and a director of certain subsidiaries of the Company. In December 2013, Mr. Liao resigned as the Chairman. With effect from 21 August 2015, Mr. Liao has been appointed as the Chief Executive Officer. With effect from 17 March 2017, Mr. Liao has resigned as the Chief Executive Officer and was appointed as a Deputy Chairman. Mr. Liao is a shareholder and the sole director of Rong De, the controlling shareholder of the Company, which is owned as to 36.00% by Mr. Liao, whose interest in the Shares falls to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"). He has over 23 years' management experience in the property development industry in the PRC.

Mr. Huang Jiajue ("Mr. Huang"), aged 51, is a Deputy Chairman, an executive Director and a member of each of the nomination committee and the remuneration committee of the Company. He has been appointed as an executive Director since September 2009 and a director of a subsidiary of the Company. With effect from 21 August 2015, Mr. Huang has been appointed as a Deputy Chairman. Mr. Huang obtained a Master's Degree in Business Administration from the Sun Yat-Sen University in the PRC. He has over 23 years of financial management experience in the property development industry in the PRC. Mr. Huang has been appointed as an executive director, a member of the remuneration committee and an authorised representative under Rule 3.05 of the Listing Rules of Silver Grant with effect from 29 January 2019 and has been appointed as the chief executive officer of Silver Grant with effect from 2 September 2019. He has resigned as an executive director, the chief executive officer, a member of the remuneration committee and an authorised representative under Rule 3.05 of the Listing Rules of Silver Grant with effect from 1 August 2021.

** English name is translated for identification purpose only*

Biography of Directors

Mr. Chu Muk Chi (alias Mr. Zhu La Yi) ("Mr. Chu MC"), aged 64, has been appointed as an executive Director since September 2009. He obtained a Bachelor's Degree in Medicine from the Guangzhou College of Traditional Chinese Medicine (now known as Guangzhou University of Chinese Medicine). Mr. Chu MC is a shareholder of Rong De, the controlling shareholder of the Company, which is owned as to 29.94% by Mr. Chu MC. Mr. Chu MC has over 23 years of extensive experience in corporate management, Chinese medicine and property development in the PRC. He is the elder brother of Mr. Chu HT, the Chairman and an executive Director. He is currently a director and the chairman of the board of directors of Guangdong Jiaying Pharmaceutical Co., Ltd.* (廣東嘉應製藥股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 002198).

Ms. Ye Lixia ("Ms. Ye"), aged 57, was appointed as an executive Director on 17 June 2015. She is also a director of certain subsidiaries of the Company. Ms. Ye obtained a Master's Degree in Economics from the Sun Yat-Sen University in the PRC in 1989. Before joining the Company, Ms. Ye served as the General Manager of the Investment and Finance Management Centre of Guangdong Pearl River Investment Holdings Limited* (廣東珠江投資股份有限公司) from July 2007 to April 2015. She has over 12 years of financial management experience in the property development industry in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wo Ping ("Mr. Leung") *JP*, aged 78, has been appointed as an independent non-executive Director since October 2009. He is also the chairman of the audit committee of the Company, and a member of each of the nomination committee and the remuneration committee of the Company. Mr. Leung is a certified public accountant with extensive experience in Hong Kong tax and international tax planning for over 32 years. Currently, he is a senior advisor to Crowe Horwath (HK) CPA Limited. Mr. Leung is a fellow member of The Institute of Chartered Accountants in England and Wales, The Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors. Apart from his professional work, Mr. Leung has actively participated in community affairs. He had been a Regional Councillor for 5 years and a District Councillor for 18 years. Mr. Leung is currently a Councillor of the New Territories Heung Yee Kuk and the Hon. Secretary of Heung Yee Kuk Foundation Limited. Mr. Leung was awarded a Badge of Honour by Her Majesty Queen Elizabeth II in 1994 for his service to the community. He was a District Advisor to the Hong Kong Branch of Xinhua News Agency before 1997. He was also appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2000. Mr. Leung was an independent non-executive director of Heng Xin China Holdings Limited (a company listed on GEM of the Stock Exchange with stock code: 8046) from August 2009 to June 2016.

** English name is translated for identification purpose only*

Mr. Wong Chi Keung ("Mr. Wong"), aged 67, has been appointed as an independent non-executive Director since June 2012. He is also the chairman of each of the nomination committee and the remuneration committee of the Company, and a member of the audit committee of the Company. He holds a Master's Degree in Business Administration from the University of Adelaide in Australia. He is a fellow member of each of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia, and an associate member of each of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants.

Mr. Wong has over 41 years of experience in finance, accounting and management. He was a Responsible Officer for asset management, advising on securities and advising on corporate finance for Greater China Capital Limited under the SFO from 23 March 2010 to 16 April 2016. Mr. Wong was a director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (a company listed on the Main Board of the Stock Exchange with stock code: 0123, which is now known as Yuexiu Property Company Limited), for over 10 years.

Mr. Wong was an independent non-executive director of FU JI Food and Catering Services Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1175 and provisional liquidators appointed from 19 October 2009 to 2 July 2013, and now known as Fresh Express Delivery Holdings Group Co., Ltd.), for the period from 22 November 2004 to 24 June 2011. He was also an independent non-executive director and a member of each of the audit committee and the remuneration committee of First Natural Foods Holdings Limited ("First Natural Foods") (a company listed on the Main Board of the Stock Exchange with stock code: 1076 with provisional liquidators appointed from 6 January 2009 to 4 September 2012, which is now known as Imperial Pacific International Holdings Limited) for the period from 26 November 2007 to 20 November 2013, and a member of the nomination committee of First Natural Foods from 4 September 2012 to 20 November 2013. Mr. Wong had been an independent non-executive director of PacMOS Technologies Holdings Limited ("PacMOS") (a company listed on the Main Board of the Stock Exchange with stock code: 1010, which is now known as PacRay International Holdings Limited) since August 1995, and he ceased to be an independent non-executive director and the chairman of each of the audit committee, remuneration committee and nomination committee of PacMOS with effect from 1 July 2014. He was an independent non-executive director of ENM Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 0128) from 17 June 2010 to 9 June 2017. He was also an independent non-executive director of Heng Xin China Holdings Limited (a company listed on GEM of the Stock Exchange with stock code: 8046) from 17 October 2016 to 18 September 2017. He was an independent non-executive director of China Shanshui Cement Group Limited (a company listed on the Main Board of the Stock Exchange with stock code: 0691) from 2 February 2016 to 23 May 2018. Mr. Wong was an independent non-executive director of TPV Technology Limited (a company listed on the Main Board of the Stock Exchange with stock code: 0903, which was subsequently withdrawn from listing from 4:00 p.m. on 14 November 2019). He was an independent non-executive director of Nickel Resources International Holdings Company Limited (a company listed on the Main Board of the Stock Exchange with stock code: 2889 and subsequently withdrawn from listing from 9:00 a.m. on 14 February 2020) from 2 May 2005 to 21 February 2020. He was an independent non-executive director of Guoan International Limited (a company listed on the Main Board of the Stock Exchange with stock code: 0143) from 13 April 2021 to 9 June 2021.

Biography of Directors

Mr. Wong is currently an independent non-executive director of Asia Orient Holdings Limited (stock code: 0214), Asia Standard Hotel Group Limited (stock code: 0292), Asia Standard International Group Limited (stock code: 0129), Century City International Holdings Limited (stock code: 0355), China Ting Group Holdings Limited (stock code: 3398), Changyou Alliance Group Limited (stock code: 1039, formerly known as Fortunet e-Commerce Group Limited), Golden Eagle Retail Group Limited (stock code: 3308), Paliburg Holdings Limited (stock code: 0617), Regal Hotels International Holdings Limited (stock code: 0078) and Yuan Heng Gas Holdings Limited (stock code: 0332). All of the companies above are listed on the Main Board of the Stock Exchange. Mr. Wong is also a Responsible Officer for asset management and advising on securities of CASDAQ International Capital Market (HK) Company Limited under the SFO.

Dr. Feng Ke ("Dr. Feng"), aged 50, was appointed as an independent non-executive Director on 17 June 2015. He is also a member of the audit committee of the Company. He graduated from the Guangdong University of Finance* (廣東金融學院) (previously known as Guangdong Academy of Finance* (廣州金融高等專科學校)) majoring in International Finance in July 1993. Dr. Feng obtained a Master's Degree in Economics from the Guangdong Academy of Social Sciences* (廣東省社會科學院) in July 1999. He obtained a Doctor's Degree in Economics from the Peking University* (北京大學) in July 2002. He was the assistant manager of Golden Eagle Asset Management Co., Ltd.* (金鷹基金管理有限公司) from July 2002 to January 2006. Dr. Feng was an independent director of Sichuan Guang'an AAA Public Co., Ltd* (四川廣安愛眾股份有限公司) (a company whose shares are listed on the Shanghai Stock Exchange with stock code: 600979) from November 2011 to September 2014, and an independent director of Nan Hua Bio-medicine Co., Ltd.* (南華生物醫藥股份有限公司) (previously known as Beijing CCID Media Investments Co., Ltd.* (北京賽迪傳媒投資股份有限公司)), a company whose shares are listed on the Shenzhen Stock Exchange with stock code: 000504) from December 2013 to December 2014. He had also been an independent director of Guangdong Provincial Expressway Development Co., Ltd.* (廣東省高速公路發展股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 000429) from June 2009 to April 2016, and an independent director of Tande Co., Ltd.* (天地源股份有限公司), a company listed on the Shanghai Stock Exchange with stock code: 600665, from December 2009 to December 2015. Dr. Feng was an independent non-executive director of Yingde Gases Group Company Limited (whose listing of shares on the Main Board of the Stock Exchange with stock code: 2168 was withdrawn on 21 August 2017) from November 2016 to March 2017. He was an independent non-executive director of Asian Capital Resources (Holdings) Limited (a company listed on GEM of the Stock Exchange with stock code: 8025), from October 2008 to August 2013 and has been re-designated as an executive director since 1 September 2013. Dr. Feng was an independent director of China Greatwall Technology Group Co., Ltd.* (中國長城科技集團有限公司) (previously known as China Great Wall Computers Shenzhen Co., Ltd.* (中國長城計算器深圳股份有限公司)) (a company listed on the Shenzhen Stock Exchange with stock code: 000066) from 30 August 2010 to 3 April 2018. He was an independent director of Shenzhen Success Electronics Co., Ltd.* (深圳市宇順電子股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 002289) from 30 December 2015 to 15 October 2020. Dr. Feng is currently an independent director of Aotecar New Energy Technology Co., Ltd.* (奧特佳新能源科技股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 002239), an independent director of Tianjin Guangyu Development Co., Ltd.* (天津廣宇發展股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 000537), an independent director of Liaoning Cheng Da Co., Ltd.* (遼寧成大股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code: 600739) and an independent non-executive director of China Huirong Financial Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1290).

SENIOR MANAGEMENT

The six Directors holding executive offices above are directly responsible for the various businesses of the Group. They are regarded as members of the senior management of the Group.

** English name is translated for identification purpose only*

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance. The Company firmly believes that a good, solid and sensible framework of corporate governance will allow the Company to run its business in the best interest of its shareholders as a whole. The Company adopted its own code of corporate governance based on the principles and code provisions as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules then in force during FY2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Code") as contained in Appendix 10 to the Listing Rules. Specific enquiry has been made of all Directors, who confirmed that they have complied with the required standards set out in the Code for FY2021.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company complied with the applicable code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules then in force during FY2021, other than Code Provision E.1.2 of the CG Code.

Code Provision E.1.2 of the CG Code requires that the chairman of the Board should attend the annual general meeting of the Company ("AGM"). Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi), the Chairman, did not attend the AGM held on 11 June 2021 ("2021 AGM") due to his other engagement.

SECURITIES TRANSACTIONS BY MANAGEMENT AND STAFF

The management and staff have been individually notified and advised about the Code by the Company.

Financial Officer

The financial officer ("Financial Officer") of the Company is responsible for preparing the consolidated interim and annual financial statements of the Company based on accounting principles generally accepted in Hong Kong and ensuring that the consolidated financial statements truly reflect the Group's results and financial position, as well as are in compliance with the disclosure requirements under the applicable provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Companies Ordinance"), the Listing Rules and other relevant laws and regulations. The Financial Officer reports directly to the chairman of the audit committee of the Company and coordinates with external auditors on a regular basis. In addition, the Financial Officer reviews the controls of financial risks of the Group and provides advice thereon to the Board.

Company Secretary

The company secretary ("Company Secretary") of the Company reports directly to the Chairman. All Directors have easy access to the Company Secretary and the responsibility of the Company Secretary is to ensure the board meeting procedures are properly followed and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for providing assistance to the Board with respect to the Directors' obligations on securities interest disclosure, and disclosure requirements on notifiable transactions, connected transactions and inside information. The Company Secretary provides assistance to the Board with respect to the Company's compliance with the laws, regulatory requirements and the Company's bye-laws ("Bye-Laws") as appropriate. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance so as to bring the best long-term value to the shareholders of the Company. In addition, the Company Secretary also assists in the provision of relevant information updates and continuous professional development to the Directors with respect to the legal, supervisory and other continuing obligations of being a director of a listed company as appropriate. The Company Secretary is also responsible for supervising and managing the investors' relations of the Group.

BOARD OF DIRECTORS

A. The Responsibilities of The Board

The principal functions of the Board are to consider, set and approve the strategies, financial objectives, annual budget, investment proposals, appointment and re-appointment of Directors, and accounting policies of the Group. The Board is responsible for performing the corporate governance functions set out in Code Provision D.3.1 of the CG Code. The Board also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems by the Group to manage these risks. The day-to-day operations of the Group are delegated to the management of the Group.

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of the Directors and other significant financial and operational matters. The Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's management independently. The daily management, administration and operation of the Group are delegated to the management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

The Board recognises that corporate governance should be the collective responsibility of the Directors and the Board delegates the corporate governance duties to the management which include:

(i) to develop, review and implement the Company's policy and practices on corporate governance and make recommendations to the Board;

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

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

(iv) to develop, review and monitor the implementation of the Shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance Shareholders' relationship with the Company.

B. Board Composition and Diversity

During FY2021 and as at the date of this annual report, the Board comprised six executive Directors, namely Mr. Chu Hing Tsung, who was also the Chairman, Mr. Liu Jie, who was also the Chief Executive Officer, Mr. Liao Tengjia, who was also a Deputy Chairman, Mr. Huang Jiajue, who was also a Deputy Chairman, Mr. Chu Muk Chi and Ms. Ye Lixia, and three independent non-executive Directors, namely Mr. Leung Wo Ping *JP*, Mr. Wong Chi Keung and Dr. Feng Ke. The independent non-executive Directors are expressly identified in all corporate communications that disclose the names of the Directors. The number of independent non-executive Directors during FY2021 and as at the date of this annual report represented one-third of the Board. The Company seeks to achieve board diversity through consideration of a number of factors, including but not limited to gender, age, skills, knowledge and length of service. The ultimate selection decision will be based on merit and contribution to the Board.

The Company has adopted a board diversity policy, which sets out the Company's approach on achieving diversity on the Board. In reviewing and assessing the composition of the Board and the nomination of Directors (as applicable), the Company takes into account a number of factors, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth. The Nomination Committee will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and make recommendation to the Board. The Board may adopt and/or amend from time to time (as applicable) such diversity perspectives and/or measurable objectives that are appropriate to the Company's business and Board succession planning, as applicable.

The Directors have professional background in property development, finance, taxation, investment and management. They have extensive experience and independent views in their respective areas of expertise so that they can provide professional advice to the Board in respect of the long-term development of the Company. The Company has formal letters of appointment with all Directors setting out the key terms and conditions relating to their appointment.

Mr. Chu Hing Tsung, the Chairman and an executive Director, and Mr. Chu Muk Chi, an executive Director, are brothers. The biographical details of the Directors and the relationships between Board members are set out in the section headed "BIOGRAPHY OF DIRECTORS" in this annual report. Save as disclosed above and in the section headed "BIOGRAPHY OF DIRECTORS" in this annual report, none of the Directors has any financial, business, family or other material/relevant relationships with one another and this is true in particular between Mr. Chu Hing Tsung, the Chairman, and Mr. Liu Jie, the Chief Executive Officer.

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 to be independent.

C. Chairman and Chief Executive Officer

The roles and duties of the Chairman and the Chief Executive Officer are carried out by different individuals and have been clearly defined in writing.

The Chairman is Mr. Chu Hing Tsung, and the Chief Executive Officer is Mr. Liu Jie. The positions of Chairman and Chief Executive Officer are held by separate persons in order to preserve independence and a balanced judgement of views.

With the support of the Company Secretary, the Chairman is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at the Board meetings and that all key and appropriate issues are discussed by the Board in a timely manner. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organisational structure, control systems, internal procedures and processes for the Board's approval.

BOARD MEETINGS AND ANNUAL GENERAL MEETING

The Board meets regularly and as warranted by particular circumstances. Notices and agendas are prepared by the Company Secretary as delegated by the Chairman and distributed to the Board members within reasonable time before the meetings. Relevant meeting papers are also sent to the Directors well before the meetings, informing them of the background and giving explanation on matters to be brought before the Board. All Directors are given the opportunity to include matters in the agendas for Board meetings. Draft and final versions of the minutes of Board meetings are sent to all Directors for their comment and records, respectively, within a reasonable time after the Board meetings and are kept by the Company Secretary.

During FY2021, the Directors made active contribution to the affairs of the Group and twelve Board meetings were held to consider, among other things, various transactions contemplated by the Group, and to review and approve the interim results and annual results of the Group. To ensure the Directors will make decisions objectively and in the interests of the Company, Bye-Law No. 103(1) of the Bye-Laws provides that any Director shall abstain from voting on any resolutions in which he/she or his/her associate(s) is/are materially interested nor be counted in the quorum of the meeting. Any Board meeting in which a Director has abstained from voting or has not been counted in the quorum of the meeting shall not be taken into account in determining that Director's attendance record.

Except for Mr. Chu Hing Tsung, the Chairman, Mr. Liu Jie, Mr. Liao Tengjia, Mr. Huang Jiajue and Mr. Chu Muk Chi, the other members of the Board all attended the 2021 AGM and were available to answer questions.

The individual attendance of each Director in the Board meetings held during FY2021 and the 2021 AGM is as follows:

	Attended/Eligible to attend	
	Board meetings	2021 AGM
Executive Directors		
Mr. Chu Hing Tsung	12/12#	0/1
Mr. Liu Jie	11/11	0/1
Mr. Liao Tengjia	11/11	0/1
Mr. Huang Jiajue	11/11	0/1
Mr. Chu Muk Chi	11/11	0/1
Ms. Ye Lixia	11/11	1/1
Independent non-executive Directors		
Mr. Leung Wo Ping *JP*	12/12#	1/1
Mr. Wong Chi Keung	12/12#	1/1
Dr. Feng Ke	12/12#	1/1

Included a meeting between the Chairman and the independent non-executive Directors held during FY2021.

NON-EXECUTIVE DIRECTORS

Code Provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Each of the independent non-executive Directors has been appointed for a term of two years. All of the independent non-executive Directors are subject to retirement by rotation once every three years and should be subject to re-election.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director has been given a comprehensive, formal and tailored induction on appointment. A package, which has been compiled and reviewed by the Company's legal advisers, setting out the duties and responsibilities of directors under the Listing Rules, the Companies Ordinance, other related ordinances and relevant regulatory requirements of Hong Kong, is provided to each newly appointed Director.

Pursuant to Code Provision A.6.5 of the CG Code, the Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses to ensure that they are fully aware of their responsibilities and obligations under the Listing Rules and the relevant regulatory requirements.

Pursuant to the requirements of the CG Code, all Directors should provide their records of continuous professional development to the Company. According to the records provided by the Directors, the training received by each of them during FY2021 is summarised as follows:

	Training received Notes
Executive Directors	
Mr. Chu Hing Tsung	(1)(2)
Mr. Liu Jie	(1)(2)
Mr. Liao Tengjia	(1)(2)
Mr. Huang Jiajue	(1)(2)
Mr. Chu Muk Chi	(1)(2)
Ms. Ye Lixia	(1)(2)
Independent non-executive Directors	
Mr. Leung Wo Ping *JP*	(1)(2)
Mr. Wong Chi Keung	(1)(2)
Dr. Feng Ke	(1)(2)

Notes:

(1) Reading articles/other materials in relation to legal and regulatory changes which are relevant for the Directors in discharging their duties.

(2) Participation in seminars/conferences/courses/workshops on subjects relating to directors' duties, and financial, legal and corporate governance matters.

All Directors as disclosed above confirmed that they complied with Code Provision A.6.5 of the CG Code on directors' continuous professional development during FY2021.

BOARD COMMITTEES

The Board has set up three specialised committees, namely the audit committee ("Audit Committee"), the remuneration committee ("Remuneration Committee") and the nomination committee ("Nomination Committee") to oversee particular aspects of the Company's affairs. The three Board committees were established with defined written terms of reference approved by the Board, which set out the major duties of each Board committee. These terms of reference are posted on the websites of the Stock Exchange and of the Company and are available to the Shareholders. Members of the Board committees are mainly independent non-executive Directors. The list of the chairman and members of each Board committee is set out in each of the following Board committee sections below in this annual report. The meeting procedures of each Board committee follow the procedures of the Board meetings.

The members of the Board committees are provided with sufficient resources to discharge their duties and in appropriate circumstances, the Company can retain external auditors, financial advisers, lawyers and other relevant independent professionals to provide independent professional advice to assist members of the Board committees in fulfilling their responsibilities.

A. Audit Committee

The Company established the Audit Committee in 1999 with specific written terms of reference in accordance with the requirements of the Stock Exchange which deal clearly with its authority and duties.

During FY2021 and as at the date of this annual report, the Audit Committee comprised three independent non-executive Directors, namely Mr. Leung Wo Ping *JP*, Mr. Wong Chi Keung and Dr. Feng Ke. Mr. Leung Wo Ping *JP* was the chairman of the Audit Committee during FY2021 and as at the date of this annual report.

The major roles and functions of the Audit Committee are as follows:

(1) to consider, and to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the audit fee and other terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(3) to discuss with the external auditor before the audit commences in respect of the nature and scope of the audit and reporting obligations;

(4) to monitor the integrity of the Company's financial statements, annual report, accounts and half-year report, and to review significant financial reporting judgements contained in them;

(5) to review the Company's financial controls and internal control and risk management systems, and to ensure that management has discharged its duty to establish an effective internal control system;

(6) to review the external auditor's management letter, and material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control as well as management's response to the points raised; and

(7) to ensure that the Board responds promptly to the matters raised by the external auditor in the management letter.

The Audit Committee shall meet with the external auditor without the presence of the executive Directors to discuss the Group's financial reporting and any major financial matters arising during the financial year at least twice a year.

The Audit Committee held three meetings during FY2021. Individual attendance of each committee member is set out below:

	Attended/ Eligible to attend
Independent non-executive Directors	
Mr. Leung Wo Ping *JP* *(Chairman)*	3/3
Mr. Wong Chi Keung	3/3
Dr. Feng Ke	3/3

During FY2021, the Audit Committee held three meetings with the external auditor to discuss the general scope of their audit work and the audit findings. The Audit Committee also reviewed the Group's annual audited results for FY2020 and unaudited interim results for the six months ended 30 June 2021, and was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures had been made, and submitted them to the Board for approval. In addition, the Audit Committee also made a review of the effectiveness of the financial reporting, internal audit function, and risk management and internal control systems of the Group.

B. Remuneration Committee

The Company established the Remuneration Committee in September 2005 with specific written terms of reference in accordance with the requirements of the Stock Exchange which deal clearly with its authority and duties. The Remuneration Committee has adopted the approach under Code Provision B.1.2(c)(ii) of the CG Code and made recommendations to the Board on the Group's overall policy and structure of the remuneration of Directors and senior management.

During FY2021 and as at the date of this annual report, the Remuneration Committee comprised an executive Director, Mr. Huang Jiajue and two independent non-executive Directors, namely Mr. Wong Chi Keung and Mr. Leung Wo Ping *JP*. Mr. Wong Chi Keung was the chairman of the Remuneration Committee during FY2021 and as at the date of this annual report.

The major roles and functions of the Remuneration Committee are as follows:

(1) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(2) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(3) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payment (including any compensation payable for loss or termination of their office or appointment);

(4) to make recommendations to the Board on the remuneration of the non-executive Directors;

(5) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(6) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with relevant contractual terms and otherwise fair and not excessive;

(7) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and otherwise reasonable and appropriate; and

(8) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee held two meetings during FY2021. Individual attendance of each committee member is set out below:

	Attended/ Eligible to attend
Executive Director	
Mr. Huang Jiajue	2/2
Independent non-executive Directors	
Mr. Wong Chi Keung *(Chairman)*	2/2
Mr. Leung Wo Ping *JP*	2/2

The following is a summary of work performed by the Remuneration Committee during FY2021:

(a) reviewing and recommending the policy and structure of the remuneration of the Directors and senior officers of the Group to the Board;

(b) assessing individual performance of the Directors and senior officers of the Group; and

(c) reviewing specific remuneration packages of the Directors and senior officers of the Group with reference to the Board's corporate goals and objectives as well as individual performances.

The remuneration of the executive Directors, who are regarded as the senior management of the Group, by band for FY2021 is set out below:

HK$0 to HK$2,000,000	1
HK$2,000,001 to HK$4,000,000	3
Over HK$4,000,001	2
	6

The remuneration of the Directors is determined by reference to their qualifications, experience, duties and responsibilities, the Group's remuneration policy and the prevailing market trends. Neither the Chief Executive Officer nor any of the Directors waived or agreed to waive any emoluments during FY2021.

C. Nomination Committee

The Company established the Nomination Committee in September 2005 with specific written terms of reference in accordance with the requirements of the Stock Exchange which deal clearly with its authority and duties.

During FY2021 and as at the date of this annual report, the Nomination Committee comprised an executive Director, Mr. Huang Jiajue and two independent non-executive Directors, namely Mr. Leung Wo Ping *JP* and Mr. Wong Chi Keung. Mr. Wong Chi Keung was the chairman of the Nomination Committee during FY2021 and as at the date of this annual report.

The major roles and functions of the Nomination Committee are as follows:

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

(2) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorship;

(3) to assess the independence of the independent non-executive Directors; and

(4) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

The Nomination Committee selects and recommends candidates for directorship based on certain criteria and procedures. The major criteria include (i) the candidates' professional background, especially their experience in the industry in which the Group operates; (ii) their financial management experience and track record with other companies engaged in similar business as the Group's; and (iii) the recommendations from the management team and other knowledgeable individuals. The Nomination Committee will shortlist the candidates and then submit them to the Board for final approval.

The Nomination Committee held one meeting during FY2021. Individual attendance of each committee member is set out as below:

	Attended/ Eligible to attend
Executive Director	
Mr. Huang Jiajue	1/1
Independent non-executive Directors	
Mr. Wong Chi Keung *(Chairman)*	1/1
Mr. Leung Wo Ping *JP*	1/1

During the meeting held in FY2021, the Nomination Committee reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors coupling with the relevant requirements under the Listing Rules, and the suitability of the Directors who were subject to re-election at the AGM.

INTERNAL CONTROL

Risk Management and Internal Control

The Board has overall responsibility for maintaining sound and effective risk management and internal control systems to safeguard the assets of the Group and interests of the Shareholders. The Board is clearly aware of the key role played by the Group's risk management and internal control systems in the Group's risk management and compliance with the laws and regulations on an on-going basis. The Group is aware of the responsibilities of the Board and the management over risk management and internal control systems:

- **The Board** is responsible for evaluating and determining the nature and extent of the risks the Group is willing to take in achieving its strategic business objectives, ensuring the Group establishes and maintains appropriate and effective risk management and internal control systems, and overseeing the management's design, implementation and monitoring of risk management and internal control systems on an ongoing basis.

- **The management** is responsible for the design, implementation and monitoring of the risk management and internal control systems and confirming to the Board whether or not the risk management and internal control systems are effective.

Such risk management and internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or losses.

The Audit Committee continuously reviews the Group's risk management and internal control systems. The Board also reviews the effectiveness of the Group's risk and management and internal control systems on annual basis. Based on its review, the Audit Committee will provide advice to the Board as to the adequacy of the Group's risk management and internal control systems.

RISK MANAGEMENT

The Group has established a basic risk management structure in 2016 to specify the risk management process, and consciously enhanced the Group's risk management culture internally. The Group strives to optimise its risk management structure, standardise its risk management process, and adopt qualitative and quantitative risk management methodologies to identify, evaluate and mitigate risks, so as to promote its sustainable and healthy business growth by keeping its risks under control.

Construction of Risk Management System

- **Construction and update of basic risk management structure:** the Group has established an organisational structure and functions for risk management practices covering different levels, including decision-making level (the Board and the Audit Committee), leadership level (the Group's management) and implementation level (management of each function centre of the Group and the regional subsidiaries) over the past years. The duties and authorities of each level of decision-making, leadership and implementation are specified in writing and the Group's major risks are classified into different categories, including strategy, operation, market, finance and laws so as to create a risk database. During FY2021, the Group reviewed, updated and improved the above-mentioned basic structure based on changes in both internal and external environment. From the perspective of the Group's strategic objective and the management's risk appetite, appropriate risk assessment dimension and criteria as well as qualitative and quantitative approaches of assessment have been established. Meanwhile, approaches and criteria of assessment identified by the management together are used to assess and respond to risks likely to affect the achievement of the corporate target.

- **Establishment and regulation of risk management process:** the Group has established closed-loop procedures in respect of sustainable risk management, covering the identification, assessment, response, monitoring and reporting (see Chart 1: Major Steps of Risk Management Process), in addition to risk management procedures and tools used to support the implementation of such procedures. The Board analyses and prioritises risks identified to determine key risks exposed to the Group and discusses how to manage such key risks. Besides, existing risk mitigation measures are identified and recorded against each significant risk, with improvement suggestions being made based on the management's risk appetite. During FY2021, the Group reviewed, adjusted and improved the risk management process to improve the efficiency and standardisation of its operations.

(Chart 1: Major Steps of Risk Management Process)

Risk Assessment Performed by the Group in FY2021

On the basis of the above construction of risk management systems at the group level, the management of the Group continued to strengthen its risk management with the assistance from an external consultant during FY2021, and updated and assessed the top 10 risks of the Group in FY2021.

- **Updating and assessing the top 10 risks of the Group:** in view of the external market environment, changes in the internal business environment, the business operation and risk appetite of the Group, the management of the Group updated the risk assessment standards and risk database during FY2021. Meanwhile, it reviewed the change in nature and degree of significant risks exposed to the Group by using a systematic approach of assessment, reassessed the top ten risks exposed to the Group and studied the tendency of such change as compared with that of FY2020. The current governance and control measures were reviewed to determine the department responsible for control of the relevant risks as well as the corresponding response measures and improvement plans. Results of the assessment and implementation of the governance and control measures were reported to the Audit Committee, which, on behalf of the Board, reviewed and assessed the change in nature and degree of the significant risks and considered that the risk management systems were effective and adequate upon review of such systems.

In the years to follow, the management of the Group will continue to strengthen the risk management systems through various measures, including on-going risk management training, regular risk alert and risk management reporting, and will perform review and assessment of the responses to significant risks at least annually and report the results to the Audit Committee.

Internal Audit

The Company has established an internal audit function as an independent third line of defence, which is responsible for assisting the Audit Committee in making analysis and independent assessment of the adequacy and effectiveness of the Group's risk management and internal control systems. The Board has reviewed the resources and staff qualifications and experiences of the internal audit function, and considered that the budget and the training received by the internal audit staff were adequate during FY2021.

Internal Control

Construction of Internal Control Management Framework

The Company has established its own internal control framework by reference to the internal control management framework from the COSO (Committee of Sponsoring Organisations of the Treadway Commission) (see Chart 2: Internal Control Management Framework from the COSO). The Group's risk management system consists of five elements, i.e. control environment, risk assessment, control activity, information and communication, and monitoring activity, which are related to, interacting with and relying on each other, and collectively safeguard the performance of the Group's internal control function. An established organisational structure is included in such control systems, clearly defining the power and obligations of each department, in order to protect the Group's assets against improper use, maintain appropriate accounts and ensure compliance with rules and regulations. The scope of review covers significant controls, including controls over finance, operations, compliance and risk management. Annual review of the effectiveness of the risk management and internal control systems has been performed with reference to the COSO framework.

(Chart 2: Internal Control Management Framework from the COSO)

Review of Internal Control Performed by the Group in FY2021

On the basis of the above internal control management framework of the Group, the management of the Group engaged an external consultant to support the internal control review in FY2021 to enhance the internal controls. Based on the changes in risk conditions and control environment, the management of the Group selected key business processes for review, assessed the adequacy and effectiveness of existing control activities, determined major risks and existing control defects, and identified the key departments responsible for control defects and the following response measures and improvement plans. The results of assessment were reported to the Audit Committee.

Review of Risk Management and Internal Control Systems

The Board has, through the Audit Committee, performed an overall review of the effectiveness of the Group's risk management and internal control systems for FY2021, considering changes in the nature and degree of significant risks exposed to the Group, as well as the Group's capability of responding to changes in its business and external environment. The management has continued monitoring the scope and quality of the risk and internal control systems and the work performed by the internal audit function, and has prepared the reports provided to the Audit Committee. The Board considered the Group complied with the provisions relating to internal control set out in the CG Code and the risk management and internal control systems were effective and adequate during FY2021.

INSIDE INFORMATION

The Company takes every precaution in its handling of inside information. The Company regulates the handling and dissemination of inside information according to the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding inside information. Also, the Company keeps the Directors, management and employees abreast of the latest regulatory updates. Employees who are privy or have access to inside information have also been notified to observe the restrictions regarding the handling and dissemination of inside information from time to time. The Board is generally responsible for ensuring that the Company complies with its disclosure obligations regarding inside information. Inside information should be disclosed by way of an announcement in accordance with the requirements of the SFO and the Listing Rules. Before relevant information is fully disclosed to the public, the Board will ensure that such information is kept strictly confidential.

CORPORATE GOVERNANCE FUNCTIONS

The Company is committed to enhancing its corporate governance practices relevant to the model and growth of its business. In order to achieve a right balance between governance and performance, the Board is responsible for introducing and proposing relevant principles concerning corporate governance so as to enhance the standard of corporate governance of the Company. The Board is responsible for performing the corporate governance functions set out in Code Provision D.3.1 of the CG Code and has established the following corporate governance duties to serve this purpose:

(1) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

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

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

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

(5) to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the Company's annual report.

There was no meeting held by the Board in respect of its corporate governance functions during FY2021. However, the Company has from time to time provided updated information to the Directors and management on the relevant rules and regulations relating to corporate governance, ensuring that they have a proper understanding of the latest development of the best corporate governance practice.

AUDITOR'S REMUNERATION

For FY2021, the remuneration paid/payable to the Company's auditor, Ernst & Young, for their audit and non-audit services provided, is set out as follows:

Nature of services	**Fee paid/payable** HK$'000
Audit services	5,500
Non-audit services	
— Agreed-upon procedures	1,060
— Internal control services	450
Total	7,010

DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility of preparing the financial statements for FY2021, which were prepared in accordance with statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgement and estimates made are prudent and reasonable.

As at 31 December 2021, notwithstanding that the Group reported net current assets of HK$14,955 million, the Group's outstanding interest-bearing bank and other borrowings amounted to HK$7,623 million which are due to be repaid within one year from the end of the reporting period, comprising offshore borrowings of HK$2,641 million and onshore borrowings in Mainland China of HK$4,982 million, while the Group's cash and cash equivalents and term deposits (with initial terms of over three months) amounted to HK$976 million of which the majority are kept by the Group's subsidiaries in Mainland China. In addition to the bank and other borrowings due to be repaid within one year as mentioned above, the Group had capital commitments contracted but not provided for in its consolidated financial statements of HK$1,603 million. In consideration of the prevailing slow-down of the property market, coupled with the challenging market conditions for financing from the capital market, the Group may take a longer time than expected to realise cash from the sale of its properties and/or have the cash from external financing to meet its loan repayment obligations. Notwithstanding the aforesaid, the consolidated financial statements of the Group for FY2021 have been prepared on a going concern basis. The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Group has carried out certain plans as set out in note 1.2 to its consolidated financial statements to address its financial needs in the coming 12 months. The Directors have reviewed the Group's cash flow forecast covering a period of 12 months from the end of FY2021, and they are of the opinion that, taking into account the plans and measures as set out in note 1.2 to the Group's consolidated financial statements, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe it is appropriate to prepare the Group's consolidated financial statements for FY2021 on a going concern basis.

The reporting responsibilities of the external auditor on the consolidated financial statements are set out in the "Independent Auditor's Report" on pages 73 to 79 of this annual report.

SHAREHOLDERS' RIGHTS

(1) Dividend policy

The Company has adopted a dividend policy.

The Company does not have any pre-determined dividend pay-out ratio. The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Bye-laws, all applicable laws and regulations and the following factors:

1. financial results;
2. cash flow situation;
3. business conditions and earnings;
4. capital requirements and expenditure plans;
5. interests of Shareholders;
6. any restrictions on payment of dividends; and
7. any other factors that the Board may consider relevant.

The dividend policy of the Company will be reviewed by the Board as appropriate from time to time.

The Company treats all Shareholders equally and ensures that Shareholders' rights are protected and every convenience is provided to the Shareholders for them to exercise their rights in ways that they are entitled to. The memorandum of association of the Company ("Memorandum of Association") and the Bye-Laws set out the rights of the Shareholders.

(2) Rights and procedures for Shareholders to convene a special general meeting ("SGM")

Pursuant to Bye-Law No. 58 of the Bye-Laws, Shareholders holding not less than one-tenth of the paid-up capital of the Company and carrying the right of voting at general meetings may request the Company to convene a SGM by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition. The requisition must be signed by the requisitionists and deposited at the Company Secretary at the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong. Before convening the SGM, the request will be verified with the Company's share registrar in Bermuda or the Hong Kong branch share registrar with their confirmation that the request is proper and in order.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, i.e. Shareholders holding not less than one-twentieth of the paid-up capital of the Company, may themselves convene a meeting in accordance with the requirements and procedures set out in Sections 74(3) and 74(4) of the Bermuda Companies Act 1981 (as amended), but any meeting so convened shall not be held after the expiration of three months from the said date.

(3) Rights and procedures for Shareholders to make proposals at general meetings

(i) Rights and procedures for proposing a person for election as a Director at a general meeting are as follows:

Pursuant to Bye-Law No. 88 of the Bye-Laws, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected including that person's biographical details as required by Rule 13.51(2) of the Listing Rules, shall have been lodged at the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong, or at the Hong Kong branch share registrar provided that the minimum length of the period, during which such notice is given, shall be at least 7 days before the date of the general meeting.

If the notice is submitted after the dispatch of the notice of the general meeting appointed for such election, the period for lodgement of such notice shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

If the notice is received less than 10 business days prior to the date of such general meeting, the Company will need to consider the adjournment of such general meeting in order to allow Shareholders 14 days' notice (the notice period must include 10 business days) of the proposal.

The procedures for Shareholders to propose a person for election as a Director is posted on the Company's website (www.zhuguang.com.hk).

(ii) Rights and procedures for proposing resolution to be put forward at a general meeting are as follows:

Pursuant to Sections 79 and 80 of the Bermuda Companies Act 1981 (as amended), (i) shareholders holding not less than one-twentieth of the total voting rights; or (ii) not less than 100 shareholders, are entitled to request the company to give shareholders notice of a resolution which is intended to be moved at the next annual general meeting or special general meeting. If any Shareholders wish to propose a resolution to be put forward at a general meeting of the Company, a written notice to that effect signed by the requisitionists with contact information must be deposited at the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong (addressed to the Company Secretary). The notice shall contain, inter alia, a description of the proposed resolution desired to be put forward at the meeting, the reasons for such a proposal and any material interest of the proposing Shareholder in such a proposal. The request will be verified with the Company's share registrar in Bermuda or the Hong Kong branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholders concerned at the AGM or the SGM varies according to the nature of the proposal, the details of which are as follows:

- At least 14 days' notice (the notice period must include 10 business days) in writing if the proposal constitutes an ordinary resolution of the Company in SGM.
- At least 21 days' notice (the notice period must include 20 business days) in writing if the proposal constitutes an ordinary resolution of the Company in AGM or a special resolution of the Company in AGM or SGM.

In the event of failure in serving the notice to the Company by the requisitionist within reasonable time, the Company reserves the right to claim from the requisitionist any expenses incurred by the Company in serving the notice of the resolution and circulating the statement given by that requisitionist to all Shareholders in accordance with the requirements under the Listing Rules (unless the Company otherwise resolves).

The rights and procedures for proposing resolution to be put forward by Shareholders at a general meeting is posted on the Company's website (www.zhuguang.com.hk).

(4) Procedures to send enquiries to the Board

Any enquiry is welcome to be presented to the Board by the Shareholders and any proposal relating to the business, strategy and management of the Company is welcome to be presented at general meeting for review and discussion. Such enquiry or proposal can be submitted in writing with contact information and deposited at the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong (addressed to the Company Secretary).

COMPANY SECRETARY

Pursuant to the requirements of Rule 3.29 of the Listing Rules, the Company Secretary, Mr. Choi Kwok Keung Sanvic confirmed that he had taken no less than 15 hours of relevant professional training during FY2021.

MEMORANDUM OF ASSOCIATION AND BYE-LAWS

During FY2021, the Company has not made any changes to its Memorandum of Association or Bye-Laws. An up-to-date version of the Memorandum of Association and the Bye-Laws is available on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.zhuguang.com.hk).

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with the Shareholders. Information in relation to the Company is disseminated to the Shareholders in a timely manner through a number of formal channels, which include the interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information are also made available on the website of the Company (www.zhuguang.com.hk).

The AGM provides a useful platform for the Shareholders to exchange views with the Board. The Chairman and the chairman of each committee of the Board are available at the AGM to answer questions from the Shareholders in respect of the matters that they are responsible and accountable for. The external auditor is also available at the AGM to assist the Directors in addressing any relevant queries from the Shareholders. To ensure the Board is maintaining an ongoing dialogue with the Shareholders, the Shareholders are encouraged to attend the AGM or other general meetings of the Company. The AGM notice is sent to the Shareholders at least 21 clear days before the AGM. The notice is also published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.zhuguang.com.hk). Separate resolutions are proposed at the general meetings on each substantially separate issue. A Shareholder is permitted to appoint any number of proxies to attend and vote on his behalf. All resolutions put forward at shareholders' meetings of the Company 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 and of the Company immediately after the relevant general meetings.

To ensure effective communication with the Shareholders, the Company highly values any opinion from the Shareholders. Comments and suggestions are welcome and can be addressed to the Company by mail to the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

DIRECTORS' REPORT

The Directors herein submit their report together with the audited consolidated financial statements of the Group for FY2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 1.1 to the consolidated financial statements.

Further discussion and analysis of the business review required by Schedule 5 to the Companies Ordinance, including an analysis on the Group's financial key performance indicators, an indication of the likely future developments in the Group's business, employment policy of the Group and important events of the Company occurring after the end of FY2021, can be found in the "Chairman's Statement" and the "Management Discussion and Analysis" set out on pages 4 to 22 of this annual report. These discussions form part of this "Directors' Report".

The financial risk management objectives and policies of the Group are shown in note 46 to the consolidated financial statements.

An analysis of the Group's performance during FY2021 using its key financial information is set out in the Five-Year Financial Summary on page 190 of this annual report.

The Group is committed to building a better environment by adopting an environmentally-friendly approach in its business operations. The Group is also committed to complying with all applicable environmental laws and regulations in conducting its business. The Group aims to reduce emissions and use of resources in its operations through the following measures:

- Enhance the efficiency of the resources used in the Group's business operations;
- Adopt the use of energy-efficient equipment across the Group's properties and offices;
- Encourage employees to minimise their daily use of resources, such as electricity;
- Encourage contractors and/or service providers to adopt environmentally-friendly practices in their design, services and products; and
- Undertake property development projects which are conducive to environmental protection and to obtain environmental certification on such projects.

During FY2021, the Group has made improvements in energy saving and emission reduction by adopting measures, which included regularly upgrading and maintaining air-conditioning systems and equipment, and using recycled papers.

Further information about the Company's environmental policies and performance can be found in the Group's Environmental, Social and Governance Report for FY2021, which will be published on the website of the Company at www.zhuguang.com.hk and the website of the Stock Exchange at www.hkexnews.hk on or before 31 May 2022.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company was incorporated in Bermuda with its shares listed on the Main Board of the Stock Exchange. The Group's subsidiaries were incorporated in the British Virgin Islands, Hong Kong and the PRC. The Group's operations are mainly carried out by the Group's subsidiaries in the PRC while the Group also has a corporate and administrative office in Hong Kong.

The Group's principal business activity is property development in the PRC which is a highly regulated industry. Property developers in the PRC must abide by various laws and regulations in the country, including rules stipulated by the national and local governments. To engage in property development, the Group must apply to the relevant government authorities to obtain and renew various licenses, permits, certificates and approvals, including but not limited to, land use rights certificates, qualification certificates for property developers, construction work commencement permits, construction work planning permits, construction land planning permits and pre-sales permits. Before the government authorities issue or renew any such certificate or permit, the Group must meet the relevant requirements. Set out below is a summary of certain aspects of PRC legal and regulatory provisions relating to the Group's operations and business, which include laws and regulations relating to:

- Establishment and qualification of real estate development, including the City Real Estate Management Regulation*《城市房地產管理法》, the PRC City Planning Regulation*《中華人民共和國城鄉規劃法》, the PRC Construction Regulation*《中華人民共和國建築法》and the City Real Estate Development Operation Management Rules*《城市房地產開發經營管理條例》; and

- Sale of commodity properties, including the City Commodity Properties Pre-Sale Management Regulation*《城市商品房預售管理辦法》.

If there is any non-compliance with the above rules and regulations, it will affect the Group's operations, development and financial performance. During FY2021, the Group complied with all the relevant laws and regulations in Bermuda, the British Virgin Islands, the PRC and Hong Kong that have a significant impact on the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, the summary of which is as follows:

Fierce industry competition

The fierce competition among property developers in China may lead to the increase in acquisition costs of land and construction costs in prime locations in China, oversupply of properties, decrease in price of the properties and slower approval and review of new property development projects by the relevant government authorities as well as the increase in the costs of human resources, all of which have an adverse impact on the business operations and profit of the Group.

Fluctuation of exchange rates

As the focus of the Group's operations is in China, most revenue and expenses of the Group are denominated in RMB. The exchange rates of the RMB against the US$ and other foreign currencies may fluctuate and may be affected by, among other things, the policies of the PRC Government and changes in the PRC's and international political and economic conditions. Fluctuations in the exchange rates will affect the results of operations of the Group. As the 2019 Senior Notes are denominated in US$, the depreciation of RMB, if any, will further increase the finance costs of the Group.

** English name is translated for identification purpose only*

Fluctuation of interest rates

Interest-bearing debts are one of the primary financing sources for the Group to fund its operations. Part of the Group's loans are RMB-denominated and obtained from banks in the PRC, and carry floating interest rates. Thus, any adjustments in the interest rates made by the People's Bank of China will affect the finance costs of the Group.

External contractors and suppliers

In the event that the performance of the external contractors and suppliers entrusted by the Group falls short of the standards of the Group, or they encounter financial, operational or managerial difficulties, there may be disruption to the construction progress of the Group's property developments, and the Group may need to incur additional costs and may be potentially liable for compensation payable to the customers for delay in completion of property development and delivery of the properties.

Government policies and regulations

The real estate market in the PRC is highly subject to government policies and regulations. In order to curb the rapid rise in housing price and control speculative demand, the PRC Government has imposed a series of strict restrictions, including house purchase restrictions (限購), tighter down-payment requirements (限貸), and limiting the selling price of properties (限價). Further, a series of regulations and policies have been issued by the PRC Government to generally control the growth of the property market, including those relating to idle land, house loans to buyers, financing to property developers, etc.. It is uncertain whether the PRC Government will relax or enhance the existing restrictive measures, or will introduce new restrictive measures in the future. The existing and any future restrictive measures may limit the Group's access to capital, reduce market demand for its products and increase the finance costs.

Impact of COVID-19

The outbreaks of the COVID-19 pandemic during FY2021 did not have material adverse impact on the business operations of the Group. At the onset of the pandemic, the Group had promptly established an internal management team responsible for the coordination of the pandemic prevention and control work and the monitoring of the implementation of pandemic-related policies throughout different business divisions of the Group. Benefited from the effective prevention measures adopted by both the Chinese government and the Group itself, COVID-19 had not caused any significant disruptions to the business operations of the Group in FY2021. However, regional outbreaks within the country leading to the imposition of various regulatory or administrative measures by the government to contain the spread of the disease, such as travel restrictions, quarantine requirements and lockdowns, will slow down general economic activities and have an adverse impact on the Group's business operations and financial performance. While the Group will continue to closely monitor the development of the pandemic, it will also adhere to the control measures that the government may adopt from time to time and review its own internal prevention policies and make adjustments when needed. In addition, to reduce the uncertainties that major outbreaks may bring to its business, the Group will also seek to secure more alternative suppliers to reduce its reliance on certain suppliers and speed up the pre-sale and sale of its properties under development and completed properties held for sale to strengthen its liquidity.

SEGMENT INFORMATION

An analysis of the performance of the Group by reportable segments is set out in note 4 to the consolidated financial statements.

DIVIDENDS

The Directors do not recommend the payment of any dividend for FY2021 (FY2020: a final dividend of HK1 cent per share totalling HK$72,256,300 and a special dividend of HK9 cents per share totalling HK$650,306,700).

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on page 190.

RESULTS AND APPROPRIATIONS

The results of the Group for FY2021 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on pages 80 and 81, respectively.

RESERVES

Movements in reserves of the Group during FY2021 are set out in the consolidated statement of changes in equity on page 84.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2021, the Company's reserves available for distribution, computed in accordance with the Companies Act 1981 of Bermuda (as amended) were approximately HK$664,583,000 (31 December 2020: HK$2,075,287,000). In addition, the Company's share premium account in the amount of approximately HK$5,626,160,000 (31 December 2020: HK$5,564,286,000) may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During FY2021, the Group made charitable contributions totalling approximately HK$3,859,000.

PROPERTY AND EQUIPMENT

Movements in property and equipment of the Group during FY2021 are set out in note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

Movements in investment properties of the Group during FY2021 are set out in note 14 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is in force as at the date of this annual report and was in force throughout FY2021.

INVENTORIES

As at 31 December 2021, inventories consisted of properties under development and completed properties held for sale. Details of inventories of the Group during FY2021 are set out in notes 20 and 21 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during FY2021 are set out in note 34 to the consolidated financial statements.

BORROWINGS

Particulars of the bank loans and other borrowings of the Group as at 31 December 2021 are set out in note 31 to the consolidated financial statements.

INTEREST CAPITALISED

Interest capitalised by the Group during FY2021 amounted to approximately HK$270,829,000 (FY2020: HK$420,051,000), details of which are set out in note 6 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEME

The Group contributes to defined contribution retirement schemes which are available to all its employees. With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules of the scheme. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the schemes. During FY2021, total contribution of approximately HK$14,933,000 (FY2020: HK$8,429,000) was made by the Group in respect of the above-mentioned schemes, which are both defined contribution schemes. No forfeited contribution under these schemes is available to reduce the contribution payable in future years.

EQUITY-LINKED AGREEMENT

2019 Senior Notes and 2019 Warrants

The conditional note purchase agreement ("2019 Note Purchase Agreement") dated 22 September 2019 (as amended and supplemented by (i) a deed of adherence dated 30 June 2020 executed by Quan Xing Holdings Limited (荃興控股有限公司) ("Quan Xing"); (ii) the First Amendment Deed to Terms and Conditions; and (iii) the Second Amendment Deed to Terms and Conditions) was entered into among (a) the Company as the issuer; (b) Rong De as the controlling Shareholder (within the meaning of the Listing Rules), which is owned as to 34.06% by Mr. Chu Hing Tsung, as to 36.00% by Mr. Liao Tengjia and as to 29.94% by Mr. Chu Muk Chi; (c) Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi (collectively as the "Ultimate Shareholders") as personal guarantors; and (d) Blooming Rose Enterprises Corp. ("Blooming Rose"), Heroic Day Limited ("Heroic Day"), CCB International Overseas Limited ("CCB") and China Cinda (HK) Asset Management Co., Limited ("Cinda", together with Blooming Rose, Heroic Day and CCB, collectively as "Investors") as investors, pursuant to which (aa) the Company shall conditionally issue to the Investors the 2019 Senior Notes of an aggregate principal amount of US$410,000,000 (equivalent to approximately HK$3,198,000,000); and (bb) in consideration of the agreement to subscribe for the 2019 Senior Notes by the Investors and entering into other transactions contemplated under the relevant transaction documents, the Company shall issue the 2019 Warrants to the Investors pursuant to a warrant instrument ("Warrant Instrument") dated 27 November 2019 executed by the Company, representing an aggregate amount of the exercise moneys of US$61,500,000 (equivalent to approximately HK$479,700,000), under the specific mandate granted to the Directors by the Shareholders at the special general meeting of the Company held on 21 November 2019, further details of which are set out in the announcements of the Company dated 22 September 2019 and 21 November 2019, and the circular of the Company dated 5 November 2019.

Pursuant to the 2019 Note Purchase Agreement, Rong De was required to create a charge ("2019 Share Charge") over 3,361,112,000 Shares that it held in the Company in favour of The Bank of New York Mellon, Hong Kong Branch ("BNY HK") and each of the Ultimate Shareholders has entered into a personal guarantee (collectively, the "2019 Guarantees") in favour of BNY HK in relation to the 2019 Senior Notes. The 2019 Share Charge, which subsisted during FY2021 and as at the date of this annual report, is discloseable pursuant to Rule 13.17 of the Listing Rules. The 2019 Guarantees subsisted during FY2021 and as at the date of this annual report.

The conditions of the 2019 Senior Notes, which subsisted during FY2021 and as at the date of this annual report, also contain certain conditions imposing specific performance obligations on Rong De (the controlling Shareholder (within the meaning of the Listing Rules)) and the Ultimate Shareholders, which are required to be disclosed pursuant to Rule 13.18 of the Listing Rules.

It is an event of default under the conditions of the 2019 Senior Notes, if amongst others:

(i) Rong De ceases to beneficially own at least 3,670,000,000 Shares;

(ii) Rong De ceases to (a) control the Company, or (b) beneficially own at least 51% of the total issued share capital of the Company on a fully-diluted basis;

(iii) the Ultimate Shareholders cease to (a) control the Company, or (b) effectively and beneficially own in aggregate at least 51% of the total issued share capital of the Company on a fully-diluted basis;

(iv) the Ultimate Shareholders cease to (a) control Rong De, or (b) legally and beneficially own in aggregate at least 76.03% of the total issued share capital of Rong De on a fully-diluted basis; and

(v) any of the Ultimate Shareholders ceases to be a Director.

Upon the occurrence of an event of default, the 2019 Senior Notes shall become immediately due and repayable in accordance with the conditions of the 2019 Senior Notes.

The 2019 Senior Notes constituted direct, unconditional, secured, guaranteed, unsubordinated and general obligations of the Company and ranked equally and without any preference amongst themselves, and the payment obligations of the Company under the 2019 Senior Notes would (subject to any obligations preferred by mandatory provision of applicable laws and regulations) rank at least pari passu with all other present and future direct, unconditional, unsecured, unsubordinated and general obligations issued, created or assumed by the Company. On 22 September 2019, the Company issued the 2019 Senior Notes in the aggregate principal amount of US$410,000,000 (equivalent to approximately HK$3,198,000,000) due on 21 September 2022.

During FY2021, the Company redeemed an aggregate principal amount of US$85,150,000 (equivalent to approximately HK$664,170,000) of the 2019 Senior Notes. As at 31 December 2021, the Company had redeemed an aggregate principal amount of US$167,150,000 (equivalent to approximately HK$1,303,770,000) of the 2019 Senior Notes and an aggregate principal amount of US$242,850,000 (equivalent to approximately HK$1,894,230,000) of the 2019 Senior Notes remained outstanding.

On 27 November 2019, the 2019 Warrants representing aggregate exercise moneys of US$61,500,000 (equivalent to approximately HK$479,700,000) were issued to the Investors.

If the subscription rights attached to the 2019 Warrants are exercised in full at the initial strike price of HK$1.6148, the 2019 Warrants would be entitled the holders thereof ("2019 Warrantholders") to subscribe for up to 297,064,651 Shares ("Warrant Shares", each a "Warrant Share") (of an aggregate nominal value of HK$29,706,465.1). The initial strike price of HK$1.6148 per Warrant Share represents a premium of approximately 46.8% over the closing price per Share of HK$1.1 as quoted on the Stock Exchange on 20 September 2019, being the last trading day immediately before the entering into of the 2019 Note Purchase Agreement. The Warrant Shares to be allotted and issued upon the exercise of the subscription rights attached to the 2019 Warrants, when allotted and issued, will rank pari passu with the existing issued Shares as at the date of allotment, and they will be allotted and issued pursuant to the specific mandate granted to the Directors by the Shareholders at the special general meeting of the Company held on 21 November 2019. The subscription rights attached to the 2019 Warrants will expire on the date falling 36 months from the issue date of the 2019 Warrants. Further details of the 2019 Warrants are set out in the announcements of the Company dated 22 September 2019 and 21 November 2019, and the circular of the Company dated 5 November 2019.

The subscription money payable by a 2019 Warrantholder upon the exercise of the subscription rights, may be satisfied in the following manner at such 2019 Warrantholder's election:

(1) by setting off an amount of the exercise moneys equal to the aggregate strike price against the outstanding principal amount of any 2019 Senior Notes held by such 2019 Warrantholder ("Set-off");

(2) by payment in cash to such bank account as designated by the Company as notified in writing to the 2019 Warrantholder three business days in advance;

(3) by a combination of payment in cash and by way of Set-off as set forth in the foregoing (1) and (2); or

(4) by such other method of payment as the Company and such 2019 Warrantholder may reasonably agree.

Assuming the 2019 Warrants with an aggregate amount of exercise moneys of US$61,500,000 are issued and all exercise moneys of the subscription rights attached to the 2019 Warrants will be settled by the 2019 Warrantholders with the Company in cash, the Company will receive gross proceeds of approximately HK$479.7 million, and the net proceeds of approximately HK$478 million in this regard. The Company currently intends to use the net proceeds from the issue of the 2019 Warrants to repay the 2019 Senior Notes. Assuming the full exercise of the subscription rights attached to the 2019 Warrants, the net price to the Company of each Warrant Share, which is calculated by dividing the aggregate net proceeds from the issue of the Warrant Shares and the exercise of the subscription rights by the 2019 Warrantholders by the total number of the Warrant Shares, is approximately HK$1.6091. During FY2021, the 2019 Warrants with an aggregate amount of exercise moneys of US$6,462,411 (equivalent to approximately HK$50,407,000) were exercised and an aggregate of 31,215,506 Warrant Shares of aggregate nominal value of HK$3,121,550.60 were issued to the relevant 2019 Warrantholders at the initial strike price of the 2019 Warrants of HK$1.6148, as to 15,215,506 Warrant Shares, 15,000,000 Warrant Shares and 1,000,000 Warrant Shares were issued to CCB, Cinda and Heroic Day, respectively ("Exercise of Warrants"). While US$3,312,411 (equivalent to approximately HK$25,837,000) of the aggregate exercise moneys of US$6,462,411 (equivalent to approximately HK$50,407,000) in relation to the Exercise of Warrants was paid by the relevant 2019 Warrantholders in cash, the remaining amount of the aggregate exercise moneys of US$3,150,000 (equivalent to approximately HK$24,570,000) was settled by way of Set-off against the outstanding principal amount of the 2019 Senior Notes. As at the date of this annual report, the Company has fully utilised the amount of the net proceeds received in cash of approximately HK$25,837,000 to repay the 2019 Senior Notes as intended. As at 31 December 2021, the 2019 Warrants with an aggregate amount of exercise moneys of US$55,037,589 (equivalent to approximately HK$429,293,194) remained outstanding.

In light of the declaration and payment of a final dividend of HK1 cent per Share ("2020 Final Dividend") and a special dividend of HK9 cents per Share ("2020 Special Dividend", together with the 2020 Final Dividend, the "2020 Dividends") which had been approved by the Shareholders at the annual general meeting of the Company held on 11 June 2021, the initial strike price of the 2019 Warrants was adjusted from HK$1.6148 to HK$1.54 with effect from 27 August 2021 (being the payment date of the 2020 Dividends) pursuant to the Warrant Instrument. As a result of such adjustment to the initial strike price of the 2019 Warrants, the maximum number of Shares to be issued upon the full exercise of the subscription rights attached to the 2019 Warrants with an aggregate amount of exercise moneys of US$55,037,589 (equivalent to approximately HK$429,293,194) which remain outstanding as at the date of this annual report, has increased by 12,912,673 Shares from 265,849,141 Shares to 278,761,814 Shares. Further details of the adjustment to the initial strike price of the 2019 Warrants are set out in the announcement of the Company dated 27 August 2021.

The Board considered that the issue of the 2019 Senior Notes and the 2019 Warrants represented an opportunity to raise funds for the Company to repay the 2016 Indebtedness (as defined below).

As intended, the Company has used the entire amount of the proceeds received from the issue of the 2019 Senior Notes, to repay the principal amount of the loan (to the extent such principal amount has not been set-off or settled as contemplated under the 2019 Note Purchase Agreement) payable to the 2016 Creditors (as defined below) in relation to the 2016 Indebtedness.

For the purpose of this paragraph headed "EQUITY-LINKED AGREEMENT", the defined terms used therein shall have the following meanings:

"2016 Creditors"	means all creditors who are entitled to any payment under the transaction documents in connection with the issue by the Company of the 2016 Senior Notes and the 2016 Warrants, including the 2016 Noteholders;
"2016 Indebtedness"	means all outstanding indebtedness incurred by the 2016 Obligors under the transaction documents in connection with the issue by the Company of the 2016 Senior Notes and the 2016 Warrants (including the 2016 Note Indebtedness but excluding the 2016 Warrants Indebtedness) as at 22 September 2019;
"2016 Noteholders"	means all registered holders of the outstanding 2016 Senior Notes as at 22 September 2019;
"2016 Note Indebtedness"	means all outstanding indebtedness incurred by the 2016 Obligors under the 2016 Senior Notes as at 22 September 2019;

"2016 Obligors"	means the parties to the transaction documents in connection with the issue by the Company of the 2016 Senior Notes and the 2016 Warrants, other than the 2016 Noteholders, BNY HK, the other 2016 Creditors and ABCI Securities Company Limited;
"2016 Senior Notes"	means the senior secured guaranteed notes in the aggregate principal amount of up to US$500,000,000 due 2019 issued by the Company as constituted by the note certificates and the terms and conditions in relation thereto (as amended and supplemented from time to time), further details of which are set out in the announcements of the Company dated 3 August 2016, 23 September 2016, 11 October 2016 and 2 August 2019, and the circular of the Company dated 23 September 2016;
"2016 Warrant Instrument"	means the warrant instrument dated 14 October 2016 executed by way of a deed poll by the Company in relation to the 2016 Warrants;
"2016 Warrants"	means the warrants with an aggregate amount of exercise moneys of up to US$75,000,000 of the Company which entitle holders thereof to subscribe for Shares at the initial strike price of HK$1.9995 (as adjusted from time to time in accordance with the 2016 Warrant Instrument) with the current adjusted strike price of HK$1.79, as constituted by the 2016 Warrant Instrument and warrant certificates issued to all registered holders of the outstanding 2016 Warrants as at 22 September 2019, further details of which are set out in the announcements of the Company dated 3 August 2016, 22 August 2016, 23 September 2016, 11 October 2016, 14 November 2016 and 9 January 2019 and the circular of the Company dated 23 September 2016;
"2016 Warrants Indebtedness"	means all amounts payable to all registered holders of the outstanding 2016 Warrants as at 22 September 2019 under the 2016 Warrant Instrument as at 22 September 2019;
"First Amendment Deed to Terms and Conditions"	means the amendment deed to terms and conditions dated 24 August 2020 to amend and supplement the terms and conditions attached to the certificates of the 2019 Senior Notes, entered into among the Company, the Investors, Quan Xing, Rong De, the Ultimate Shareholders, All Flourish, Ai De, Capital Fame, Cheng Chang, East Orient, Ever Crown, Fresh International, Fully Wise, Pacific Win, Polyhero International, Profaith International, South Trend, Talent Wide, Top Asset, Top Perfect, Vanco Investment, World Sharp and Zhuguang Group; and
"Second Amendment Deed to Terms and Conditions"	means the amendment deed to terms and conditions dated 30 October 2020 to amend and supplement the terms and conditions attached to the certificates of the 2019 Senior Note, executed by the Company.

Save as disclosed above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during FY2021 or subsisted at the end of FY2021.

CCBIS MARGIN LOAN

On 25 October 2018, Splendid Reach Limited ("Splendid"), a wholly-owned subsidiary of the Company, as borrower, and CCB International Securities Limited (建銀國際證券有限公司) ("CCBIS"), as lender, entered into a margin loan confirmation ("CCBIS Margin Loan Confirmation") (as amended and supplemented by an amendment and restatement deed dated 24 April 2019 entered into between Splendid and CCBIS, a second amendment and restatement deed dated 1 November 2019 entered into between Splendid and CCBIS, a third amendment and restatement deed dated 30 October 2020 entered into between Splendid and CCBIS and a fourth amendment and restatement deed dated 29 October 2021 entered into between Splendid and CCBIS), under which CCBIS agreed to make available to Splendid a margin loan ("CCBIS Margin Loan") over the term ("Term") commencing from (and including) the first drawdown date of the CCBIS Margin Loan ("First Drawdown Date") and maturing on 30 October 2022 (provided that if such date does not fall on a business day, then the next business day) ("Maturity Date"), in the principal amount of up to HK$750,000,000 (for the first five business days of the Term), HK$550,000,000 (from and including the sixth (6th) business day of the Term to 29 April 2019), HK$510,000,000 (from and including 30 April 2019 to 30 May 2019), HK$490,000,000 (from and including 31 May 2019 to 30 July 2019), HK$450,000,000 (from and including 31 July 2019 to 30 October 2019), HK$430,000,000 (from and including 31 October 2019 to 30 January 2020), HK$400,000,000 (from and including 31 January 2020 to 29 April 2020), HK$360,000,000 (from and including 30 April 2020 to 29 October 2020), HK$330,000,000 (from and including 30 October 2020 to 29 April 2021), HK$290,000,000 (from and including 30 April 2021 to 29 January 2022), HK$270,000,000 (from and including 30 January 2022 to 29 April 2022) and HK$250,000,000 (from and including 30 April 2022 to the Maturity Date). The interest of the CCBIS Margin Loan which is payable quarterly, shall accrue (i) from and including the First Drawdown Date to 31 March 2019 at a simple interest rate of 7.75% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; (ii) from and including 1 April 2019 to 30 October 2019 at a simple interest rate of 9% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; (iii) from and including 31 October 2019 up to and including 30 October 2020 at a simple interest rate of 10% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; (iv) from and including 31 October 2020 up to and including 30 October 2021 at a simple interest rate of 3-month HIBOR + 9% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; and (v) from and including 31 October 2021 up to and including the date of full principal repayment at a simple interest rate of 3-month HIBOR + 8.5% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan. Further details of the CCBIS Margin Loan are set out in the announcements of the Company dated 25 October 2018, 1 November 2019, 30 October 2020 and 29 October 2021. As at 31 December 2021, the amount of HK$290,000,000 was outstanding under the CCBIS Margin Loan.

Pursuant to the CCBIS Margin Loan Confirmation, (a) Rong De (the controlling Shareholder (within the meaning of the Listing Rules)) was required to enter into a charge dated 25 October 2018 ("SL Rong De Charge"), in favour of CCBIS, over a margin securities trading account opened by Rong De with CCBIS ("SL Rong De Account"), into which Rong De shall deposit, among other assets, no less than 100,000,000 Shares held by Rong De before the First Drawdown Date ("SL Rong De Charged Shares First Batch") and no less than 150,000,000 Shares held by Rong De on or before the 60th day of the Term ("SL Rong De Charged Shares Second Batch", together with the SL Rong De Charged Shares First Batch, collectively as the "Aggregate SL Rong De Charged Shares"); and (b) the Company, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi were required to enter into a continuing guarantee dated 25 October 2018 ("CCBIS Continuing Guarantee"), in favour of CCBIS, to guarantee the settlement of all liabilities and obligations of Splendid under the CCBIS Margin Loan. The SL Rong De Charge, which subsisted during FY2021 and as at the date of this annual report, is disclosable pursuant to Rule 13.17 of the Listing Rules. As at 31 December 2021, out of the Shares deposited by Rong De into the SL Rong De Account, 525,000,000 Shares were in relation to the CCBIS Margin Loan. The CCBIS Continuing Guarantee subsisted during FY2021 and as at the date of this annual report.

The conditions of the CCBIS Margin Loan which subsisted during FY2021 and as at the date of this annual report, also contain certain specific performance obligations on Rong De (the controlling Shareholder (within the meaning of the Listing Rules)), which are required to be disclosed pursuant to Rule 13.18 of the Listing Rules.

Under the CCBIS Margin Loan Confirmation, Splendid shall procure Rong De to:

(i) deposit the SL Rong De Charged Shares First Batch into the SL Rong De Account prior to the First Drawdown Date;

(ii) deliver the SL Rong De Charge prior to the First Drawdown Date;

(iii) deposit the SL Rong De Charged Shares Second Batch into the SL Rong De Account on or before the 60th day of the Term;

(iv) maintain its deposit of the Aggregate SL Rong De Charged Shares in the SL Rong De Account, and shall procure Rong De not to charge, mortgage, pledge, or otherwise permit any encumbrance to be created over the Aggregate SL Rong De Charged Shares (other than the encumbrance created pursuant to the SL Rong De Charge or otherwise agreed by CCBIS);

(v) not to apply for registration as a non-Hong Kong company pursuant to Part 16 of the Companies Ordinance without having obtained the prior written consent of CCBIS;

(vi) in the event that Rong De has obtained the prior written consent to apply for registration as a non-Hong Kong Company as set out in (v) above, Rong De shall procure that the prescribed particular of the SL Rong De Account together with the SL Rong De Charge be delivered to the Companies Registry of Hong Kong for the registration of the SL Rong De Charge and promptly deliver the certificate of such registration of the SL Rong De Charge to CCBIS;

(vii) promptly after execution of the SL Rong De Charge, instruct its registered agent to enter particulars as required by the BVI Business Companies Act 2004 of the British Virgin Islands ("BVI Act"), as amended, of the security created pursuant to the SL Rong De Charge in the Rong De's Register of Charges ("Rong De Register of Charges");

(viii) enter particulars as required by the BVI Act of the security created pursuant to the SL Rong De Charge in the Rong De Register of Charges and, immediately after entry of such particulars have been made, provide CCBIS with a certified true copy of the updated Rong De Register of Charges;

(ix) effect registration, or assist CCBIS in effecting registration, of the SL Rong De Charge with the Registrar of Corporate Affairs pursuant to the BVI Act; and

(x) immediately on receipt, deliver or procure to be delivered to CCBIS, the certificate of registration of charge issued by the Registrar of Corporate Affairs evidencing that the requirements of Part VIII of the BVI Act as to registration have been complied with and the filed stamped copy of the application containing the relevant particulars of charge.

A breach of any of the above acts by Rong De shall constitute an event of default, which shall cause the CCBIS Margin Loan to become immediately due and repayable in accordance with the conditions of the CCBIS Margin Loan.

ISSUE OF PERPETUAL CAPITAL SECURITIES

On 30 November 2021, the Company issued perpetual capital securities ("2021 Perpetual Securities") in the aggregate principal of HK$250,000,000 at a distribution rate of 8% per annum to Rong De (the controlling Shareholder (within the meaning of the Listing Rules)). The 2021 Perpetual Securities have no fixed redemption date and are redeemable at the option of the Company at any time and from time to time, whether in whole or in part, at any time after its issue. While distribution is payable by the Company every six months, the Company may, at its sole discretion, elect to defer, in whole or in part, any distribution (including any arrears of distribution) to the next distribution payment date. The proceeds from the issue of the 2021 Perpetual Securities were used for financing the corporate funding requirement of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

For FY2021, the Group's revenue attributable to the Group's largest and five largest customers was approximately 63% and 67%, respectively. For FY2021, purchases from the Group's largest and five largest suppliers accounted for approximately 26% and 32% of the total purchases of the Group, respectively.

Save as disclosed in note 43 to the consolidated financial statements, none of the Directors and their close associates or any Shareholder (who, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had interest in the above customers and suppliers at any time during FY2021.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises that employees are one of the significant assets of the Group. The Group aims to continue establishing a caring environment for its employees and emphasises the personal development of its employees. The Group organises various social and recreational activities, including annual dinner and birthday parties, to strengthen the bonding among its employees and promote their sense of belonging. During FY2021, there was no material non-compliance with relevant laws and regulations that had a significant impact on the Group relating to the compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare with respect to its employees.

The Group understands that it is important to maintain good relationships with its customers and provide its products in a way that satisfies the needs and requirements of its customers. The Group enhances its customer relationships by continuous interaction with its customers to gain an insight on the changing market demand so that the Group can respond proactively. The Group has also established procedures for handling customers' complaints to ensure complaints from customers are dealt with in a prompt and timely manner. Because of its business nature, the Group does not rely on any major customers and no credit terms are granted to them.

The Group is also dedicated to developing good relationships with its suppliers and contractors as long-term business partners to ensure stability of its business. The Group reinforces business partnerships with its suppliers and contractors by ongoing communication with them in a proactive and effective manner so as to ensure the quality and timely delivery of their products and services.

DIRECTORS

During FY2021 and as at the date of this annual report, the Board comprised six executive Directors, namely Mr. Chu Hing Tsung, who was also the Chairman, Mr. Liu Jie, who was also the Chief Executive Officer, Mr. Liao Tengjia, who was also a Deputy Chairman, Mr. Huang Jiajue, who was also a Deputy Chairman, Mr. Chu Muk Chi and Ms. Ye Lixia, and three independent non-executive Directors, namely Mr. Leung Wo Ping *JP*, Mr. Wong Chi Keung and Dr. Feng Ke.

Mr. Liao Tengjia, Ms. Ye Lixia and Dr. Feng Ke will retire from office by rotation at the forthcoming annual general meeting in accordance with Bye-Law No. 87 of the Bye-Laws and, being eligible, will offer themselves for re-election.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, there were changes in the information required to be disclosed in accordance with paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules in the course of the Directors' term of office.

With effect from 2 August 2021, Mr. Chu Muk Chi (alias Zhu La Yi), an executive Director, has been appointed as a director and the chairman of the board of directors of Guangdong Jiaying Pharmaceutical Co., Ltd.* (廣東嘉應製藥股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 002198).

With effect from 20 July 2021, Dr. Feng Ke has been appointed as an independent director of Aotecar New Energy Technology Co., Ltd.* (奧特佳新能源科技股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 002239).

With effect from 18 August 2021, Dr. Feng Ke has been appointed as an independent director of Liaoning Cheng Da Co., Ltd.* (遼寧成大股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code: 600739).

Save as aforesaid, the Company has not been advised by the Directors of any change in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since its last update to the Shareholders.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or subsisted during FY2021.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a letter of appointment with no fixed term of service with the Company. Such letter of appointment can be terminated by either party giving three months' written notice.

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

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and those of the five highest paid individuals of the Group for FY2021 are set out in notes 8 and 9 to the consolidated financial statements respectively.

** English name is translated for identification purpose only*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(a) As at 31 December 2021, the interests and short positions of each Director and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (ii) were required, pursuant to the Code, to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares

Name of Director/ chief executive of the Company	Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 2)
Chu Hing Tsung (alias Zhu Qing Yi)	Interest of a controlled corporation (Note 1)	4,830,591,289	66.85%
Liao Tengjia	Interest of a controlled corporation (Note 1)	4,830,591,289	66.85%

Notes:

1. 4,830,591,289 Shares were held by Rong De, which was owned as to 34.06% by Mr. Chu Hing Tsung, as to 36.00% by Mr. Liao Tengjia and as to 29.94% by Mr. Chu Muk Chi. Mr. Chu Hing Tsung and Mr. Liao Tengjia were deemed to be interested in the Shares held by Rong De under the SFO. To the best knowledge of the Directors, out of the aforesaid 4,830,591,289 Shares, 525,000,000 Shares and 3,361,112,000 Shares have been pledged by Rong De to CCBIS and BNY HK respectively. Mr. Liao Tengjia is a director of Rong De.

2. The total number of the issued Shares as at 31 December 2021 (i.e. 7,225,632,753 Shares) had been used for the calculation of the approximate percentage shareholdings in the Company.

Interest in shares of the Company's associated corporations

Name of Director/ chief executive of the Company	Name of associated corporation	Capacity	Total number of ordinary shares	Approximate percentage of interest
Chu Hing Tsung (alias Zhu Qing Yi)	Rong De	Beneficial owner	68,120	34.06%
Chu Muk Chi (alias Zhu La Yi)	Rong De	Beneficial owner	59,888	29.94%
Liao Tengjia	Rong De	Beneficial owner	71,992	36.00%
Huang Jiajue	Silver Grant	Beneficial owner	11,928,000	0.52%

(b) Save as disclosed in this annual report, as at 31 December 2021, none of the Directors or the chief executive of the Company had any interest and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (ii) were required, pursuant to the Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

(a) On 17 December 2014, 廣州愉捷貿易有限公司 (Guangzhou Yujie Trading Company Limited*), a wholly-owned subsidiary of the Company as purchaser, conditionally entered into 50 preliminary sale and purchase agreements ("SP Agreements") with 廣州黃沙鐵路房地產開發有限公司 (Guangzhou Huangsha Railway Real Property Development Company Limited*), an independent third party, as vendor ("Vendor"), in relation to the acquisition of 50 properties ("Acquired Properties") in Guangzhou, the PRC, jointly developed by 廣州珠光投資有限公司 (Guangzhou Zhuguang Investment Company Limited*) ("GZ Investment"), a related party of the Group and an independent third party, at the consideration of RMB1,106,820,000 (equivalent to approximately HK$1,403,881,000) which shall be settled by cash ("Project"). GZ Investment is entitled to 75% of the distributable interests ("Right") under the Project and the income derived therefrom. In November 2014, Mr. Chu Hing Tsung, the Chairman and an executive Director, has acquired from GZ Investment, at the consideration of RMB760,000,000 (equivalent to approximately HK$963,978,000), part of the Right ("Acquired Right"), pursuant to which he is entitled to request the Vendor to transfer three of the buildings ("Phase I Buildings") in relation to phase I of the Project to him, or alternatively he is entitled to the sale proceeds of the Phase I Buildings if he requests the Vendor to sell the Phase I Buildings for him. The Acquired Properties are part of the underlying interest in the Acquired Right. The SP Agreements subsisted during FY2021. For details of the SP Agreements, please refer to the circular of the Company dated 5 March 2015.

(b) On 29 October 2018 and 30 November 2021, the Company issued perpetual capital securities ("Aggregated Perpetual Securities") in the aggregate principal of HK$800,000,000 and HK$250,000,000 at distribution rates of 6% and 8% per annum, respectively, to Rong De (the controlling shareholder of the Company), which is beneficially owned as to 36.00% by Mr. Liao Tengjia, 34.06% by Mr. Chu Hing Tsung and 29.94% by Mr. Chu Muk Chi, each being an executive Director. The Aggregated Perpetual Securities have no fixed redemption date and are redeemable at the option of the Company at any time and from time to time, whether in whole or in part, at any time after its issue. Pursuant to each of the Aggregated Perpetual Securities, while distribution is payable by the Company every six months, the Company may, at its sole discretion, elect to defer, in whole or in part, any distribution (including any arrears of distribution) to the next distribution payment date. The proceeds from the issue of the Aggregated Perpetual Securities were used for financing the corporate funding requirement of the Group. The Aggregated Perpetual Securities subsisted during FY2021.

Save as disclosed above and under the paragraphs headed "EQUITY-LINKED AGREEMENT", "CCBIS MARGIN LOAN", "ISSUE OF PERPETUAL CAPITAL SECURITIES" and "CONNECTED AND CONTINUING CONNECTED TRANSACTIONS" in this directors' report and in note 43 to the consolidated financial statements, no other transactions, arrangements and contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or any entity connected with a Director had a material interest, either directly or indirectly, subsisted at the end of FY2021 or at any time during FY2021.

No arrangements to which the Company or any of its subsidiaries or its holding company was a party and whose objects are, or one of whose objects is, to enable Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, subsisted at the end of FY2021 or at any time during FY2021.

Save for the Aggregated Perpetual Securities disclosed above and the 2021 Perpetual Securities disclosed under the paragraphs headed "ISSUE OF PERPETUAL CATPITAL SECURITIES" and "CONNECTED AND CONTINUING CONNECTED TRANSACTIONS – Connected Transaction" in this directors' report, no other contract of significance was entered into between the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries during FY2021, or subsisted at the end of FY2021 or at any time during FY2021.

** English name is translated for identification purpose only*

COMPETING INTERESTS

Pursuant to Rule 8.10 of the Listing Rules, during FY2021 and as at 31 December 2021, Mr. Liao Tengjia, being an executive Director, was interested as a consultant in companies that were engaged in the businesses of property development, investment and property rental in the PRC ("Competing Businesses"). As such, he was regarded as being interested in such Competing Businesses, which competed or might compete with the Group. However, as the above Director cannot control the Board, and a Director who has material interest in a subject matter to be resolved will abstain from voting in the Board meeting concerned, the interests of the above Director in the Competing Businesses will not prejudice his capacity as Director nor compromise the interests of the Group and the Shareholders.

Other than as disclosed above, none of the Directors or any of their respective associates of the Company was interested in any business apart from the Company's business, which competed or was likely to compete, either directly or indirectly, with the Company's business.

SUBSTANTIAL SHAREHOLDER'S AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(a) As at 31 December 2021, so far as it is known to the Directors or the chief executive of the Company, the following persons, other than a Director or the chief executive of the Company, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and were required to be kept under section 336 of the SFO:

Interests of substantial Shareholder

Name of Shareholder	**Capacity/ Nature of interest**	**Number of Shares**	**Approximate percentage of total issue share capital of the Company** (Note 9)
Rong De (Note 1)	Beneficial owner	4,830,591,289 (L)	66.85%

Interests of other persons

Name of Shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 9)	Number of underlying Shares	Approximate percentage of total issued share capital of the Company (Note 9)
CCBIS (Note 1)	Security interest	525,000,000 (L)	7.27%	–	–
Central Huijin Investment Limited ("Central Huijin") (Notes 2 and 3)	Interest of controlled corporations	16,215,506 (L)	0.22%	49,718,355 (L)	0.69%
	Security interest	3,361,112,000 (L)	46.52%	–	–
Agricultural Bank of China Limited ("ABCL") (Note 2)	Interest of controlled corporations	1,000,000 (L)	0.01%	49,718,355 (L)	0.69%
	Security interest	3,361,112,000 (L)	46.52%	–	–
Ministry of Finance of the People's Republic of China ("MOF") (Note 2)	Interest of controlled corporations	1,000,000 (L)	0.01%	49,718,355 (L)	0.69%
	Security interest	3,361,112,000 (L)	46.52%	–	–
China Construction Bank Corporation ("CCB") (Note 3)	Interest of controlled corporations	15,215,506 (L)	0.21%	–	–
	Security interest	3,361,112,000 (L)	46.52%	–	–

Name of Shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 9)	Number of underlying Shares	Approximate percentage of total issued share capital of the Company (Note 9)
The Bank of New York Mellon Corporation ("BNY") (Note 4)	Interest of a controlled corporation	3,361,788,000 (L)	46.53%	–	–
China Orient Asset Management Co., Ltd. ("COAM") (Note 5)	Interest of controlled corporations	3,361,112,000 (L)	46.52%	144,909,586 (S)	2.01%
Cheung Fong Wing (Note 6)	Interest of a controlled corporation	418,500,000 (L)	5.79%	8,622,119 (L)	0.12%
	Security interest	3,361,112,000 (L)	46.52%	–	–
Quan Xing (Note 6)	Beneficial owner	418,500,000 (L)	5.79%	8,622,119 (L)	0.12%
	Security interest	3,361,112,000 (L)	46.52%	–	–
中國華融資產管理股份有限公司 ("CHAMCL") (Note 7)	Interest of controlled corporations	92,336,000 (L)	1.28%	–	–
	Security interest	1,586,000,000 (L)	21.95%	–	–
China Cinda Asset Management Co., Ltd. ("CCAM") (Note 8)	Interest of controlled corporations	15,000,000 (L)	0.21%	62,599,083 (L)	0.87%
		23,300,000 (S)	0.32%	–	–
	Security interest	3,361,112,000 (L)	46.52%	–	–

(L) Long position
(S) Short position

Notes:

1. The Shares comprised the 4,830,591,289 Shares beneficially owned by Rong De as stated under "Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures — Long position in the Shares". To the best knowledge of the Directors, out of the aforesaid 4,830,591,289 Shares, 525,000,000 Shares and 3,361,112,000 Shares have been pledged by Rong De to CCBIS and BNY HK respectively. Mr. Liao Tengjia is a director of Rong De.

2. According to the disclosure of interest notices filed by Central Huijin on 9 June 2021 ("Central Huijin Notice"), Heroic Day held direct interest in 3,362,112,000 Shares and 49,718,355 underlying Shares. Heroic Day is a wholly-owned subsidiary of ABCI Investment Management Limited ("ABCIIM"). ABCIIM is a wholly-owned subsidiary of ABC International Holdings Limited ("ABCIH"). ABCIH is a wholly-owned subsidiary of ABCL. According to the Central Huijin Notice and the disclosure of interest notice filed by MOF on 15 October 2019, ABCL is in turn owned as to 40.03% by Central Huijin and as to 35.29% by MOF. Accordingly, ABCIIM, ABCIH, ABCL, Central Huijin and MOF are deemed to be interested in the Shares and the underlying Shares held by Heroic Day by virtue of the provisions of the SFO.

3. According to the disclosure of interest notice filed by CCB on 8 June 2021, CCB International Overseas Limited ("CCBIO") held direct interest in 3,376,327,506 Shares, and is a wholly-owned subsidiary of CCB International (Holdings) Limited ("CCBIH"). CCBIH is a wholly-owned subsidiary of CCB Financial Holdings Limited ("CCBFH"). CCBFH is a wholly-owned subsidiary of CCB International Group Holdings Limited ("CCBIG"). CCBIG is a wholly-owned subsidiary of CCB. According to the Central Huijin Notice, CCB is owned as to 57.11% by Central Huijin. Accordingly, CCBIH, CCBFH, CCBIG, CCB and Central Huijin are deemed to be interested in the Shares held by CCBIO by virtue of the provisions of the SFO.

4. According to the disclosure of interest notice filed by BNY on 24 September 2019, the Bank of New York Mellon held direct interest in 3,361,788,000 Shares and a lending pool of 588,000 Shares, and is wholly-owned by BNY. Accordingly, BNY is deemed to be interested in the Shares held by the Bank of New York Mellon by virtue of the provisions of the SFO.

5. According to the disclosure of interest notice filed by COAM on 28 November 2019, Blooming Rose held direct interest in 3,361,112,000 Shares and short positions in 144,909,586 underlying Shares, and is a wholly-owned subsidiary of China Orient Asset Management (International) Holding Limited ("COAM International"). COAM International is held as to 50% by Wise Leader Assets Ltd ("Wise Leader") and as to 50% by Dong Yin Development (Holdings) Limited ("Dong Yin"). Wise Leader is held as to 100% by Dong Yin and Dong Yin is a wholly-owned subsidiary of COAM. Accordingly, COAM International, Wise Leader, Dong Yin and COAM are deemed to be interested in the Shares and the underlying Shares held by Blooming Rose by virtue of the provisions of the SFO.

6. According to the disclosure of interest notice filed by Quan Xing on 5 January 2021, Quan Xing, which is wholly-owned by Mr. Cheung Fong Wing, held direct interest in 3,779,612,000 Shares and 8,622,119 underlying Shares. Accordingly, Mr. Cheung Fong Wing is deemed to be interested in the Shares and the underlying Shares held by Quan Xing by virtue of the provisions of the SFO.

7. According to the disclosure of interest notice filed by CHAMCL on 7 April 2021 ("CHAMCL Notice"), Beyond Steady Limited ("Beyond Steady"), a wholly-owned subsidiary of Linewear Assets Limited ("Linewear"), held direct interest in 92,336,000 Shares. Linewear is a wholly-owned subsidiary of Huarong International Financial Holdings Limited ("Huarong International"). Huarong International is held as to 21.01% by Camellia Pacific Investment Holding Limited ("Camellia Pacific") and as to 29.98% by Right Select International Limited ("Right Select"). Each of Camellia Pacific and Right Select is a wholly-owned subsidiary of China Huarong International Holdings Limited ("CHIH"). CHIH is held as to 15.16% by 華融致遠投資管理有限責任公司 (Huarong Zhiyuan Investment & Management Co., Ltd.*) ("HZY"), which is a wholly-owned subsidiary of CHAMCL, and 84.84% by CHAMCL. Accordingly, Linewear, Huarong International, Camellia Pacific, Right Select, CHIH, HZY and CHAMCL are deemed to be interested in the Shares held by Beyond Steady by virtue of the provisions of the SFO. According to the CHAMCL Notice, 中國華融資產管理股份有限公司(廣東省分公司) (China Huarong Asset Management Company Limited, (Guangdong Branch)*) ("CHAMCLGDBR") held direct interest in 1,586,000,000 Shares and is a wholly-owned subsidiary of CHAMCL. Accordingly, CHAMCL is deemed to be interested in the Shares held by CHAMCLGDBR by virtue of the provisions of the SFO.

** English name is translated for identification purpose only*

8. According to the disclosure of interest notice filed by CCAM, China Cinda (HK) Holdings Company Limited ("CCHK") and Cinda on 18 June 2021, Cinda held direct interest in 3,376,112,000 Shares and 62,599,083 underlying Shares, and short positions in 23,300,000 Shares. Cinda is a wholly-owned subsidiary of CCHK, which is in turn wholly-owned by CCAM. Accordingly, CCHK and CCAM are deemed to be interested in the Shares and the underlying Shares held by Cinda by virtue of the provisions of the SFO.

9. The total number of issued Shares as at 31 December 2021 (i.e. 7,225,632,753 Shares) had been used for the calculation of the approximate percentage shareholdings in the Company.

(b) Save as disclosed above, the Directors and the chief executive officer of the Company are not aware of any other persons (not being Directors or chief executive of the Company) as at 31 December 2021, who had an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and were required to be kept under section 336 of the SFO.

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 to be independent.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Connected Transaction

On 30 November 2021, the Company issued the 2021 Perpetual Securities in the aggregate principal of HK$250,000,000 at a distribution rate of 8% per annum to Rong De (the controlling Shareholder (within the meaning of the Listing Rules)). The 2021 Perpetual Securities have no fixed redemption date and are redeemable at the option of the Company at any time and from time to time, whether in whole or in part, at any time after its issue. While distribution is payable by the Company every six months, the Company may, at its sole discretion, elect to defer, in whole or in part, any distribution (including any arrears of distribution) to the next distribution payment date.

By virtue of Rong De being the controlling Shareholder (i.e. it is a connected person of the Company), the issue of the 2021 Perpetual Securities by the Company to Rong De constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.90 and Rule 14A.74 of the Listing Rules, such issue of the 2021 Perpetual Securities is fully exempted from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules, taking into consideration that it was conducted on normal commercial terms or better and it was financial assistance received by the Company from a connected person which was not secured by the assets of the Group.

The net proceeds from the issue of the 2021 Perpetual Securities were used for financing the corporate funding requirement of the Group.

Continuing Connected Transactions

On 23 January 2020, the Group entered into eight pre-delivery management agreements ("Pre-delivery Management Agreements") and eleven post-delivery management agreements ("Post-delivery Management Agreements", together with the Pre-delivery Management Agreements, collectively, the "Management Agreements") with 廣州珠光物業管理有限公司 (Guangzhou Zhuguang Property Management Company Limited*) ("Management Company") for a term from 23 January 2020 to 31 December 2022 (both dates inclusive), pursuant to which the Management Company agreed to provide various pre-delivery management services (such as advising on project planning and design, sales assistance services and property delivery services) ("Pre-delivery Management Services") and post-delivery management services (such as repair, operation and management of common facilities and equipment, public utilities and ancillary buildings, greening and landscape maintenance and collecting fees from property owners and users) ("Post-delivery Management Services") in respect of eleven property projects in the PRC ("Projects") to the Group. For the Pre-delivery Management Services provided by the Management Company, the Group shall pay fees in cash and in arrears on a monthly basis, which consist of the total costs and expenses (including human resources costs) incurred by the Management Company in rendering the Pre-delivery Management Services as agreed in advance by the Group and the Management Company, and 10% thereof. With respect to the Post-delivery Management Services provided by the Management Company, the Group shall pay fees in cash and in arrears on a monthly basis, comprising of (i) property management fees of the unsold units in the relevant Projects, ranging from RMB1.2 per sqm to RMB45 per sqm (subject to the property type) based on the GFA of the relevant unsold units and subject to adjustments (a) approved by the relevant Price Bureaus (物價局) in the PRC from time to time; and (b) mutually approved in writing by the parties to the relevant Post-delivery Management Agreements; and (ii) utilities expenses (i.e. water and electricity expenses) incurred by the unsold units in the relevant Projects, based on (a) the rates of the water and electricity expenses charged by the relevant government departments; and (b) the amounts of water and electricity used as indicated by the water and electricity meters of the unsold units in the relevant Projects.

On 23 January 2020, the Management Company entered into a pre-delivery property management service agreement ("AEC Pre-delivery Management Agreement") and a post-delivery property management service agreement ("AEC Post-delivery Management Agreement", together with AEC Pre-delivery Management Agreement, collectively, the "AEC Management Agreements") with the Guangzhou Project Company (a then independent third party which has become a wholly-owned subsidiary of the Company with effect from the completion of the Second AEC Acquisition on 24 March 2021 ("Second AEC Completion Date")) for a term from 23 January 2020 to 31 December 2022 (both dates inclusive), pursuant to which the Management Company agreed to provide to Guangzhou Project Company, the Pre-delivery Management Services and the Post-delivery Management Services in respect of Zhuguang Financial Town One, a property project held by the Guangzhou Project Company. Pursuant to the AEC Pre-delivery Management Agreement, the Guangzhou Project Company shall pay management fees in cash and in arrears on a monthly basis, which consist of the total costs and expenses (including human resources costs) incurred by the Management Company in rendering the Pre-delivery Management Services as agreed in advance by the Guangzhou Project Company and the Management Company, and 10% thereof. Pursuant to the AEC Post-delivery Management Agreement, the Guangzhou Project Company shall pay management fees to the Management Company in cash and in arrears on a monthly basis, comprising of (i) property management fees of unsold units in Zhuguang Financial Town One, in the amounts of RMB5.8 per sqm (in respect of apartments) and RMB28 per sqm (in respect of offices), based on the GFA of the relevant unsold units and subject to adjustments (a) approved by the relevant Price Bureaus (物價局) in the PRC from time to time; and (b) mutually approved by the parties to the AEC Post-delivery Management Agreement; and (ii) utilities expenses (i.e. water and electricity expenses) incurred by the unsold units in Zhuguang Financial Town One, based on (a) the rates of the water and electricity expenses charged by the relevant government departments; and (b) the amounts of water and electricity used as indicated by the water and electricity meters of the unsold units in Zhuguang Financial Town One.

** English name is translated for identification purpose only*

Directors' Report

As at the date of the Management Agreements, 90% of the equity interest of the Management Company was owned by Ms. Zhu Ziyu* (朱梓瑜) ("Ms. Zhu"). Given that Ms. Zhu is (i) a daughter of Mr. Chu Hing Tsung, an executive Director, the Chairman and a 34.06% shareholder of Rong De (a controlling Shareholder); and (ii) a niece of Mr. Chu Muk Chi, an executive Director and a 29.94% shareholder of Rong De (a controlling Shareholder), Ms. Zhu is an associate of Mr. Chu Hing Tsung and a deemed connected person of Mr. Chu Muk Chi, making the Management Company a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Management Agreements ("CCTs") constituted continuing connected transactions of the Company under the Listing Rules with effect from the date of the Management Agreements.

In March 2020, the Group completed the acquisition of 51% of the equity interest of the Guangzhou Project Company through its acquisition of 100% of the issued share capital of All Flourish, upon which the Guangzhou Project Company was accounted for by the Group as a joint venture using the equity accounting method under the applicable accounting standards. On 24 March 2021, the Group completed the acquisition of the remaining 49% equity interest in the Guangzhou Project Company through the Second AEC Acquisition, upon which the Guangzhou Project Company became a wholly-owned subsidiary of the Company, making the transactions contemplated under the AEC Management Agreements ("AEC CCTs") continuing connected transactions of the Company under the Listing Rules with effect from the Second AEC Completion Date.

As the AEC CCTs and the CCTs are similar in nature and were entered into by the Group with the same connected person, the AEC Management Agreements and the Management Agreements are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Listing Rules. The AEC CCTs and the CCTs ("Aggregated CCTs") are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules. Further details of the Aggregated CCTs are set out in the announcements of the Company dated 23 January 2020 and 25 March 2021.

The Group has followed the pricing policies and guidelines for the Aggregated CCTs when determining the price and terms of the Aggregated CCTs conducted during FY2021.

The aggregate amount of the fees paid/payable by the Group to the Management Company for the Pre-delivery Management Services and the Post-delivery Management Services in relation to the Aggregated CCTs for FY2021 amounted to approximately RMB13,270,000 (equivalent to approximately HK$16,002,000). The Aggregated CCTs subsisted as at the date of this annual report.

The independent non-executive Directors have reviewed the Aggregated CCTs and confirmed that the Aggregated CCTs were entered into by the Group:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

** English name is translated for identification purpose only*

Ernst & Young, the Company's auditor, was engaged to report on the Aggregated CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 (Revised) *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young has issued its unmodified letter containing the findings and conclusions in respect of the Aggregated CCTs disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. In the letter, Ernst & Young confirmed that, for FY2021, nothing has come to its attention that causes the Company's auditor to believe that:

(a) the Aggregated CCTs have not been approved by the Board;

(b) the Aggregated CCTs were not entered into, in all material respects, in accordance with the relevant agreements governing the Aggregated CCTs; and

(c) with respect to the aggregate transaction amount of each of the Aggregated CCTs, the Aggregated CCTs have exceeded the relevant aggregated annual caps as set by the Company.

Save for the connected transaction and the continuing connected transactions disclosed above, the execution of guarantees by certain Directors and the execution of share charges by Rong De as mentioned in the paragraphs headed "EQUITY-LINKED AGREEMENT" and "CCBIS MARGIN LOAN" in this directors' report, none of the related party transactions as set out in note 43(b) to the consolidated financial statements falls under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules. The Company confirms that it complied with the disclosure requirements (if any) in accordance with Chapter 14A of the Listing Rules during FY2021.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-Laws or the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during FY2021.

MANAGEMENT DISCUSSION AND ANALYSIS

A management discussion and analysis of the Group's annual results is shown on pages 6 to 22.

CORPORATE GOVERNANCE REPORT

A corporate governance report of the Group is shown on pages 27 to 47.

AUDIT COMMITTEE

During FY2021 and as at the date of this annual report, the Audit Committee comprises three independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the Company's audited results for FY2021, and discussed with the management regarding audit, internal control and financial reporting matters.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Directors confirmed that the Company has maintained the amount of public float as required under the Listing Rules during FY2021 and up to the date of this annual report.

AUDITOR

Ernst & Young will retire, and being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of Ernst & Young as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
Chu Hing Tsung
Chairman

Hong Kong, 22 April 2022

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel電話: +852 2846 9888
Fax傳真: +852 2868 4432
ey.com

To the shareholders of Zhuguang Holdings Group Company Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Zhuguang Holdings Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 80 to 189, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1.2 to the consolidated financial statements, which indicates notwithstanding that the Group reported net current assets of HK$14,955 million, there are identified events or conditions that indicate the existence of a material uncertainty related to going concern, when considering that the Group's current portion of interest-bearing bank and other borrowings amounted to HK$7,623 million while its cash and cash equivalents and term deposits (with initial terms of over three months) amounted to HK$976 million as at 31 December 2021. This, along with other matters set forth in note 1.2 to the consolidated financial statements, may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined that matters described below to be key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Zhuguang Holdings Group Company Limited
(Incorporated in Bermuda with limited liability)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on receivables for urban redevelopment projects	
As at 31 December 2021, the Group had receivables for urban redevelopment projects of approximately HK$16,218 million, representing 37.8% of the Group's total assets. The allowance for expected credit losses as at 31 December 2021 was approximately HK$703 million. Management engaged an independent specialist to determine the model and perform the calculation of expected credit losses which reflects the probability-weighted outcome, time value of money and other reasonable and supportable information that is available at the reporting date. Management judgements and estimates were made in assessing the allowance for expected credit losses of the Group's receivables for urban redevelopment projects. The Group had considered the available information which includes information about past events, current conditions and forecasts of future economic conditions to estimate the expected credit losses. The Group has also assessed whether the credit risk on the receivables, majority of which are related companies of the Group, has increased significantly under the general approach. We identified this as a key audit matter due to the material amount to the Group's consolidated financial statements, and there were critical judgements involved in determining the parameters and estimates used in the impairment assessment and provision for any expected credit losses. Related disclosures are included in notes 2.4, 3 and 22 to the consolidated financial statements.	We understood and evaluated management's process in their assessment and estimates of expected credit losses on receivables for urban redevelopment projects by performing the following procedures: • we assessed the management judgements and estimates made to determine expected credit losses, including but not limited to the identification of multiple scenarios, the credit risk considering historical and forward-looking factors and the criteria for determining if a significant increase in credit risk has occurred; • we obtained and examined the relevant supporting documents, including but not limited to the agreements, bank remittance advices, bank statements, financial position of the counterparties and the relevant documentation of internal meetings, if applicable; • we performed background check of these counterparties and performed site visits on the urban redevelopment projects; • we evaluated the objectivity, independence and competence of the external specialist engaged by management of the Group; • we involved our internal specialists to assess the methodologies applied and the key parameters and estimates adopted in for expected credit losses calculation on the receivables; and • we assessed the adequacy of the disclosures regarding the allowance for expected credit losses in the consolidated financial statement.

To the shareholders of Zhuguang Holdings Group Company Limited

(Incorporated in Bermuda with limited liability)

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of other receivables at fair value through profit or loss	
As at 31 December 2021, the Group had other receivables of approximately HK$1,880 million (the "Other Receivables"), representing 4.4% of the Group's total assets, in respect of the funds provided for property development projects in the People's Republic of China. Fair value gain on other receivables at fair value through profit or loss of approximately HK$381 million was recognised in profit or loss in current year. Pursuant to the relevant project management service agreements, the Group agreed to provide funds and management services to certain property development projects. In return, the Group is entitled to a fixed income being a certain percentage of the total funds provided and a variable return which is determined with reference to the financial performance of the projects. The Group has measured the Other Receivables at fair value through profit or loss under Hong Kong Financial Reporting Standard 9 *Financial Instruments*. Management has engaged an independent specialist to determine the fair value of the Other Receivables. Significant estimates were required by management in relation to the fair value measurement of the Other Receivables. We identified this as a key audit matter due to the material amount to the Group's consolidated financial statements, and significant estimations involved in determining the fair values of the Other Receivables. Related disclosures are included in notes 2.4, 3 and 24 to the consolidated financial statements.	We understood and evaluated management's process in their assessment on fair value measurement of the Other Receivables by performing the following procedures: • we discussed with management to understand the nature and background of the projects involved; • we obtained and examined the relevant supporting documents, including but not limited to the agreements, bank remittance advices, bank statements, financial position of the counterparties and the relevant documentation for funds and services provided by the Group, if applicable; • we examined the title documents of land and other project development documents of the underlying projects. We conducted site visits to the underlying property development projects to confirm the existence and development status of the projects; • we obtained profitability assessment of the relevant projects and evaluated the underlying assumptions, methodologies and inputs used in the assessment; • we evaluated the objectivity, independence and competence of the external specialist engaged by management of the Group; • we assessed the accuracy of data used as inputs for the valuation and we also involved our internal valuation specialists to evaluate the valuation models, assumptions and parameters adopted in the valuation; and • we assessed the adequacy of the disclosures regarding the fair value measurement of other receivables at fair value through profit or loss in the consolidated financial statements.

Independent Auditor's Report

To the shareholders of Zhuguang Holdings Group Company Limited
(Incorporated in Bermuda with limited liability)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
As at 31 December 2021, the Group held investment properties of approximately HK$4,538 million. The carrying amount of the investment properties represented 10.6% of the Group's total assets. Fair value gain on investment properties of approximately HK$78 million was recognised in profit or loss in current year. The Group engaged an external specialist to determine the fair value of the investment properties at the end of the reporting period. We identified this as a key audit matter due to the material amount to the Group's consolidated financial statements, and significant judgements and estimations involved in determining the valuation models and fair value of the investment properties. Related disclosures are included in notes 2.4, 3 and 14 to the consolidated financial statements.	Our procedures in relation to assessing the fair value measurement of the investment properties include: • we evaluated the objectivity, independence and competency of the external specialist engaged by management; • we involved our internal valuation specialists to evaluate the valuation models, assumptions, methodologies and parameters adopted in the valuation, on a sampling basis. Our internal valuation specialists re-performed the valuation based on the market price, market rents, term yields and reversion yields of similar properties located in the adjacent locations. We compared the valuations performed by the external specialist to the range of valuations provided by our internal valuation specialists; • we further assessed the accuracy of the data used as inputs for the valuation; and • we assessed the adequacy of the disclosures regarding the fair value measurement of investment properties in the consolidated financial statements.

To the shareholders of Zhuguang Holdings Group Company Limited
(Incorporated in Bermuda with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

To the shareholders of Zhuguang Holdings Group Company Limited

(Incorporated in Bermuda with limited liability)

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

To the shareholders of Zhuguang Holdings Group Company Limited
(Incorporated in Bermuda with limited liability)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is CHIU, Caroline Su Yuen.

Ernst & Young
Certified Public Accountants
Hong Kong
22 April 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
REVENUE	5	**2,985,021**	6,624,798
Cost of sales		**(722,410)**	(3,400,858)
Gross profit		**2,262,611**	3,223,940
Fair value gain/(loss) on investment properties, net	14	**77,679**	(97,233)
Other income and gains	5	**623,983**	1,144,136
Gain on disposal of subsidiaries		**33,183**	2,037,683
Gain on bargain purchase		**257,505**	—
Selling and marketing expenses		**(50,416)**	(69,901)
Administrative expenses		**(453,235)**	(391,433)
Changes in fair value of financial assets at fair value through profit or loss		**381,434**	367,802
Impairment losses on financial assets, net		**(80,344)**	(440,689)
Other expenses		**(660,345)**	(763,495)
Finance costs, net	6	**(1,510,796)**	(1,517,356)
Share of loss of an associate		**(429,391)**	(134,691)
Share of losses of joint ventures		**(6,008)**	(21,206)
PROFIT BEFORE TAX	7	**445,860**	3,337,557
Income tax expense	10	**(336,244)**	(1,112,361)
PROFIT FOR THE YEAR		**109,616**	2,225,196
Attributable to:			
Owners of the parent		**71,018**	2,242,404
Non-controlling interests		**38,598**	(17,208)
		109,616	2,225,196
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents per share)	12	**0.29**	30.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
PROFIT FOR THE YEAR	**109,616**	2,225,196
OTHER COMPREHENSIVE LOSS FOR THE YEAR		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(48,448)**	(428,722)
Share of other comprehensive income of an associate	**36,713**	81,730
Reclassification adjustments for a foreign operation disposed of during the year	**(32,963)**	(46,802)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(44,698)**	(393,794)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of an associate	**–**	(3,671)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(44,698)**	(397,465)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**64,918**	1,827,731
Attributable to:		
Owners of the parent	**23,603**	1,853,075
Non-controlling interests	**41,315**	(25,344)
	64,918	1,827,731

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property and equipment	13	**784,618**	366,393
Investment properties	14	**4,537,957**	3,774,285
Intangible assets	15	**9,241**	10,673
Goodwill	17	**–**	87,081
Investments in joint ventures	18	**12,108**	1,657,569
Investment in an associate	19	**1,193,718**	1,586,396
Trade receivables	22	**2,037,831**	8,352,626
Financial assets at fair value through profit or loss	24	**43,872**	1,585,462
Deferred tax assets	33	**5,168**	18,177
Total non-current assets		**8,624,513**	17,438,662
CURRENT ASSETS			
Properties under development	20	**11,517,439**	918,433
Completed properties held for sale	21	**2,502,264**	3,617,252
Trade receivables	22	**13,608,061**	6,231,006
Prepayments, other receivables and other assets	23	**2,470,085**	3,676,303
Prepaid income tax		**201,105**	163,779
Financial assets at fair value through profit or loss	24	**1,910,354**	2,372,579
Restricted cash	25	**1,087,606**	1,353,143
Term deposits with initial terms of over three months	26	**892,746**	1,103,808
Cash and cash equivalents	27	**83,624**	55,229
Total current assets		**34,273,284**	19,491,532
CURRENT LIABILITIES			
Contract liabilities	28	**2,386,942**	1,482,331
Trade and other payables	29	**5,517,933**	3,858,256
Interest-bearing bank and other borrowings	31	**7,623,362**	7,956,461
Income tax payables	32	**3,668,060**	3,454,683
Derivative financial instruments	30	**121,781**	19,645
Total current liabilities		**19,318,078**	16,771,376
NET CURRENT ASSETS		**14,955,206**	2,720,156
TOTAL ASSETS LESS CURRENT LIABILITIES		**23,579,719**	20,158,818

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Other payables	29	**470,397**	353,223
Interest-bearing bank and other borrowings	31	**11,572,634**	9,084,558
Deferred tax liabilities	33	**2,460,385**	1,302,085
Total non-current liabilities		**14,503,416**	10,739,866
Net assets		**9,076,303**	9,418,952
EQUITY			
Equity attributable to owners of the parent			
Share capital	34	**722,564**	719,442
Perpetual capital securities	36	**1,204,169**	904,416
Reserves	35	**7,007,952**	7,694,791
		8,934,685	9,318,649
Non-controlling interests		**141,618**	100,303
Total equity		**9,076,303**	9,418,952

Chu Hing Tsung
Director

Ye Lixia
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to equity holders of the parent												
	Share capital HK$'000 (note 34)	Share premium HK$'000	Merger reserve HK$'000 (note 35(i))	Exchange fluctuation reserve HK$'000	Contributed surplus HK$'000 (note 35(ii))	Statutory reserve HK$'000 (note 35(iii))	Capital reserve HK$'000 (note 35(iv))	Asset revaluation reserve HK$'000	Retained profits HK$'000	Perpetual capital securities HK$'000 (note 36)	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020	719,442	5,564,286	(101,922)	(619,705)	239,404	6,668	(25,738)	3,671	823,052	856,416	7,465,574	98,520	7,564,094
Profit for the year	–	–	–	–	–	–	–	–	2,242,404	–	2,242,404	(17,208)	2,225,196
Other comprehensive income/(loss) for the year:													
Exchange differences on translation of foreign operations	–	–	–	(420,586)	–	–	–	–	–	–	(420,586)	(8,136)	(428,722)
Share of other comprehensive income/(loss) of an associate	–	–	–	81,730	–	–	–	(3,671)	–	–	78,059	–	78,059
Reclassification adjustments for a foreign operation disposed of during the year	–	–	–	(46,802)	–	–	–	–	–	–	(46,802)	–	(46,802)
Total comprehensive income/(loss) for the year	–	–	–	(385,658)	–	–	–	(3,671)	2,242,404	–	1,853,075	(25,344)	1,827,731
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	29,554	29,554
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(2,427)	(2,427)
Distribution to holders of perpetual capital securities	–	–	–	–	–	–	–	–	(48,000)	48,000	–	–	–
At 31 December 2020 and 1 January 2021	**719,442**	**5,564,286***	**(101,922) ***	**(1,005,363)***	**239,404***	**6,668***	**(25,738)***	**–***	**3,017,456***	**904,416**	**9,318,649**	**100,303**	**9,418,952**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**71,018**	**–**	**71,018**	**38,598**	**109,616**
Other comprehensive income/(loss) for the year:													
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(51,165)**	**–**	**–**	**–**	**–**	**–**	**–**	**(51,165)**	**2,717**	**(48,448)**
Share of other comprehensive income of an associate	**–**	**–**	**–**	**36,713**	**–**	**–**	**–**	**–**	**–**	**–**	**36,713**	**–**	**36,713**
Reclassification adjustments for a foreign operation disposed of during the year	**–**	**–**	**–**	**(32,963)**	**–**	**–**	**–**	**–**	**–**	**–**	**(32,963)**	**–**	**(32,963)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**(47,415)**	**–**	**–**	**–**	**–**	**71,018**	**–**	**23,603**	**41,315**	**64,918**
Issue of shares (note 34)	**3,122**	**61,874**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**64,996**	**–**	**64,996**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(722,563)**	**–**	**(722,563)**	**–**	**(722,563)**
Transfer to statutory reserves	**–**	**–**	**–**	**–**	**–**	**34,933**	**–**	**–**	**(34,933)**	**–**	**–**	**–**	**–**
Issuance of perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**250,000**	**250,000**	**–**	**250,000**
Distribution to holders of perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(49,753)**	**49,753**	**–**	**–**	**–**
At 31 December 2021	**722,564**	**5,626,160***	**(101,922)***	**(1,052,778)***	**239,404***	**41,601***	**(25,738)***	**–***	**2,281,225***	**1,204,169**	**8,934,685**	**141,618**	**9,076,303**

* These reserve accounts comprise the consolidated reserves of HK$7,007,952,000 (2020: HK$7,694,791,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**445,860**	3,337,557
Adjustments for:			
Finance costs	6	**1,510,796**	1,517,356
Share of loss of an associate		**429,391**	134,691
Share of losses of joint ventures		**6,008**	21,206
Interest income	5	**(112,174)**	(162,934)
Depreciation of property and equipment	7	**7,271**	2,208
Depreciation of right-of-use assets	7	**8,446**	8,446
Amortisation	7	**1,721**	1,569
Fair value loss/(gain) on derivative financial instruments, net	7	**116,147**	(20,489)
Changes in fair value of investment properties	14	**(77,679)**	97,233
Changes in fair value of financial assets at fair value through profit or loss		**(381,434)**	(367,802)
Gain on disposal of subsidiaries	38	**(33,183)**	(2,037,683)
Gain on bargain purchase	37	**(257,505)**	—
Gain on disposal of investment properties	5	**—**	(8,240)
Impairment of goodwill	7	**128,292**	126,876
Impairment on properties under development and completed properties held for sale	7	**103,393**	53,707
Impairment on investment in an associate	7	**—**	539,757
Impairment of financial assets	7	**80,344**	440,689
Loss on disposal of a joint venture		**3,401**	—
Loss on disposal of investment properties		**152**	—
Remeasurement loss of pre-existing interests	7	**250,285**	—
Write-off of trade receivables	7	**—**	11,832
Write-off of other receivables	7	**—**	19,059
Exchange (gain)/loss on intercompany loans		**(43,757)**	26,008
		2,185,775	3,741,046
(Increase)/decrease in properties under development and completed properties held for sale		**(639,021)**	2,127,174
Increase in trade receivables		**(1,218,502)**	(6,284,411)
Decrease in prepayments, other receivables and other assets		**723,128**	198,308
Increase/(decrease) in contract liabilities		**837,587**	(1,090,716)
Decrease in trade and other payables		**(19,125)**	(99,604)
(Increase)/decrease in restricted cash		**(48,257)**	155,452
Cash generated from/(used in) operations		**1,821,585**	(1,252,751)
Corporate income tax paid		**(65,063)**	(109,564)
Net cash flows from/(used in) operating activities		**1,756,522**	(1,362,315)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	37	**(650,300)**	(1,157,814)
Disposal of subsidiaries	38	**23,932**	1,725,028
Proceeds from disposal of investment properties		**1,062**	1,101,319
Proceeds from disposal of a joint venture		**8,600**	—
Refund of deposits for acquisition of equity interests in property development projects		**712,896**	112,608
Repayment from related parties		**—**	948,898
Interest received		**84,880**	161,719
Acquisition of non-controlling interests		**—**	(2,427)
Investment in a joint venture		**(6,129)**	(14,860)
Purchases of items of property and equipment	13	**(418,873)**	(10,366)
Decrease in financial assets at fair value through profit or loss		**2,481,261**	621,942
Decrease in term deposits with initial terms of over three months		**211,062**	1,438,082
Decrease/(increase) in restricted cash		**313,794**	(514,378)
Net cash flows from investing activities		**2,762,185**	4,409,751
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank and other borrowings		**1,556,733**	6,302,616
Repayment of bank and other borrowings		**(3,617,425)**	(8,435,470)
Principal portion of lease payments		**(3,570)**	(6,392)
Advances from related parties		**10,185**	12,249
Increase/(decrease) in amounts due to the ultimate holding company		**125,965**	(7,118)
(Decrease)/increase in amount due to a joint venture		**(154,789)**	150,173
Capital contribution from non-controlling interests		**—**	29,554
Proceeds from exercise of warrants		**25,837**	—
Dividend paid		**(722,563)**	—
Interest paid		**(1,712,493)**	(1,404,679)
Net cash flows used in financing activities		**(4,492,120)**	(3,359,067)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**26,587**	(311,631)
Cash and cash equivalents at beginning of year		**55,229**	353,708
Effect of foreign exchange rate changes, net		**1,808**	13,152
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	**83,624**	55,229

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1.1 CORPORATE AND GROUP INFORMATION

Zhuguang Holdings Group Company Limited (the "Company") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 December 1996.

During the year, the Company's principal activity was investment holding and the Company and its subsidiaries (collectively the "Group") were principally engaged in property development, property investment, property management and other property development related services in the mainland of the People's Republic of China (the "PRC" or "Mainland China").

In the opinion of the Company's directors (the "Directors"), the holding company and the ultimate holding company of the Company is Rong De Investment Limited ("Rong De"), which is incorporated in the British Virgin Islands ("BVI").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company names	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Nam Fong International Group Limited	British Virgin Islands/ Hong Kong	US$10,000	100%	–	Investment holding
Zhuguang Group Limited (珠光集團有限公司)	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
South Trend Holdings Limited (南興控股有限公司)	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Splendid Reach Limited (熙達有限公司)	British Virgin Islands/ Hong Kong	US$138,000	100%	–	Investment holding
Perfect Master Enterprises Limited (佳儒企業有限公司)	British Virgin Islands/ Hong Kong	US$1,000	–	100%	Project management
Graceful Link Limited (愉興有限公司)	Hong Kong	HK$2	–	100%	Property investment
Diamond Crown Limited (毅冠有限公司)	Hong Kong	HK$2	–	100%	Property investment

1.1 CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Company names	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Equity interest attributable to the Company Direct	Equity interest attributable to the Company Indirect	Principal activities
Speedy Full Limited (速溢有限公司)	Hong Kong	HK$2	–	100%	Property investment
Xianghe County Yijing Property Development Company Limited @ (note (a)) (香河縣逸景房地產開發有限公司)	PRC/ Mainland China	RMB148,410,100	–	100%	Property development
Guangzhou City Runfa Property Company Limited @ (note (a)) (廣州市潤發房地產有限公司)	PRC/ Mainland China	RMB132,880,000	–	100%	Property development
Guangdong Hailian Building Company Limited * (note (a)) (廣東海聯大廈有限公司)	PRC/ Mainland China	US$99,000,000	–	80%	Property development and property investment
Guangzhou Dong Gang He Zhong Property Company Limited @ (note (a)) (廣州東港合眾房地產有限公司)	PRC/ Mainland China	RMB100,000,000	–	100%	Property development
Guangzhou Zhuguang Industrial Group Company Limited ("Zhuguang Industrial")* (note (a)) (廣州珠光實業集團有限公司)	PRC/ Mainland China	RMB160,000,000	–	100%	Property development and property investment
Guangzhou City Runqi Property Company Limited @ (note (a)) (廣州市潤啟房地產有限公司)	PRC/ Mainland China	RMB99,652,457	–	100%	Property development
Feng Shun Jia Rong Trading Company Limited # ("Jia Rong") (note (a)) (豐順佳榮貿易有限公司)	PRC/ Mainland China	RMB1,000,000	–	note (b)	Investment holding

1.1 CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Company names	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Equity interest attributable to the Company Direct	Indirect	Principal activities
Guangdong Xilong Industrial Investment Company Limited # ("Guangdong Xilong") (note (a)) (廣東喜龍實業投資有限公司)	PRC/ Mainland China	RMB120,000,000	–	note (b)	Property development and property investment
Fengshun Yujing Property Company Limited @ (note (a)) (豐順御景房地產有限公司)	PRC/ Mainland China	RMB200,000,000	–	100%	Property development
Meizhou Yujing Property Company Limited @ (note (a)) (梅州御景房地產有限公司)	PRC/ Mainland China	RMB50,000,000	–	100%	Property development
Zhongshan Zhuguang Property Company Limited @ (note (a)) (中山市珠光房地產有限公司)	PRC/ Mainland China	RMB50,000,000	–	50%	Property development
Guangzhou Zhenchao Property Development Company Limited @ (note (a)) (廣州振超房地產開發有限公司)	PRC/ Mainland China	RMB50,000,000	–	100%	Property development
Guangzhou Zhuguang Urban Renewal Group Company Limited @ (notes (a)) (廣州珠光城市更新集團有限公司)	PRC/ Mainland China	RMB30,000,000	–	100%	Investment holding
Guangzhou Shunji Industry Company Limited @ (note (a)) (廣州舜吉實業有限公司)	PRC/ Mainland China	RMB12,500,000	–	100%	Property development
Guangzhou Development Automobile City Co., Ltd. ("AEC") @ (note (a)) (廣州發展汽車城有限公司)	PRC/ Mainland China	RMB901,960,800	–	100%	Property development

1.1 CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Registered as domestic limited liability companies under PRC law

@ Registered as wholly-foreign-owned enterprises under PRC law

* Registered as Sino-foreign equity entities under PRC law

Notes:

(a) The English names of these companies represent the best effort made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

(b) The Directors are of the opinion that, notwithstanding the lack of equity ownership, in substance, based on certain contractual agreements, the Group has control over Jia Rong and Guangdong Xilong so as to obtain benefits from their activities. Accordingly, Jia Rong and Guangdong Xilong are accounted for as the Company's indirect wholly-owned subsidiaries for accounting purposes.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

1.2 BASIS OF PRESENTATION

As at 31 December 2021, notwithstanding that the Group reported net current assets of HK$14,955 million, the Group's outstanding interest-bearing bank and other borrowings amounted to HK$7,623 million which are due to be repaid within one year from the end of the reporting period, comprising offshore borrowings of HK$2,641 million and onshore borrowings in Mainland China of HK$4,982 million, while the Group's cash and cash equivalents and term deposits (with initial terms of over three months) amounted to HK$976 million of which the majority are kept by the Group's subsidiaries in Mainland China. In addition to the bank and other borrowings due to be repaid within one year as mentioned above, the Group has capital commitments contracted but not provided for in the consolidated financial statements of HK$1,603 million. In consideration of the prevailing slow-down of the property market, coupled with the challenging market conditions for financing from the capital market, the Group may take a longer time than expected to realise cash from the sale of its properties and/or have the cash from external financing to meet its loan repayment obligations.

In view of these circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Group has carried out the following plans to address its financial needs in the coming 12 months:

(a) During the current year and subsequent to year end, the Group has terminated certain urban redevelopment projects and a property management service contract. The related outstanding receivable as at 31 December 2021 amounted to HK$972 million has been refunded as at the date of approval of the financial statements and the remaining HK$3,084 million is scheduled to be repaid in 2022;

1.2 BASIS OF PRESENTATION *(continued)*

Going concern *(continued)*

(b) Subsequent to the year end, the Group successfully completed a financing arrangement with an independent third party in an aggregate principal amount of HK$2,446 million. A principal amount of HK$1,223 million has been received as at the date of approval of the financial statements, while HK$954 million is expected to be received in 2022 and the remaining HK$269 million after 2022;

(c) The Group is actively negotiating with the lenders of certain bank and other borrowings on the re-financing of the borrowings. In addition, the Group is actively negotiating with several financial institutions to obtain new financing at a reasonable cost;

(d) 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 other receivables;

(e) The Group will continue to take active measures to control administrative costs and manage its capital expenditures; and

(f) Rong De, the ultimate holding company, has issued a letter of financial support to the Company for a period of 12 months from the reporting year end date to enable the Group to meet its liabilities as and when they fall due and not to demand for repayments of any amounts due to Rong De until the Group is in the position to do so without impairing its financial position and to carry on business without a significant curtailment of operations.

The Directors have reviewed the Group's cash flow forecast covering a period of 12 months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe that it is appropriate to prepare the Group's consolidated financial statements for the year ended 31 December 2021 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(i) the successful and timely implementation of the plans to accelerate the pre-sales and sales of properties under development and completed properties held for sale, to speed up the collection of outstanding sales proceeds and receivables, and to control costs and contain capital expenditure so as to generate adequate net cash inflows;

(ii) the successful collection of receivables of urban redevelopment projects and property management services as scheduled; and

(iii) the successful obtaining of additional new sources of financing as and when needed.

Should the Group be unable to achieve the above-mentioned plans and measures, adjustments may have to be made to write down the values of assets to their 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.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. The financial statements are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(i) Changes in revised HKFRS

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(i) Changes in revised HKFRS *(continued)*

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

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

(ii) Changes in accounting policy

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

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

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
		(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest paid	**1,712,493**	1,404,679
Increase in cash flows related to operating activities	**1,712,493**	1,404,679
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(1,712,493)**	(1,404,679)
Decrease in cash flows related to financing activities	**(1,712,493)**	(1,404,679)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**–**	–

The adoption of the Policy Change has had no impact on the consolidated statements of profit or loss, comprehensive income, financial position and changes in equity of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

3 No mandatory effective date yet determined but available for adoption

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

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

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. 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. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is 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.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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 type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of a joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates and joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and financial assets at fair value through profit or loss at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, properties under development, properties held for sale, land held for property development for sale, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash- generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Motor vehicles	5 years
Furniture, fittings and office equipment	3 to 5 years

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives ranged from 5 to 10 years.

Properties under development

Properties under development for sale are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of total land and construction costs attributable to the unsold properties. Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Property under construction or development for future use as an investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed.

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

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the period of the retirement or disposal.

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the statement of profit or loss.

For a transfer from inventories to investment properties, any difference between the fair value of the property at the date of change in use and its then carrying amount is recognised in the statement of profit or loss.

Leases

The Group assesses at contract inception whether a contract is, or contains, 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land use rights	36 years
Office properties	3 years
Motor vehicles	3 years

The Group's right-of-use assets are included in property and equipment. If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "Properties under development". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "Investment properties".

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. 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, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases 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 leases of low-value assets to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial assets at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables (other than receivables for urban redevelopment projects) and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank and other borrowings, amounts due to the ultimate holding company and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

(b) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss. This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through other comprehensive income.

(c) Senior notes

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement (continued)

(c) Senior notes *(continued)*

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

(d) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive, and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Perpetual capital securities

Perpetual capital securities with no contractual obligation to repay the principal or to pay any distribution are classified as part of equity.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with interests in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with interests in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grant

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in profit or loss on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when or as control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

Sale of properties

`Revenue from sales of properties is recognised over time when the Group's performance under the sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue from sales of property is recognised at a point in time.

For a property sales contract for which the control of the property is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation which is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of reporting period as a percentage of the total estimated construction costs for each contract.

For a property sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Group has a present right to payment and the collection of the consideration is probable.

Project management services

Revenue from the provision of project management services is recognised over the term of the property development projects and urban redevelopment projects.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Finance component of income from urban redevelopment projects is recognised on an accrual basis by applying the rate that exactly discounts the amount of receivables over the expected completion time of the urban redevelopment projects to the net carrying amount of the receivables of urban redevelopment projects.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as properties under development and property and equipment, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

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

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

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged 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 asset relates. Other contract costs are expensed as incurred.

Cost of obtaining contracts

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 e.g., commission to sales agents. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme (the "Pension Scheme") operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the Pension Scheme. The only obligation of the Group with respect to the Pension Scheme is to pay the ongoing contributions under the Pension Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the Pension Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they have been approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollar which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on these monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries, joint ventures and associates operating outside Hong Kong are currencies other than Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollar at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Hong Kong dollar at the exchange rate that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollar at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollar at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Property lease classification — Group as lessor

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

Classification between investment properties and owner-occupied properties

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(continued)

Judgements *(continued)*

Classification between investment properties and properties held for sale

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

Allocation of construction cost on properties under development

When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to each phase are allocated to each phase based on the saleable floor area of each phase as a percentage of the total saleable floor area of the entire project. The cost of the unit sold is determined by the floor area in square metres sold during the year multiplied by the average cost per square metre of that particular phase of the project.

Determining the method to estimate variable consideration and assessing the constraint for the project management service income

Contracts for the project management services include a right to share the profits from the performance of the underlying urban redevelopment projects that give rise to variable consideration. The Group determines that the expected value method is the appropriate method to be used in estimating the variable consideration, given that there is a wide range of possible outcomes which are subject to the performance of the underlying urban redevelopment projects. The key assumptions used in estimating the variable consideration by the management include budgeted gross margins and discount rate.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained, based on the uncertainty on probable profits from the performance of the urban redevelopment projects and the amount of the variable consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(continued)

Estimation uncertainty

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

Impairment assessment on receivables for urban redevelopment projects

The Group uses a probability of default approach to calculate ECLs for receivables for urban redevelopment projects. Impairment losses on receivables for urban redevelopment projects were measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The probability of default approach is the estimation of the likelihood of default over a given time horizon. It is defined as the probability of default of a counterparty over a one-year period or over the remaining time to maturity depending on either 12-month expected credit losses or lifetime expected credit losses. Probability of default is initially estimated based on the credit rating of the borrower provided by external ratings agencies. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the counterparties. The Group will adjust the historical credit loss experience with an economic adjustment. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the property development sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's receivables for urban redevelopment projects is included in note 22 to the financial statements.

Fair value of financial assets at fair value through profit or loss

The Group had other receivables in respect of the funds provided for property development projects in the PRC which are classified as financial assets at fair value through profit or loss. Pursuant to the relevant project management service agreements, the Group agreed to provide funds and management services to certain property development projects. In return, the Group is entitled to a fixed income being a certain percentage of the total funding provided and a variable return, which is determined with reference to the operating performance of the projects. The fair values of these other receivables are determined based on the discounted cash flow projections which require the Group to make an estimate of the expected future cash flows from the property development projects and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the other receivables stated at fair value through profit or loss at 31 December 2021 was HK$1,879,776,000 (2020: HK$3,885,718,000). Further details are included in note 24 to the financial statements.

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

Estimation uncertainty *(continued)*

Estimation of fair value of investment properties

Investment properties were revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date. The valuations of investment properties under construction were based on the residual approach, and have taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development on the basis that the properties will be developed and completed in accordance with the Group's latest development plan. The carrying amount of investment properties at 31 December 2021 was HK$4,537,957,000 (2020: HK$3,774,285,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are included in note 14 to the financial statements.

PRC corporate income tax ("CIT")

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

PRC land appreciation tax ("LAT")

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

Deferred tax assets

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the property development segment engages in the development and sale of properties and hotel operation;

(b) the project management services segment engages in the provision of project management services to property development projects and urban redevelopment projects; and

(c) the property investment segment invests in properties for their rental income potential and/or for capital appreciation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that the change in fair value of derivative financial instruments, gain on disposal of subsidiaries, share of profit/loss of joint ventures, share of profit/loss of an associate, impairment on investment in an associate included in other expenses, finance costs (other than interest on lease liabilities) and income tax expenses as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investments in joint ventures and an associate, deferred tax assets, unlisted investments classified as financial assets at fair value through profit or loss, restricted cash, term deposits with initial terms of over three months and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings (other than lease liabilities), current income tax payables, deferred tax liabilities, derivative financial instruments and amounts due to the ultimate holding company as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2021

	Property development HK$'000	Project management services HK$'000	Property investment HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	895,158	1,893,417	196,446	2,985,021
Segment results	(285,183)	2,545,948	228,888	2,489,653
Reconciliation:				
Fair value loss on derivative financial instruments, net				(116,147)
Gain on disposal of subsidiaries				33,183
Share of loss of an associate				(429,391)
Share of losses of joint ventures				(6,008)
Finance costs, net (other than interest on lease liabilities)				(1,509,824)
Corporate and other unallocated expenses				(15,606)
Profit before tax				445,860
Income tax expense				(336,244)
Profit for the year				109,616
Segment assets	17,484,947	17,395,180	4,668,250	39,548,377
Reconciliation:				
Corporate and other unallocated assets				3,349,420
Total assets				42,897,797
Segment liabilities	7,768,744	–	142,981	7,911,725
Reconciliation:				
Corporate and other unallocated liabilities				25,909,769
Total liabilities				33,821,494
Other segment information:				
Depreciation	15,717	–	–	15,717
Amortisation	1,721	–	–	1,721
Capital expenditure*	419,591	–	–	419,591
Fair value gain on investment properties, net	–	–	(77,679)	(77,679)
(Reversal of impairment losses)/ impairment losses on financial assets	(80,955)	161,299	–	80,344
Impairment of goodwill	128,292	–	–	128,292
Impairment of properties under development and completed properties held for sale	103,393	–	–	103,393

* Capital expenditure consists of additions to property and equipment, investment properties and intangible assets including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2020

	Property development HK$'000	Project management services HK$'000	Property investment HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	4,384,023	2,063,545	177,230	6,624,798
Segment results	568,220	2,915,145	20,112	3,503,477
Reconciliation:				
Fair value gain on derivative financial instruments, net				20,489
Gain on disposal of subsidiaries				2,037,683
Share of loss of an associate				(134,691)
Share of losses of joint ventures				(21,206)
Impairment on investment in an associate included in other expenses				(539,757)
Finance costs, net (other than interest on lease liabilities)				(1,515,768)
Corporate and other unallocated expenses				(12,670)
Profit before tax				3,337,557
Income tax expense				(1,112,361)
Profit for the year				2,225,196
Segment assets	8,457,684	18,386,408	4,152,512	30,996,604
Reconciliation:				
Corporate and other unallocated assets				5,933,590
Total assets				36,930,194
Segment liabilities	5,448,601	—	258,791	5,707,392
Reconciliation:				
Corporate and other unallocated liabilities				21,803,850
Total liabilities				27,511,242
Other segment information:				
Depreciation	10,654	—	—	10,654
Amortisation	1,569	—	—	1,569
Capital expenditure*	894	—	9,472	10,366
Fair value loss on investment properties, net	—	—	97,233	97,233
Impairment losses on financial assets, net	—	440,689	—	440,689
Impairment of goodwill	126,876	—	—	126,876
Impairment of completed properties held for sale	53,707	—	—	53,707
Write-off of trade receivables	—	—	11,832	11,832
Write-off of other receivables	19,059	—	—	19,059

* Capital expenditure consists of additions to property and equipment, investment properties and intangible assets.

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the segment assets of the Group are located in Mainland China. Accordingly, in the opinion of the Directors, the presentation of geographical information would not provide additional useful information to the users of these financial statements.

Information about major customers

For the year ended 31 December 2021, revenue of approximately HK$1,893,417,000 (2020: HK$1,612,413,000) was derived from a single customer, which is a related party, and was attributable to the project management services segment.

For the year ended 31 December 2020, revenue of approximately HK$2,098,941,000 was derived from a single customer, which was attributable to the property development segment.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2021 **HK$'000**	2020 HK$'000
Revenue from contracts with customers		
Sale of properties	**895,158**	4,384,023
Revenue from other sources		
Rental income from investment property operating leases:		
— fixed lease payments	**196,446**	177,230
Finance component of income from urban redevelopment projects	**1,893,417**	2,063,545
	2,985,021	6,624,798

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

Segments — Property development	**2021 HK$'000**	2020 HK$'000
Type of goods or services		
Sale of properties	**895,158**	4,384,023
Timing of revenue recognition		
Goods transferred at a point in time	**727,053**	4,270,783
Goods transferred over time	**168,105**	113,240
Total revenue from contracts with customers	**895,158**	4,384,023

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2021 HK$'000	2020 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	**588,055**	1,525,675

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations

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

Sale of properties

For a property sales contract for which the control of the property is transferred over time, the performance obligation is satisfied over time by reference to the construction costs incurred up to the end of reporting period as a percentage of total estimated construction costs for each contract. For a property sales contract for which the control of the property is transferred at a point in time, the performance obligation is satisfied when the physical possession or the legal title of the completed property is obtained by the purchaser.

The contracted sales amounts allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relating to the sale of properties as at the end of the year was HK$447,078,000 (2020: HK$86,831,000), of which the performance obligations are to be satisfied within two years. All other contracted sales amounts allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The Group applies the practical expedient on the exemption to disclose the information on the remaining performance obligations that have original expected durations of one year or less. The amounts disclosed above do not include variable consideration which is constrained.

Project management services

Revenue from the provision of project management services is recognised over the term of the property development projects and urban redevelopment projects. The revenue from the provision of project management services was not recognised during the year as the amount of consideration was subject to constraint.

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Other income and gains

An analysis of the Group's other income and gains is as follows:

	2021 HK$'000	2020 HK$'000
Interest income	**112,174**	162,934
Management service income	**76,759**	85,949
Fair value gain on derivative financial instruments	**–**	20,489
Gain on disposal of investment properties	**–**	8,240
Foreign exchange differences, net	**406,130**	865,753
Others	**28,920**	771
	623,983	1,144,136

6. FINANCE COSTS, NET

An analysis of finance costs, net is as follows:

	2021 HK$'000	2020 HK$'000
Interest on bank and other borrowings and senior notes	**1,731,164**	1,852,028
Interest expense arising from revenue contracts	**49,489**	83,791
Interest on lease liabilities	**972**	1,588
Total interest expense	**1,781,625**	1,937,407
Less: interest capitalised	**(270,829)**	(420,051)
	1,510,796	1,517,356

7. PROFIT BEFORE TAX

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

	Notes	2021 HK$'000	2020 HK$'000
Cost of properties sold		**722,410**	3,400,858
Depreciation of property and equipment	13	**7,271**	2,208
Depreciation of right-of-use assets	13	**8,446**	8,446
Amortisation*	15	**1,721**	1,569
Fair value loss/(gain) on derivative financial instruments, net**		**116,147**	(20,489)
Lease payments not included in the measurement of lease liabilities		**2,856**	2,898
Auditor's remuneration		**5,500**	4,500
Foreign exchange differences, net**		**(406,130)**	(865,753)
Employee benefit expense (including directors' remuneration (note 8))			
Wages and salaries		**252,026**	174,817
Retirement benefit scheme contributions***		**14,933**	8,429
		266,959	183,246
Impairment of financial assets			
Impairment of trade receivables, net	22	**161,299**	407,927
(Reversal of impairment)/impairment of deposits and other receivables	23	**(80,955)**	32,762
		80,344	440,689
Impairment of properties under development and completed properties held for sale**		**103,393**	53,707
Impairment of goodwill**	17	**128,292**	126,876
Impairment on investment in an associate**	19	**—**	539,757
Write-off of trade receivables**		**—**	11,832
Write-off of other receivables**		**—**	19,059
Remeasurement loss of pre-existing interests**		**250,285**	—
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**42,460**	48,053

* The amortisation is included in "Administrative expenses" in the consolidated statement of profit or loss.

** These items are included in "Other income and gains"/"Other expenses" in the consolidated statement of profit or loss.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. DIRECTORS' REMUNERATION

Directors' and chief executive officer's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 **HK$'000**	2020 HK$'000
Fees	**1,440**	1,440
Other emoluments:		
Salaries, allowances and benefits in kind	**24,927**	20,762
Pension scheme contributions	**189**	76
	25,116	20,838
	26,556	22,278

The remuneration of each of the Directors is set out below:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total remuneration HK$'000
2021				
Executive directors:				
Mr. Chu Hing Tsung	**–**	**3,000**	**18**	**3,018**
Mr. Liao Tengjia	**–**	**6,405**	**63**	**6,468**
Mr. Huang Jiajue	**–**	**3,254**	**27**	**3,281**
Mr. Liu Jie*	**–**	**8,083**	**63**	**8,146**
Mr. Chu Muk Chi	**–**	**960**	**18**	**978**
Ms. Ye Lixia	**–**	**3,225**	**–**	**3,225**
	–	**24,927**	**189**	**25,116**
Independent non-executive directors:				
Mr. Leung Wo Ping	**480**	**–**	**–**	**480**
Mr. Wong Chi Keung	**480**	**–**	**–**	**480**
Dr. Feng Ke	**480**	**–**	**–**	**480**
	1,440	**–**	**–**	**1,440**
	1,440	**24,927**	**189**	**26,556**

8. DIRECTORS' REMUNERATION *(continued)*

The remuneration of each of the Directors is set out below: *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total remuneration HK$'000
2020				
Executive directors:				
Mr. Chu Hing Tsung	—	3,000	18	3,018
Mr. Liao Tengjia	—	5,804	18	5,822
Mr. Huang Jiajue	—	600	—	600
Mr. Liu Jie*	—	7,336	22	7,358
Mr. Chu Muk Chi	—	960	18	978
Ms. Ye Lixia	—	3,062	—	3,062
	—	20,762	76	20,838
Independent non-executive directors:				
Mr. Leung Wo Ping	480	—	—	480
Mr. Wong Chi Keung	480	—	—	480
Dr. Feng Ke	480	—	—	480
	1,440	—	—	1,440
	1,440	20,762	76	22,278

* Mr. Liu Jie is also the chief executive officer of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the current and prior years were all directors, details of whose remuneration are set out in note 8 above.

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2020: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the jurisdictions in which the majority of the Group's subsidiaries operate.

	2021 HK$'000	2020 HK$'000
Current:		
PRC corporate income tax	**327,988**	845,743
PRC land appreciation tax	**50,020**	522,156
	378,008	1,367,899
Deferred (note 33)	**(41,764)**	(255,538)
Total tax charge for the year	**336,244**	1,112,361

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for Mainland China in which the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate for the year, are as follows:

	2021 HK$'000	2021 %	2020 HK$'000	2020 %
Profit before tax	**445,860**		3,337,557	
Tax charge at the statutory income tax rate	**111,465**	**25.0**	834,389	25.0
Lower tax rate for specific provinces or enacted by local authority	**(93,184)**	**(20.9)**	(603,292)	(18.0)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**18,245**	**4.1**	53,467	1.6
Losses attributable to joint ventures and an associate	**71,841**	**16.1**	25,723	0.8
Adjustment in respect of deferred tax of previous periods	**–**	**–**	41,643	1.2
Income not subject to tax	**(62,451)**	**(14.0)**	(142,849)	(4.3)
Expenses not deductible for tax	**48,568**	**10.9**	127,620	3.8
Tax losses utilised from previous periods	**–**	**–**	(1,676)	(0.1)
Tax losses not recognised	**204,245**	**45.8**	142,766	4.3
PRC LAT	**50,020**	**11.2**	522,156	15.6
Tax effect on PRC LAT	**(12,505)**	**(2.8)**	(130,539)	(3.9)
Effect of withholding tax at 10% on disposal the Group's PRC subsidiary	**–**	**–**	242,953	7.3
Tax charge at the Group's effective rate	**336,244**	**75.4**	1,112,361	33.3

The share of tax charge attributable to an associate amounting to HK$4,510,000 (2020: tax credit of HK$1,005,000) was included in "Share of loss of an associate" in the consolidated statement of profit or loss.

11. DIVIDENDS

No dividend in respect of the year ended 31 December 2021 was proposed by the board of directors of the Company.

A final dividend and a special dividend in respect of the year ended 31 December 2020 of HK1 cent per share and HK9 cents per share, respectively, amounting to a total dividend of HK$722,563,000, were approved and paid during the year.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted for the distribution related to perpetual capital securities, and the weighted average number of ordinary shares of 7,211,686,820 (2020: 7,194,417,247) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of the warrants had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	2021	2020
Profit attributable to equity holders of the parent (HK$'000)	**71,018**	2,242,404
Distribution related to perpetual capital securities (HK$'000)	**(49,753)**	(48,000)
Profit used in the basic and diluted earnings per share calculations (HK$'000)	**21,265**	2,194,404
Weighted average number of ordinary shares in issue during the year (thousand shares)	**7,211,687**	7,194,417

13. PROPERTY AND EQUIPMENT

	Right-of-use assets				Owned assets					
	Land use rights HK$'000	Office properties HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Assets under construction HK$'000	Motor vehicles HK$'000	Furniture, fittings and equipment HK$'000	Hotel properties HK$'000	Sub-total HK$'000	Total HK$'000
31 December 2021										
At 1 January 2021:										
Cost	52,211	20,420	594	73,225	299,452	16,302	9,788	–	325,542	398,767
Accumulated depreciation	(3,466)	(7,091)	(178)	(10,735)	–	(13,230)	(8,409)	–	(21,639)	(32,374)
Net carrying amount	48,745	13,329	416	62,490	299,452	3,072	1,379	–	303,903	366,393
At 1 January 2021, net of accumulated depreciation	48,745	13,329	416	62,490	299,452	3,072	1,379	–	303,903	366,393
Additions	–	–	–	–	417,575	6	1,292	–	418,873	418,873
Acquisition of subsidiaries (note 37)	–	–	–	–	–	404	314	–	718	718
Depreciation provided during the year	(1,520)	(6,807)	(119)	(8,446)	–	(875)	(661)	(5,735)	(7,271)	(15,717)
Transfers	–	–	–	–	(721,423)	–	–	721,423	–	–
Exchange realignment	825	–	–	825	4,396	73	66	8,991	13,526	14,351
At 31 December 2021, net of accumulated depreciation	48,050	6,522	297	54,869	–	2,680	2,390	724,679	729,749	784,618
At 31 December 2021:										
Cost	52,211	20,420	594	73,225	–	17,066	11,622	730,486	759,174	832,399
Accumulated depreciation	(4,161)	(13,898)	(297)	(18,356)	–	(14,386)	(9,232)	(5,807)	(29,425)	(47,781)
Net carrying amount	48,050	6,522	297	54,869	–	2,680	2,390	724,679	729,749	784,618

13. PROPERTY AND EQUIPMENT *(continued)*

	Right-of-use assets				Owned assets				
	Land use rights HK$'000	Office properties HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Assets under construction HK$'000	Motor vehicles HK$'000	Furniture, fittings and equipment HK$'000	Sub-total HK$'000	Total HK$'000
31 December 2020									
At 1 January 2020:									
Cost	52,211	20,420	594	73,225	272,664	15,598	8,496	296,758	369,983
Accumulated depreciation	(2,566)	(284)	(59)	(2,909)	–	(11,054)	(7,507)	(18,561)	(21,470)
Net carrying amount	49,645	20,136	535	70,316	272,664	4,544	989	278,197	348,513
At 1 January 2020, net of accumulated depreciation	49,645	20,136	535	70,316	272,664	4,544	989	278,197	348,513
Additions	–	–	–	–	9,472	–	894	10,366	10,366
Depreciation provided during the year	(1,520)	(6,807)	(119)	(8,446)	–	(1,636)	(572)	(2,208)	(10,654)
Exchange realignment	620	–	–	620	17,316	164	68	17,548	18,168
At 31 December 2020, net of accumulated depreciation	48,745	13,329	416	62,490	299,452	3,072	1,379	303,903	366,393
At 31 December 2020:									
Cost	52,211	20,420	594	73,225	299,452	16,302	9,788	325,542	398,767
Accumulated depreciation	(3,466)	(7,091)	(178)	(10,735)	–	(13,230)	(8,409)	(21,639)	(32,374)
Net carrying amount	48,745	13,329	416	62,490	299,452	3,072	1,379	303,903	366,393

At 31 December 2021, the Group's property and equipment with an aggregate carrying amount of HK$772,729,000 (2020: HK$348,197,000) were pledged to banks to secure certain of the bank and other borrowings granted to the Group (note 31(a)(i)).

14. INVESTMENT PROPERTIES

	2021 HK$'000	2020 HK$'000
Carrying amount at 1 January	**3,774,285**	4,709,808
Disposal	**(1,214)**	(1,093,079)
Transfer from completed properties held for sale	**555,168**	16,537
Net gain/(loss) from fair value adjustments	**77,679**	(97,233)
Exchange realignment	**132,039**	238,252
Carrying amount at 31 December	**4,537,957**	3,774,285

The Group's investment properties were revalued on 31 December 2021 and 2020 based on valuations performed by Greater China Appraisal Limited, an independent professionally qualified valuer.

At 31 December 2021, certain of the Group's investment properties with an aggregate carrying amount of HK$2,436,444,000 (2020: HK$2,736,059,000) were pledged to banks to secure certain of the bank and other borrowings granted to the Group (note 31(a)(ii)).

The Group's completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

Fair value hierarchy

At 31 December 2021 and 2020, the fair value measurement of all of the Group's investment properties used significant unobservable inputs (Level 3) as defined in HKFRS 13.

During the year, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfers into or out of Level 3 (2020: Nil).

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

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

At each financial year end, the finance department:

- evaluates all major inputs to the independent valuation report;
- assesses property valuation movements compared to the prior year's valuation report; and
- holds discussions with the independent valuer.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

			Range or weighted average	
	Valuation technique	**Significant unobservable inputs**	**2021**	2020
Office	Term and reversionary method	Term yields	**3.5%-4.0%**	3.5%-4.0%
		Reversion yields	**4.0%-4.5%**	4.0%-4.5%
		Market rents (RMB/sq m/month)	**130-162**	130-160
Retail	Term and reversionary method	Term yields	**3.0%-5.0%**	2.9%-5.0%
		Reversion yields	**3.5%-6.0%**	3.5%-6.0%
		Market rents (RMB/sq m/month)	**41-475**	40-475
	Direct comparison method	Market price (RMB/sq m)	**10,200-87,000**	10,300-91,000
Hotel	Direct comparison method	Market price (RMB/sq m)	**9,460-32,004**	10,100-31,300

The valuations of completed investment properties were based on either (i) the term and reversionary approach by capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary rental income potential of the properties, which is positively correlated to the market rental growth rate, and negatively correlated to term yields and reversion yields; or (ii) the direct comparison method by reference to comparable market transactions, which is positively correlated to the market unit sale rate.

15. INTANGIBLE ASSETS

	Computer software HK$'000
31 December 2021	
Cost at 31 December 2020 and 1 January 2021, net of accumulated amortisation	**10,673**
Amortisation during the year	**(1,721)**
Exchange realignment	**289**
At 31 December 2021	**9,241**
At 31 December 2021:	
Cost	**26,505**
Accumulated amortisation	**(17,264)**
Net carrying amount	**9,241**
31 December 2020	
Cost at 1 January 2020, net of accumulated amortisation	11,583
Amortisation during the year	(1,569)
Exchange realignment	659
At 31 December 2020	10,673
At 31 December 2020:	
Cost	26,505
Accumulated amortisation	(15,832)
Net carrying amount	10,673

16. LEASES

The Group as a lessee

The Group has lease contracts for land, office properties and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 36 years, and no ongoing payments will be made under the terms of these land leases. Leases of office properties and motor vehicles generally have lease terms of 3 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are disclosed in note 13 to the financial statements.

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	Lease liabilities	
	2021 **HK$'000**	2020 HK$'000
Carrying amount at 1 January	**13,850**	20,242
Accretion of interest recognised during the year	**972**	1,588
Payments	**(7,972)**	(7,980)
Carrying amount at 31 December	**6,850**	13,850
Analysed into:		
Current portion	**6,850**	7,000
Non-current portion	**–**	6,850

The maturity analysis of lease liabilities is disclosed in note 46 to the financial statements.

16. LEASES *(continued)*

The Group as a lessee *(continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities	**972**	1,588
Depreciation charge of right-of-use assets	**8,446**	8,446
Expense relating to short-term lease	**2,856**	2,898
Total amount recognised in profit or loss	**12,274**	12,932

(d) The total cash outflow for leases is disclosed in note 39(c) to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 14) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and to provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$196,446,000 (2020: HK$177,230,000) (note 5).

At the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 HK$'000	2020 HK$'000
Within one year	**209,047**	180,612
After one year but within two years	**152,754**	165,857
After two years but within three years	**72,654**	114,762
After three years but within four years	**71,832**	56,556
After four years but within five years	**44,743**	41,100
After five years	**255,740**	263,186
	806,770	822,073

17. GOODWILL

	2021 HK$'000	2020 HK$'000
At beginning of year	**87,081**	207,571
Acquisition of a subsidiary (note 37)	**39,175**	—
Impairment during the year	**(128,292)**	(126,876)
Exchange realignment	**2,036**	6,386
At end of year	**–**	87,081
Cost	**–**	241,965
Accumulated impairment	**–**	(154,884)
Net carrying amount	**–**	87,081

Impairment testing of goodwill

The Group's goodwill acquired through a business combination was allocated to cash-generating units for the property development segment, which were principally engaged in the property development in the PRC, for impairment testing. The recoverable amounts of the cash-generating units of the property development segment were determined based on value in use calculations using cash flow projections based on financial budgets approved by management and no perpetual growth rate was applied in the calculation of value in use. The pre-tax discount rates applied to the cash flow projections ranged from 14.0% to 15.0% (2020: ranged from 11.0% to 13.0%). During the current year, impairment of HK$89,117,000 was recognised due to a drop in the recoverable amounts on the cash-generating unit. This was primarily caused by the disposal of certain properties within the property development segment at a lower than budgeted margins in a less than favourable PRC property market condition. In addition, a full impairment of HK$39,175,000 was made for the goodwill arisen during the year as a result of the deterioration of the economic environment in the PRC market subsequent to the acquisition, and the loss-making result from that acquired subsidiary.

Assumptions were used in the value-in-use calculation of the above-mentioned property development segment's cash-generating units for the years ended 31 December 2021 and 2020. The following describes each key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, adjusted for the expected deteriorating market condition.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

18. INVESTMENTS IN JOINT VENTURES

	2021 HK$'000	2020 HK$'000
Share of net assets	**12,108**	1,657,569

Notes:

(a) Particulars of the Group's joint ventures are as follows:

Company names	Registered and paid-up capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
Guangzhou Kezhu Real Estate Investment Company Limited @ (廣州科珠置業投資有限公司)	RMB18,000,000	PRC/ Mainland China	40%	40%	40%	Property investment
Guangzhou Shiqi Property Development., Ltd @ (廣州石祺房地產有限公司)	RMB15,100,000	PRC/ Mainland China	51%	51%	51%	Property investment

@ Registered as a domestic limited liability company under PRC law

The English name of the entities represents the best effort made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

All the above joint ventures are indirectly held by the Company.

18. INVESTMENTS IN JOINT VENTURES *(continued)*

Notes: (continued)

(b) The following table illustrates the summarised financial information in respect of AEC for the period up to 24 March 2021, when the acquisition of the remaining 49% equity interest in AEC was completed (note 37), and has been adjusted to reflect the fair values of identifiable assets and liabilities of AEC at the completion dates of acquisition by the Group in prior years, and reconciled to the carrying amount in the consolidated financial statements:

	2020 **HK$'000**
Cash and cash equivalents	5,113
Other current assets	8,656,468
Current assets	8,661,581
Non-current assets	417
Current liabilities, excluding trade and other payables	265,595
Other current liabilities	1,730,855
Current liabilities	1,996,450
Non-current liabilities	3,449,923
Net assets	3,215,625
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	51%
Carrying amount of the investment	1,639,969

	From the beginning of year to 24 March 2021 **HK$'000**	From the date of completion of the acquisition to 31 December 2020 HK$'000
Loss for the period	**(11,780)**	(41,580)
Other comprehensive loss for the period	**(4,246)**	(16,959)
Total comprehensive loss for the period	**(16,026)**	(58,539)

18. INVESTMENTS IN JOINT VENTURES *(continued)*

Notes: (continued)

(c) The following table illustrates the aggregate financial information of the Group's other joint ventures that are not individually material:

	2021 HK$'000	2020 HK$'000
Aggregate carrying amount of the Group's investments in the joint ventures	**12,108**	17,600

19. INVESTMENT IN AN ASSOCIATE

	2021 HK$'000	2020 HK$'000
Share of net assets, listed in Hong Kong	**1,733,475**	2,126,153
Provision for impairment	**(539,757)**	(539,757)
	1,193,718	1,586,396

Particulars of the Group's associate are as follows:

Company name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest	Principal activities
Silver Grant International Holdings Group Limited ("Silver Grant")	Ordinary shares	Hong Kong	29.56%	Investment holding and property leasing

The Group's shareholding in the associate comprises equity shares held by a wholly-owned subsidiary of the Company.

At 31 December 2021, the Group's investment in an associate with an aggregate carrying amount of HK$1,193,718,000 (2020: HK$1,586,396,000) was pledged to secure certain of the bank and other borrowings granted to the Group (note 31(a)(vi)).

19. INVESTMENT IN AN ASSOCIATE *(continued)*

Impairment testing of investment in an associate

As at 31 December 2021, the market value of the shares of Silver Grant held by the Group was HK$340,620,000, whereas its carrying amount was HK$1,193,718,000. Accordingly, the Group carried out an impairment assessment to determine whether the Group's interest in the associate was impaired.

The recoverable amount of the investment has been determined based on the value in use. The recoverable amount was determined based on financial budgets covering a five-year period approved by senior management and adopted a terminal growth rate of 2% (2020: 3%) beyond the fifth year. The pre-tax discount rate applied to cash flow projections is 15.3% (2020: 11.2%).

Key assumptions on which management has based its cash flow projections to undertake impairment testing include: (i) sales growth rates and budgeted gross margins on the petrochemical business which are based on expected market development and management experience in the industry; and (ii) pre-tax discount rate which reflects specific risks relating to the underlying business.

Based on the impairment assessment, no additional impairment is needed during the current year. For the year ended 31 December 2020, an impairment amount of HK$539,757,000 was recognised.

19. INVESTMENT IN AN ASSOCIATE *(continued)*

Financial information of Silver Grant group

Silver Grant group is considered as a material associate of the Group and is accounted for using the equity method. The following table illustrates the summarised financial information in respect of the Silver Grant Group adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2021 HK$'000	2020 HK$'000
Current assets	**4,135,421**	3,985,879
Non-current assets, excluding goodwill	**7,083,466**	6,899,911
Goodwill on acquisition of an associate	**267,672**	267,672
Current liabilities	**(2,359,152)**	(764,741)
Non-current liabilities	**(3,499,970)**	(3,095,524)
Net assets	**5,627,437**	7,293,197
Non-controlling interests	**(401,027)**	(738,377)
Total equity	**5,226,410**	6,554,820
Total equity, excluding goodwill	**4,958,738**	6,287,148
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**29.56%**	29.56%
Group's share of net assets of the associate, excluding goodwill	**1,465,803**	1,858,481
Goodwill on acquisition	**267,672**	267,672
Impairment	**(539,757)**	(539,757)
Carrying amount of the investment	**1,193,718**	1,586,396
Revenue	**87,376**	89,128
Loss for the year	**(1,812,494)**	(579,120)
Loss attributed to owners of the company	**(1,452,609)**	(455,653)
Other comprehensive income for the year	**146,734**	309,635
Other comprehensive income attributed to owners of the company	**124,199**	264,070
Total comprehensive loss for the year	**(1,665,760)**	(269,485)
Total comprehensive loss attributed to owners of the company	**(1,328,410)**	(191,583)
Market value of the Group's investment as at 31 December	**340,620**	619,928

20. PROPERTIES UNDER DEVELOPMENT

	2021 HK$'000	2020 HK$'000
Properties under development expected to be completed within normal operating cycle and classified as current assets are expected to be recoverable:		
Within one year	**6,243,097**	573,325
After one year	**5,274,342**	345,108
	11,517,439	918,433

At 31 December 2021, certain of the Group's properties under development with an aggregate carrying amount of HK$11,502,841,000 (2020: HK$623,265,000) were pledged to secure certain of the bank and other borrowings granted to the Group (note 31(a)(iii)).

21. COMPLETED PROPERTIES HELD FOR SALE

At 31 December 2021, certain of the Group's completed properties held for sale with an aggregate carrying amount of HK$1,563,684,000 (2020: HK$3,281,195,000) were pledged to secure certain of the bank and other borrowings granted to the Group (note 31(a)(iv)).

22. TRADE RECEIVABLES

	Notes	2021 HK$'000	2020 HK$'000
Receivables from sales of properties and rentals	(a)	**130,488**	82,942
Receivables for urban redevelopment projects			
Related parties	43(d)	**15,874,404**	14,842,398
Third parties		**343,952**	179,132
		16,218,356	15,021,530
Less: Impairment allowance		**(702,952)**	(520,840)
Net receivables for urban redevelopment projects	(b)	**15,515,404**	14,500,690
Total		**15,645,892**	14,583,632
Portion classified as non-current assets		**(2,037,831)**	(8,352,626)
Current portion		**13,608,061**	6,231,006

22. TRADE RECEIVABLES *(continued)*

Notes:

(a) An ageing analysis of the receivables from sales of properties and rentals as at the end of the reporting period, based on the revenue recognition date or invoice date and net of loss allowance, is as follows:

	2021	2020
	HK$'000	HK$'000
Current to 180 days	**92,280**	75,272
181 to 365 days	**20,229**	7,477
Over 365 days	**17,979**	193
	130,488	82,942

For the year ended 31 December 2020, receivables from rentals of HK$11,832,000 had been written off as uncollectible. Other than the above-mentioned, there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

(b) The Group has entered into project management agreements with related parties and third parties for urban redevelopment projects. According to the project management agreements, the Group has the contractual right and responsibility (including the funding responsibility) to provide project management services in relation to the urban redevelopment projects. In return, the Group is entitled to a finance component of income arising from a fixed rate of return at an agreed percentage of funds incurred and contributed by the Group under its contractual funding responsibility and a management service income from the performance of the underlying urban redevelopment projects. For the years ended at 31 December 2021 and 2020, no management service income arising from the performance of the underlying urban redevelopment projects was recognised as the amounts were subject to constraint.

An ageing analysis of the receivables for urban redevelopment as at the end of the reporting period, based on the incurred date, is as follows:

	2021	2020
	HK$'000	HK$'000
Within 1 year	**2,408,741**	7,073,389
1 to 2 years	**6,875,564**	3,612,492
2 to 3 years	**2,604,311**	4,335,649
Over 3 years	**4,329,740**	—
	16,218,356	15,021,530

22. TRADE RECEIVABLES *(continued)*

Notes: *(continued)*

(b) *(continued)*

The movements in the loss allowance for impairment of receivables for urban redevelopment projects are as follows:

	2021 HK$'000	2020 HK$'000
At beginning of year	**520,840**	234,871
Impairment losses (note 7)		
New receivables	**9,181**	208,961
Changes in risk parameters	**196,642**	210,277
Receivables settled during the year	**(44,524)**	(11,311)
	161,299	407,927
Disposal of a subsidiary	**–**	(150,022)
Exchange realignment	**20,813**	28,064
At end of year	**702,952**	520,840

Impairment analysis is performed on the Group's receivables for urban redevelopment projects at each reporting date by considering the probability of default of the counterparties or comparable companies with published credit ratings. As at 31 December 2021, the probability of default applied ranged from 3.4% to 13.7% (2020: 8.1%) and the loss given default was estimated from 61.7% to 63.0% (2020: 62.3%). The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The adjusted loss rate as at 31 December 2021 ranged from 2.5% to 9.8% (2020: 3.2%). In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2021 HK$'000	2020 HK$'000
Deposits to related parties for acquisition of equity interests in property development projects	(a), 43(d)	–	712,896
Prepaid construction costs and others		**932,305**	239,816
Prepaid business taxes and other levies		**174,016**	104,315
Project deposits to a contractor	(b)	**199,563**	192,526
Consideration receivable	(c)	**812,132**	788,938
Cost of obtaining contracts		**24,745**	17,628
Other receivables			
A joint venture	43(d)	–	23,760
Related parties	43(d)	**38,662**	14,869
Third parties		**299,899**	1,668,389
		338,561	1,707,018
		2,481,322	3,763,137
Impairment allowance	(d)	**(11,237)**	(86,834)
		2,470,085	3,676,303

Notes:

(a) As at 31 December 2020, deposits of HK$712,896,000 were paid to Guangdong Zhuguang Group Company Limited and its subsidiaries (related parties of the Group), the authorised agents of the Group for the proposed acquisitions of equity interests of certain entities which own certain land use rights or property development projects in the PRC.

During the year ended 31 December 2021, these property development projects were terminated and the deposits were refunded.

(b) Project deposits to a contractor of the Group were unsecured, interest-bearing at 12% per annum and repayable on demand.

(c) The receivable relates to certain properties to be developed with a saleable area of approximately 38,179 sq.m. that will be transferred to the Group upon completion of the urban redevelopment project and form part of the total consideration on the disposal of 100% equity interest in Guangzhou Yuhong Investment Company Limited (a company engaged in the property redevelopment project in the PRC). Details of the disposal are set out in the Company's announcement and circular dated 22 April 2020 and 24 June 2020, respectively.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(continued)*

Notes: (continued)

(d) The movements in the loss allowance for impairment of financial assets included in prepayments, other receivables and other assets are as follows:

	2021	2020
	HK$'000	HK$'000
At beginning of year	**86,834**	49,054
Impairment losses (note 7)		
New receivables	**2,777**	51,448
Receivables settled during the year	**(84,566)**	(26,333)
Changes in risk parameters	**834**	7,647
	(80,955)	32,762
Exchange realignment	**5,358**	5,018
At end of year	**11,237**	86,834

Impairment analysis is performed on the Group's prepayments, other receivables and other assets at each reporting date by considering the probability of default of the counterparties or comparable companies with published credit ratings. As at 31 December 2021, the probability of default applied ranged from 0.1% to 7.3% (2020: from 1.2% to 8.1%) and the loss given default was estimated from 57.7% to 64.9% (2020: from 62.3% to 62.9%). The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The adjusted loss rate as at 31 December 2021 ranged from 0.1% to 5.2% (2020: ranged from 0.6% to 4.1%). In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2021 HK'000	2020 HK'000
Other receivables, at fair value	(a)	**1,879,776**	3,885,718
Other unlisted investments, at fair value	(b)	**74,450**	72,323
		1,954,226	3,958,041
Portion classified as current assets		**(1,910,354)**	(2,372,579)
Non-current portion		**43,872**	1,585,462

Notes:

(a) As at 31 December 2021, other receivables of HK$1,879,776,000 (2020: HK$3,885,718,000) at fair value represented funds deployed in property development projects in the PRC with certain related parties which are classified as financial assets at fair value through profit or loss. Pursuant to the relevant project management service agreements, as the ordinary course of business of the Group, the Group agreed to provide funds and management services to certain property development projects. In return, the Group is entitled to a fixed income being a certain percentage of the total funds provided and a variable return which is determined with reference to the financial performance of the projects. The fair value of the other receivables is determined based on the discounted cash flow projections based on the expected future cash flows from the property development projects estimated by management. The discount rate applied to the cash flow projections ranged from 20.6% to 24.6% (2020: ranged from 17.1% to 17.3%).

(b) At 31 December 2021, the Group subscribed for certain unlisted PRC investment funds for an aggregate amount of HK$74,450,000 (2020: HK$72,323,000). The investment funds are managed with expected return equal to one-year prevailing savings interest rate quoted by the People's Bank of China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

25. RESTRICTED CASH

	2021 **HK$'000**	2020 HK$'000
Guaranteed deposits for construction projects	**122,322**	74,065
Term deposits pledged for bank borrowings granted to the Group (note 31(a)(v))	**965,284**	1,041,446
Term deposits pledged for bank borrowings granted to independent third parties	**–**	237,632
	1,087,606	1,353,143

Pursuant to the relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of pre-sale proceeds of properties with designated bank accounts as guaranteed deposits for the construction of the related properties. The deposits can only be used for the purchase of construction materials and payments of construction fees for the relevant property projects. The deposits will be released after completion of the related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is earlier. As at 31 December 2021, such guaranteed deposits amounted to HK$122,322,000 (2020: HK$74,065,000).

At 31 December 2020, certain of the Group's term deposits with initial terms of over three months with an aggregate carrying amount of HK$237,632,000 were pledged to secure bank loans amounting to HK$594,080,000 granted to independent third parties which are business associates of the Group. The related loans had matured and the pledged term deposits were released during the year.

26. TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS

The weighted average effective interest rate of the Group's term deposits with initial terms of over three months as at 31 December 2021 is 1.70% per annum (2020: 2.23% per annum).

27. CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash and bank balances:		
Denominated in RMB	**74,306**	49,984
Denominated in HK$	**4,371**	4,971
Denominated in US$	**4,947**	274
	83,624	55,229

Notes:

(a) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. All the bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

(b) The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

28. CONTRACT LIABILITIES

Contract liabilities represent sales proceeds received from buyers in connection with the Group's pre-sales of properties.

The increase in the balance of contract liabilities was mainly due to the additional pre-sales during the year.

As at 1 January 2020, contract liabilities amounted to HK$2,573,047,000.

29. TRADE AND OTHER PAYABLES

	Notes	2021 HK$'000	2020 HK$'000
Trade and bills payables	(a)	**3,394,395**	2,207,549
Amounts due to related parties	43(d)	**235,482**	218,724
Amounts due to joint ventures	43(d)	**6,115**	158,452
Amounts due to the ultimate holding company	43(d)	**470,397**	344,432
Other payables and accruals	(b)	**1,122,603**	558,922
Other taxes payables		**759,338**	723,400
		5,988,330	4,211,479
Portion classified as current liabilities		**(5,517,933)**	(3,858,256)
Non-current portion		**470,397**	353,223

Note:

(a) An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the due date, is as follows:

	2021 HK$'000	2020 HK$'000
Within 1 year	**3,334,468**	2,131,531
Over 1 year	**59,927**	76,018
	3,394,395	2,207,549

The trade payables are non-interest-bearing and unsecured.

As at 31 December 2021, trade payables amounting to HK$17,644,000 (2020: HK$17,768,000) were payable to Guangzhou Zhuguang Property Management Company Limited, a related company of the Company, for the provision of property management services, which would be settled in payment terms similar to other trade payables (note 43(d)).

(b) As at 31 December 2021, other payables amounting to HK$56,425,000 (2020: HK$42,774,000) were amounts due to the non-controlling shareholders of the Group, which are unsecured, interest-free and repayable on demand (note 43(d)).

30. DERIVATIVE FINANCIAL INSTRUMENTS

The 2019 Warrants (as defined in note 31) were measured at their fair values on 31 December 2021 and 2020. The fair values (categorised as Level 3 measurement under HKFRS 13) of the warrants were based on a valuation, using trinomial tree method, carried out by an independent qualified professional valuer and approved by the Directors. The significant unobservable inputs used in the fair value measurement are expected volatility and effective interest rate.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021			2020		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Lease liabilities (note 16(b))		**2022**	**6,850**		2021	7,000
Bank borrowings — secured	**0.95%-14.64%**	**2022**	**1,913,396**	1.36%-13.33%	2021	2,145,761
Bank borrowings — unsecured			**–**	5.27%	2021	236,849
Other borrowings — secured	**9.78%-15.06%**	**2022**	**3,821,333**	3.09%-13.10%	2021	4,883,795
Other borrowings — unsecured	**12.00%**	**2022**	**40,000**	12.00%	2021	100,000
2019 Senior Notes	**12.44%-17.16%**	**2022**	**1,841,783**	12.71%-14.71%	2021	583,056
			7,623,362			7,956,461
Non-current						
Lease liabilities (note 16(b))			**–**		2022	6,850
Bank borrowings — secured	**3.61%-10.08%**	**2023-2035**	**7,373,659**	6.86%-13.33%	2022-2025	3,525,390
Other borrowings — secured	**8.00%-10.26%**	**2023-2036**	**4,198,975**	10.44%-12.16%	2022-2035	3,696,466
2019 Senior Notes			**–**	12.71%-14.71%	2022	1,855,852
			11,572,634			9,084,558
			19,195,996			17,041,019

31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	2021 HK$'000	2020 HK$'000
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	**1,913,396**	2,382,610
In the second year	**2,325,535**	610,778
In the third to fifth years, inclusive	**2,773,810**	596,645
Over five years	**2,274,314**	2,317,967
	9,287,055	5,908,000
Other borrowings repayable:		
Within one year or on demand	**3,861,333**	4,983,795
In the second year	**2,821,063**	2,351,667
In the third to fifth years, inclusive	**1,377,912**	595,711
Over five years	**–**	749,088
	8,060,308	8,680,261
Senior notes:		
Within one year or on demand	**1,841,783**	583,056
In the second year	**–**	1,855,852
	1,841,783	2,438,908
Lease liabilities repayable:		
Within one year or on demand	**6,850**	7,000
In the second year	**–**	6,850
	6,850	13,850
	19,195,996	17,041,019

31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes:

(a) Certain of the Group's bank and other borrowings are secured or guaranteed by:

(i) pledges over the Group's property and equipment with an aggregate carrying amount at the end of the reporting period of approximately HK$772,729,000 (2020: HK$348,197,000) (note 13);

(ii) pledges over the Group's investment properties with an aggregate carrying amount at the end of the reporting period of approximately HK$2,436,444,000 (2020: HK$2,736,059,000) (note 14);

(iii) pledges over the Group's properties under development with an aggregate carrying amount at the end of the reporting period of approximately HK$11,502,841,000 (2020: HK$623,265,000) (note 20);

(iv) pledges over the Group's completed properties held for sale with an aggregate carrying amount at the end of the reporting period of approximately HK$1,563,684,000 (2020: HK$3,281,195,000) (note 21);

(v) pledges over the Group's term deposits with initial terms of over three months with an aggregate carrying amount at the end of the reporting period of approximately HK$965,284,000 (2020: HK$1,041,446,000) (note 25);

(vi) pledges over the Group's investment in an associate with an aggregate carrying amount at the end of the reporting period of approximately HK$1,193,718,000 (2020: HK$1,586,396,000) (note 19);

(vii) pledges over the Company's equity interest executed by the Company's ultimate holding company for borrowings of the Group amounting to HK$291,670,000 (2020: HK$332,320,000) as at the end of the reporting period;

(viii) pledges over the equity interests of the Group's certain subsidiaries for borrowings of the Group amounting to HK$5,563,725,000 (2020: HK$6,285,640,000) as at the end of the reporting period;

(ix) corporate guarantees executed and security provided by the Company's ultimate holding company for the senior notes of the Group amounting to HK$1,841,783,000 (2020: HK$2,438,908,000) as at the end of the reporting period;

(x) corporate guarantees executed by the Company for borrowings of the Group amounting to HK$7,868,993,000 (2020: HK$8,284,102,000) as at the end of the reporting period;

(xi) personal guarantees executed by certain Directors for borrowings of the Group amounting to HK$7,786,666,000 (2020: HK$8,532,182,000) as at the end of the reporting period; and

(xii) pledges and guarantees provided by GD Zhuguang Group (as defined in note 43) for borrowings of the Group amounting to HK$14,299,719,000 (2020: HK$8,258,792,000) as at the end of the reporting period.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes: (continued)

(b) On 22 September 2019, the Company issued 3-year secured and guaranteed senior notes (the "2019 Senior Notes") with an aggregate principal amount of US$410,000,000 for settlement of the 2016 Senior Notes. The Company, at its option, can redeem all or a portion of the 2019 Senior Notes at any time after 12 months from the issue date and from time to time prior to the maturity date at the redemption price plus accrued and unpaid interest up to the redemption date. The Company shall, on the date falling 12 months after the issue date, redeem 10% of the then outstanding principal amount, and shall, on the date falling 24 months after the issue date, redeem 10% of the then outstanding principal amount. The remaining outstanding principal amount of the 2019 Senior Notes is due on 21 September 2022. The 2019 Senior Notes are denominated in US$ with an interest rate at 11% per annum. During the current year, 21% (2020: 20%) of the aggregate principal amount amounting to US$85,150,000 (2020: US$82,000,000) was redeemed, in which US$3,150,000 was settled by way of set-off against the issuance of shares pursuant to the exercise of the 2019 Warrants (2020: nil) (note 34).

Concurrent with the issuance of the 2019 Senior Notes, nil-paid warrants (the "2019 Warrants") representing a total amount of exercise moneys of US$61,500,000 (the exchange rate to be used for the purchase of HK$ with US$ shall be HK$7.8 per US$1.0) were granted by the Company to these investors to subscribe for 297,064,651 ordinary shares of the Company at an initial exercise price of HK$1.6148 per ordinary share of the Company, which are subject to certain anti-dilutive adjustments. During the year, the Company received notices of exercise from the holders of the 2019 Warrants in respect of the exercise of the subscription rights attached to the 2019 Warrants to the extent of an aggregate of 31,215,506 ordinary shares of the Company being allotted and issued by the Company to the holders of the 2019 Warrants. In August 2021, the exercise price of the 2019 Warrants was adjusted to HK$1.54 per ordinary share. As at 31 December 2021, 2019 Warrants with aggregate exercise moneys of US$55,037,589, representing 278,761,814 ordinary shares of the Company, remained outstanding. The 2019 Warrants are exercisable at any time up to 36 months from the issue date of such warrants.

Rong De has provided pledges and guarantees for the Group's senior notes of HK$1,841,783,000 (2020: HK$2,438,908,000) at 31 December 2021.

(c) The Group's bank and other borrowings with carrying amounts of HK$745,260,000 (2020: HK$1,037,773,000), HK$16,113,464,000 (2020: HK$13,281,930,000) and HK$2,337,272,000 (2020: HK$2,721,316,000) are denominated in HK$, RMB and US$, respectively.

(d) The Group's bank and other borrowings with carrying amounts of HK$7,483,041,000 (2020: HK$3,451,454,000) and HK$11,712,955,000 (2020: HK$13,589,565,000) are carried at floating interest rates and fixed interest rates, respectively.

32. INCOME TAX PAYABLES

	2021 **HK$'000**	2020 HK$'000
PRC corporate income tax payable	**2,245,747**	2,113,544
PRC land appreciation tax payable	**1,422,313**	1,341,139
	3,668,060	3,454,683

33. DEFERRED TAX

Net deferred tax assets and liabilities recognised in the consolidated statement of financial position are as follows:

	2021 HK$'000	2020 HK$'000
Deferred tax assets recognised in the consolidated statement of financial position	**5,168**	18,177
Deferred tax liabilities recognised in the consolidated statement of financial position	**(2,460,385)**	(1,302,085)
	(2,455,217)	(1,283,908)

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Impairment of receivables and deposits HK$'000	Temporary difference on LAT HK$'000	Total HK$'000
At 1 January 2020	41,365	41,371	82,736
Charged to profit or loss during the year (note 10)	(24,419)	(41,643)	(66,062)
Exchange realignment	1,231	272	1,503
At 31 December 2020 and 1 January 2021	**18,177**	**–**	**18,177**
Charged to profit or loss during the year (note 10)	**(13,892)**	**–**	**(13,892)**
Exchange realignment	**883**	**–**	**883**
At 31 December 2021	**5,168**	**–**	**5,168**

33. DEFERRED TAX *(continued)*

Deferred tax liabilities

	Fair value adjustments of financial assets at fair value through profit or loss HK$'000	Temporary difference on revaluation gains of investment properties HK$'000	Fair value adjustments on business combinations HK$'000	Undistributed profits of PRC subsidiaries HK$'000	Temporary difference on LAT HK$'000	Total HK$'000
At 1 January 2020	321,103	726,017	499,787	9,244	785	1,556,936
Charged/(credited) to profit or loss during the year (note 10)	27,808	(46,271)	(356,604)	53,467	–	(321,600)
Exchange realignment	21,829	43,610	662	596	52	66,749
At 31 December 2020 and 1 January 2021	**370,740**	**723,356**	**143,845**	**63,307**	**837**	**1,302,085**
Charged/(credited) to profit or loss during the year (note 10)	**41,455**	**(55,922)**	**(59,434)**	**18,245**	**–**	**(55,656)**
Acquisition of subsidiaries (note 37)	**–**	**–**	**1,244,204**	**–**	**–**	**1,244,204**
Disposal of subsidiaries (note 38)	**(115,310)**	**–**	**–**	**–**	**–**	**(115,310)**
Exchange realignment	**11,326**	**20,343**	**53,247**	**120**	**26**	**85,062**
At 31 December 2021	**308,211**	**687,777**	**1,381,862**	**81,672**	**863**	**2,460,385**

The Group had unutilised tax losses of approximately HK$2,750,027,000 as at 31 December 2021 (2020: HK$1,784,828,000) for offsetting against future taxable profits of the tax entity in which the losses arose. Deferred tax assets have not been recognised for these tax losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable tax rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2021, deferred tax amounted to HK$81,672,000 (2020: HK$63,307,000) has been recognised for withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, other than the above-mentioned, it is not probable that other subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled HK$82,020,000 at 31 December 2021 (2020: HK$272,167,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

34. SHARE CAPITAL

	2021 **HK$'000**	2020 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.1 each	**1,000,000**	1,000,000
Issued and fully paid:		
7,225,632,753 (2020: 7,194,417,247) ordinary shares of HK$0.1 each	**722,564**	719,442

A summary of movements in the Company's issued share capital is as follow:

	Number of Share in issue	**Share capital** HK$'000	**Share premium** HK$'000
At 1 January 2020, 31 December 2020 and 1 January 2021	7,194,417,247	719,442	5,564,286
Issue of shares (Note)	31,215,506	3,122	61,874
At 31 December 2021	7,225,632,753	722,564	5,626,160

Note:

For the year ended 31 December 2021, 31,215,506 ordinary shares were issued at an exercise price of HK$1.6148 per share pursuant to the exercise of the 2019 Warrants in aggregate for a total consideration, before expenses, of HK$50,407,000, in which HK$25,837,000 was paid in cash, and the remaining amount of HK$24,570,000 was settled by way of set-off against the outstanding principal amount of the 2019 Senior Notes. An amount of HK$14,589,000 was transferred from derivative financial instruments to share premium upon the exercise of the 2019 Warrants.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(i) Merger reserve

The merger reserve was set up upon the share swap for the Company to acquire its subsidiaries.

(ii) Contributed surplus

The contributed surplus was credited from the share premium cancellation in prior years. The application of the contributed surplus is governed by the Companies Act of Bermuda.

35. RESERVES *(continued)*

(iii) Statutory reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Group's subsidiaries established in the PRC, and were approved by the respective boards of directors.

(iv) Capital reserve

Gain or loss arising from the acquisition of non-controlling interests and from disposal of partial interests of the Group's subsidiaries without loss of control was recognised as capital reserve.

36. PERPETUAL CAPITAL SECURITIES

(i) On 29 October 2018, the Company issued perpetual capital securities with a principal amount of HK$800,000,000.

The securities confer the holders a right to receive distributions at the applicable distribution rate of 6% per annum from and including 29 October 2018, payable semi-annually on 20 June and 20 December of each year. The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the Company, in whole or in part.

(ii) On 30 November 2021, the Company issued perpetual capital securities with a principal amount of HK$250,000,000.

The securities confer the holders a right to receive distributions at the applicable distribution rate of 8% per annum from and including 30 November 2021, payable semi-annually on 20 June and 20 December of each year. The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the Company, in whole or in part.

In the opinion of the Directors, the Company is able to control the delivery of cash or other financial assets to the holders of the perpetual capital securities due to redemption other than an unforeseen liquidation of the Company. Accordingly, the perpetual capital securities are classified as equity instruments of the Company.

37. ACQUISITION OF SUBSIDIARIES

(a) Acquisitions during the year ended 2021

In December 2020, the Group entered into an equity transfer agreement with GD Zhuguang Group, a related party of the Group, for the acquisition of 49% equity interest in AEC, a then 51%-owned joint venture of the Group, at a cash consideration of RMB900,000,000 (equivalent to HK$1,071,909,000). The acquisition was made as part of the Group's strategy to expand its market share of the property development market in the PRC. The acquisition was completed on 24 March 2021 and AEC has become a wholly-owned subsidiary of the Company since then.

37. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) Acquisitions during the year ended 2021 *(continued)*

In December 2021, the Group entered into equity transfer agreements separately with an independent third party and a subsidiary of GD Zhuguang Group, for the acquisition of 40% and 60% of the equity interests in 廣東鹿湖溫泉假日酒店有限公司 (Guangdong Luhu Hot Spring Holiday Hotel Co., Ltd.*) ("Luhu Hotel") at a total cash consideration of RMB2,000,000 (equivalent to HK$2,445,000). The acquisition was made as part of the Group's strategy to expand its market share of the hotel operation market in the PRC. The acquisition was completed on 13 December 2021 and Luhu Hotel has become a wholly-owned subsidiary of the Company since then.

The fair values of the identifiable assets and liabilities of AEC and Luhu Hotel as at the respective dates of completion of their acquisitions were as follows:

	Fair value recognised on acquisition date		
	AEC HK$'000	Luhu Hotel HK$'000	Total HK$'000
Property and equipment	399	319	718
Properties under development	8,992,168	—	8,992,168
Prepayments, other receivables and other assets	636,392	8,500	644,892
Prepaid income tax	7,763	—	7,763
Restricted cash	48,076	—	48,076
Cash and cash equivalents	5,590	1,610	7,200
Contract liabilities	(114,489)	—	(114,489)
Trade and other payables	(1,963,888)	(47,159)	(2,011,047)
Interest-bearing bank and other borrowings	(3,654,717)	—	(3,654,717)
Deferred tax liabilities	(1,244,204)	—	(1,244,204)
Total identifiable net assets/(liabilities) at fair value	2,713,090	(36,730)	2,676,360
Goodwill on acquisition (note 17)	—	39,175	39,175
Gain on bargain purchase	(257,505)	—	(257,505)
	2,455,585	2,445	2,458,030
Satisfied by:			
Cash	655,055	2,445	657,500
Other payables	416,854	—	416,854
Fair value of pre-existing interest in AEC at the date of acquisition	1,383,676	—	1,383,676
	2,455,585	2,445	2,458,030

* The English name of the company represent the best effort made by the management of the Company to directly translate the Chinese name as it did not register any official English name.

37. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) Acquisitions during the year ended 2021 *(continued)*

An analysis of the cash flows in respect of the acquisition of AEC and Luhu Hotel is as follows:

	AEC HK$'000	Luhu Hotel HK$'000	Total HK$'000
Cash consideration	(655,055)	(2,445)	(657,500)
Cash and cash equivalents acquired	5,590	1,610	7,200
Net outflow of cash and cash equivalents included in cash flows from investing activities	(649,465)	(835)	(650,300)

As at the dates of completion of the respective acquisitions, the fair value of other receivables acquired approximated its carrying amount.

Since the completion of the acquisition of AEC in March 2021, AEC has contributed a loss of HK$84,162,000 to the consolidated profit of the Group for the year ended 31 December 2021. Had the combination taken place at the beginning of the year, the profit of the Group for the year ended 31 December 2021 would have been HK$97,836,000.

Since the completion of the acquisition of Luhu Hotel in December 2021, Luhu Hotel has contributed a loss of HK$1,214,000 to the consolidated profit of the Group for the year ended 31 December 2021. Had the combination taken place at the beginning of the year, the profit of the Group for the year ended 31 December 2021 would have been HK$100,606,000.

(b) Acquisition during the year ended 2020

In December 2019, the Group entered into an equity transfer agreement with an independent third party for the acquisition of 100% equity interest in All Flourish Investment Limited ("All Flourish") at an aggregate consideration of approximately RMB1,050,000,000 (equivalent to HK$1,157,814,000). Up to the date of the acquisition, All Flourish directly held 100% equity interest in a dormant company, which indirectly held 51% equity interest in AEC with investment cost amounting to HK$1,669,824,000. At the time of the completion of the acquisition of All Flourish in March 2020, AEC did not carry on any significant business transaction except for holding land parcels in Guangzhou and was classified as a joint venture of All Flourish. Accordingly, the transaction was not accounted for as a business combination but an acquisition of an asset. Since the completion of the acquisition of All Flourish in March 2020, All Flourish and AEC had, respectively, become a wholly-owned subsidiary and a joint venture of the Group. The consideration was fully settled during the year ended 31 December 2020.

38. DISPOSAL OF SUBSIDIARIES

	2021 HK$'000	2020 HK$'000
Net assets disposed of:		
Properties under development	**43,042**	–
Completed properties held for sale	**26,188**	–
Trade receivables	**–**	3,493,917
Prepayments, other receivables and other assets	**515,835**	–
Cash and cash equivalents	**690**	18
Other payables	**(192,792)**	(3,056,458)
Income tax payables	**(253,251)**	–
Deferred tax liabilities	**(115,310)**	–
Exchange fluctuation reserve	**(32,963)**	–
	(8,561)	437,477
Gain on disposal of subsidiaries	**33,183**	2,037,683
Withholding tax arising from gain on disposal (note 10)	**–**	(242,953)
	24,622	2,232,207
Satisfied by:		
Cash	**24,622**	1,725,046
Prepayment, deposits and other receivables	**–**	750,114
Tax payable	**–**	(242,953)
	24,622	2,232,207

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2021 HK$'000	2020 HK$'000
Cash and cash equivalents disposed of	**(690)**	(18)
Cash consideration received	**24,622**	1,725,046
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**23,932**	1,725,028

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2021, the Group issued 31,215,506 ordinary shares for a total consideration of HK$50,407,000 pursuant to the exercise of the 2019 Warrants, in which approximately HK$24,570,000 was settled by way of set-off against the outstanding principal amount of the 2019 Senior Notes.

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings HK$'000 (Restated)	Derivative financial instruments HK$'000	Amount due to a joint venture included in trade and other payables HK$'000	Amounts due to the ultimate holding company included in trade and other payables HK$'000	Amounts due to related parties included in trade and other payables HK$'000
At 1 January 2020 (restated)	18,206,017	40,134	–	351,550	205,800
Changes from financing cash flows (restated)	(2,133,075)	–	150,173	(7,118)	13,196
Foreign exchange movement	968,077	–	8,279	–	(272)
Net change in fair value	–	(20,489)	–	–	–
At 31 December 2020 and 1 January 2021 (restated)	**17,041,019**	**19,645**	**158,452**	**344,432**	**218,724**
Changes from financing cash flows	**(2,064,262)**	**–**	**(154,789)**	**125,965**	**10,185**
Exercise of warrants	**–**	**(14,589)**	**–**	**–**	**–**
Acquisition of a subsidiary	**3,654,717**	**–**	**–**	**–**	**–**
Foreign exchange movement	**564,492**	**578**	**2,452**	**–**	**6,573**
Net change in fair value	**–**	**116,147**	**–**	**–**	**–**
At 31 December 2021	**19,195,996**	**121,781**	**6,115**	**470,397**	**235,482**

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 HK$'000	2020 HK$'000
Within operating activities	**2,856**	4,486
Within financing activities	**3,570**	6,392
	6,426	10,878

40. FINANCIAL GUARANTEES

The Group had the following financial guarantees as at the end of the reporting period:

	2021 HK$'000	2020 HK$'000
Guarantees in respect of the mortgage facilities provided to certain purchasers of the Group's properties	**4,886,244**	3,643,803

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principal together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any auction proceeds as described below.

Pursuant to the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, in the event of default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principal together with the accrued interest and penalties.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees at initial recognition and the expected credit loss allowance are not significant as the Directors consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalties.

41. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings are included in note 31 to the financial statements.

42. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	2021 HK$'000	2020 HK$'000
Contracted, but not provided for:		
Properties under development	**1,603,026**	720,169
Acquisition of a subsidiary	**–**	1,069,344
	1,603,026	1,789,513

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2021 HK$'000	2020 HK$'000
Contracted, but not provided for:		
Properties under development	**–**	539,133

43. RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Names	Relationships
Rong De	Ultimate holding company of the Company
Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi)	Major shareholder of Rong De, the chairman of the Company's board of directors (the "Board"), the Company's executive director, and a member of key management personnel of the Company
Mr. Liao Tengjia	Major shareholder of Rong De, deputy chairman of the Board, the Company's executive director and a member of key management personnel of the Company
Mr. Huang Jiajue	Deputy chairman of the Board, the Company's executive director, and a member of key management personnel of the Company
Guangzhou Zhuguang Property Management Company Limited ("GZ Zhuguang Property Management")	Controlled by a close family member of Mr. Chu Hing Tsung
Guangdong Zhuguang Group Company Limited ("GD Zhuguang Group")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Zhuguang Investment Company Limited ("GZ Zhuguang Investment")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Conghua Zhuguang Investment Company Limited ("GZ Conghua Zhuguang Investment")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Zhuguang Property Development Company Limited ("GZ Zhuguang Property")	Mr. Liao Tengjia is considered to have significant influence in this company
Shenzhen Zhuguang Property Company Limited ("SZ Zhuguang Property")	Mr. Liao Tengjia is considered to have significant influence in this company
Beijing Zhuguang Property Development Company Limited ("BJ Zhuguang Property")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Yifa Industrial Development Co., Ltd ("Yifa Industrial")	Mr. Liao Tengjia is considered to have significant influence in this company
Sanya Lantian Investment Co., Ltd ("Sanya Lantian Investment")	Mr. Liao Tengjia is considered to have significant influence in this company
Beijing Quan Ying Property Development Company Limited ("BJ Quan Ying")	Mr. Liao Tengjia is considered to have significant influence in this company
Xianghe Zhuguang Real Estate Company Limited ("XH Zhuguang Real Estate")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Yueju Real Estate Co., Ltd. ("Yue Ju")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Development Automobile City Co., Ltd. ("AEC")	Joint venture of the Group (became a wholly-owned subsidiary of the Company in the current year)
Guangdong Fengshun Luhu Hot Spring Resort Co., Ltd. ("GD Fengshun Luhu")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Shiqi Property Development., Ltd ("Shi Qi")	Joint venture of the Group
Guangzhou Yingfu Investment Co., Ltd. ("GZ Ying Fu Investment")	Non-controlling shareholder in Zhongshan Zhuguang Real Estate Company Limited
Guangzhou Dongzhi Real Estate Development Co., Ltd. ("GZ Dongzhi")	Non-controlling shareholder in Guangzhou Hongyue Investment Co., Ltd

43. RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	**2021 HK$'000**	2020 HK$'000
Finance component of income from GD Zhuguang Group and its subsidiaries	(i)	**1,893,417**	1,612,413
Interest income from GD Zhuguang Group	(ii)	**43,783**	94,882
Service income received from GD Zhuguang Group and its subsidiaries	(iii)	**55,348**	57,623
Service income received from AEC	(iii), (iv)	**8,255**	28,326
Property management service fees to GZ Zhuguang Property Management	(iii)	**16,002**	17,768
Consideration paid for the acquisition of 60% equity interest of Luhu Hotel from GD Fengshun Luhu	37	**1,223**	—
Consideration paid and payable for the acquisition of AEC from GD Zhuguang Group	37	**1,071,909**	—

43. RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties *(continued)*

Notes:

(i) The finance component of income was derived from the receivables related to urban redevelopment projects in accordance with the terms of the underlying agreements.

(ii) The interest income was derived from the deposit for acquisition of equity interests in a property development project at a mutually agreed rate.

(iii) The above transactions were conducted in accordance with the terms of the underlying agreements.

(iv) The amount represents the service income received up to the acquisition completion date of AEC in March 2021 for the year ended 31 December 2021.

(v) GD Zhuguang Group has provided pledges and guarantees for the Group's bank and other borrowings of HK$14,299,719,000 at 31 December 2021 (2020: HK$8,258,792,000) (note 31(a)(xii)).

(vi) Rong De has provided pledges and guarantees for the Group's senior notes of HK$1,841,783,000 (2020: HK$2,438,908,000) and warrants of HK$121,781,000 (2020: HK$19,645,000) at 31 December 2021 (note 31(a)(ix)).

(vii) During the years ended 31 December 2021 and 2020, the Group's principal place of business in the PRC was provided by GD Zhuguang Group for which no charge was made.

(c) Compensation of key management personnel of the Group

In the opinion of the Directors, the Directors and the chief executive officer of the Company represent the key management personnel of the Group and details of the compensation of the key management personnel are set out in note 8 to the financial statements.

43. RELATED PARTY TRANSACTIONS *(continued)*

(d) Outstanding balances with related parties

As at 31 December 2021 and 2020, the Group had the following material balances with related parties:

	Notes	**2021** **HK$'000**	2020 HK$'000
Amounts due from related parties relating to receivables for urban redevelopment projects included in trade receivables			
— GD Zhuguang Group	22	**4,091,788**	3,468,456
— GZ Zhuguang Property	22	**6,856,574**	7,437,244
— GZ Conghua Zhuguang Investment	22	**1,615,252**	2,700,626
— SZ Zhuguang Property	22	**619,756**	527,367
— GZ Zhuguang Investment	22	**2,691,034**	708,705
		15,874,404	14,842,398
Amounts due from related parties included in prepayments, other receivables and other assets			
— BJ Quan Ying	(i)	**4,073**	4,176
— GZ Zhuguang Property	(i)	**12,231**	—
— GZ Zhuguang Property Management	(i)	**465**	—
— Yue Ju	(i)	**9,173**	—
— XH Zhuguang Real Estate	(i)	**2,446**	3,564
— Sanya Lantian Investment	(i)	**10,274**	7,129
	23	**38,662**	14,869
Amount due from a joint venture included in prepayments, other receivables and other assets	23, (i)	**—**	23,760
Amounts due from related parties included in prepayments, other receivables and other assets			
— GD Zhuguang Group	23	**—**	712,896

NOTES TO FINANCIAL STATEMENTS

31 December 2021

43. RELATED PARTY TRANSACTIONS *(continued)*

(d) Outstanding balances with related parties: *(continued)*

	Notes	2021 HK$'000	2020 HK$'000
Amounts due from related parties included in financial assets at fair value through profit or loss			
— BJ Zhuguang Property	24(a)	**1,879,776**	1,930,169
— Yifa Industrial	24(a)	**—**	1,955,549
		1,879,776	3,885,718
Amounts due to GZ Zhuguang Property Management included in trade and other payables	29(a)	**17,644**	17,768
Amounts due to joint ventures included in trade and other payables			
— AEC	(ii)	**—**	158,452
— Shi Qi	(ii)	**6,115**	—
	29	**6,115**	158,452
Amounts due to related parties included in trade and other payables			
— GD Zhuguang Group	(ii)	**206,812**	197,159
— GZ Conghua Zhuguang Investment	(ii)	**—**	273
— GZ Zhuguang Property Management	(ii)	**27,447**	2,222
— GZ Zhuguang Property	(ii)	**—**	19,070
— GD Fengshun Luhu	(ii)	**1,223**	—
	29	**235,482**	218,724
Amounts due to non-controlling shareholders included in trade and other payables			
— GZ Ying Fu Investment	(ii)	**44,031**	42,774
— GZ Dongzhi	(ii)	**12,394**	—
	29(b)	**56,425**	42,774
Amounts due to the ultimate holding company (Rong De) included in trade and other payables	29, (iii)	**470,397**	344,432

43. RELATED PARTY TRANSACTIONS *(continued)*

(d) Outstanding balances with related parties: *(continued)*

Notes:

(i) Amounts due from related parties and a joint venture included in prepayments, other receivables and other assets were derived from the provision of management services, which would be settled in accordance with mutually agreed terms.

(ii) Amounts due to related parties, joint ventures and non-controlling shareholders included in trade and other payables are unsecured, interest-free and repayable on demand.

(iii) Amounts due to the ultimate holding company included in other payables amounting to HK$330,965,000 are unsecured, carries interest at 12% per annum and repayable in 2024. The remaining balances are unsecured, interest-free and repayable after one year.

44. FINANCIAL INSTRUMENTS BY CATEGORY

Other than unlisted PRC investment funds and financial assets at fair value through profit or loss and derivative financial instruments as disclosed in note 24 and note 30 to the financial statements, respectively, all financial assets and financial liabilities of the Group as at 31 December 2021 and 2020 were financial assets at amortised cost and financial liabilities at amortised cost, respectively.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group’s financial instruments as at 31 December 2021 and 2020 approximated to their fair values.

Management has assessed that the fair values of trade receivables, deposits, restricted cash, cash and cash equivalents, term deposits, trade and other payables and the current portion of bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The following methods and assumptions were used to estimate the fair values:

The carrying amounts of the non-current portion of bank and other borrowings and amounts due to the ultimate holding company approximate to their fair values. The fair values of the non-current portion of bank and other borrowings and amounts due to the ultimate holding company have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes of fair value as a result of the Group's own non-performance risk for bank and other borrowings as at 31 December 2021 and 2020 were assessed to be insignificant.

The Group has estimated the fair value of unlisted PRC investment funds by using a discounted cash flow valuation model based on the market interest rate of instruments with similar terms and risks.

Derivative financial instruments are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of derivative financial instruments are the same as their fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Financial assets at fair value through profit or loss	–	–	**1,954,226**	**1,954,226**
Financial liabilities				
Derivative financial instruments	–	–	**121,781**	**121,781**

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets				
Financial assets at fair value through profit or loss	—	—	3,958,041	3,958,041
Financial liabilities				
Derivative financial instruments	—	—	19,645	19,645

The movements in fair value measurements of financial assets within Level 3 are as follows:

	2021 HK$'000	2020 HK$'000
Financial assets at fair value through profit or loss:		
At 1 January	**3,958,041**	3,939,090
Change in fair value during the year	**381,434**	367,802
Disposal during the year	**(2,481,261)**	(621,942)
Exchange realignment	**96,012**	273,091
At 31 December	**1,954,226**	3,958,041

	2021 HK$'000	2020 HK$'000
Derivative financial instruments:		
At 1 January	**19,645**	40,134
Change in fair value during the year	**116,147**	(20,489)
Exercise of warrants	**(14,589)**	—
Exchange realignment	**578**	—
At 31 December	**121,781**	19,645

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The details of the valuation technique and the inputs used in the fair value measurement of financial assets at fair value through profit or loss and derivative financial instruments have been disclosed in note 24 and note 30 to the financial statements, respectively.

Save as disclosed above, during the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

The Group's principal financial instruments, other than derivatives, comprise bank and other borrowings, amounts due from/to related parties, and cash and term deposits with initial terms of over three months. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Market risk

The Group's assets are predominantly in the form of investment properties, properties under development and completed properties held for sale in the PRC. In the event of a severe downturn in the property market in the PRC, these assets may not be readily realised.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Other than term deposits held at banks and receivables from urban redevelopment projects, the Group does not have significant interest-bearing assets. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank and other borrowings with floating interest rates.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax. There is no material impact on other components of the Group's equity.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Interest rate risk *(continued)*

	Increase/ (decrease) in basis points	Increase/ (decrease) on profit before tax HK$'000
2021		
RMB	**0.5%**	**(35,483)**
RMB	**(0.5%)**	**35,483**
HK$	**0.5%**	**(1,932)**
HK$	**(0.5%)**	**1,932**
2020		
RMB	0.5%	(16,047)
RMB	(0.5%)	16,047
HK$	0.5%	(230)
HK$	(0.5%)	230
US$	0.5%	(981)
US$	(0.5%)	981

Foreign currency risk

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange Bureau by complying with certain procedural requirements. However, approval from appropriate PRC governmental authorities is required where RMB is to be converted into a foreign currency and remitted out of China to pay capital account items, such as the repayment of bank and other borrowings denominated in foreign currencies.

The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange Bureau, this could affect the Group's subsidiaries' ability to obtain required foreign currency through debt or equity financing, including by means of borrowings or capital contributions from the shareholders.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

All of the Group's revenue-generating operations are transacted in RMB. The majority of the Group's assets and liabilities are denominated in RMB except for the Company and certain investment holding companies within the Group operating in Hong Kong, in which bank and other borrowings were denominated either in HK$ or US$.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$ exchange rate against RMB and US$, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) on profit before tax** HK$'000
2021		
If HK$ weakens against RMB	**5%**	**794,029**
If HK$ strengthens against RMB	**(5%)**	**(794,029)**
If HK$ weakens against US$	**5%**	**(116,616)**
If HK$ strengthens against US$	**(5%)**	**116,616**
2020		
If HK$ weakens against RMB	5%	730,132
If HK$ strengthens against RMB	(5%)	(730,132)
If HK$ weakens against US$	5%	(138,689)
If HK$ strengthens against US$	(5%)	138,689

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Credit risk

It is the Group's policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, the Group does not have any significant credit risk as the credit given to any individual or corporate entity is not significant. The Group performs appropriate and sufficient credit verification procedures for every credit sale transaction to minimise credit risk. The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 40.

At the end of the reporting period, the Group had certain concentrations of credit risk as 97% (2020: 98%) and 97% (2020: 98%) of the Group's trade receivable were due from the Group's largest customer and five largest customers, respectively.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Credit risk *(continued)*

Maximum exposure and year-end staging (continued)

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables	—	—	—	130,488	130,488
Receivables for urban redevelopment projects included in trade receivables — Normal*	16,218,356	—	—	—	16,218,356
Financial assets included in prepayments, other receivables and other assets — Normal*	538,124	—	—	—	538,124
Term deposits with initial terms of over three months — Not yet past due	892,746	—	—	—	892,746
Restricted cash — Not yet past due	1,087,606	—	—	—	1,087,606
Cash and cash equivalents — Not yet past due	83,624	—	—	—	83,624
Financial guarantees issued — Not yet past due	4,746,698	—	—	—	4,746,698
	23,567,154	—	—	130,488	23,697,642

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables	—	—	—	82,942	82,942
Receivables for urban redevelopment projects included in trade receivables — Normal*	15,021,530	—	—	—	15,021,530
Financial assets included in prepayments, other receivables and other assets — Normal*	2,612,440	—	—	—	2,612,440
Term deposits with initial terms of over three months — Not yet past due	1,103,808	—	—	—	1,103,808
Restricted cash — Not yet past due	1,353,143	—	—	—	1,353,143
Cash and cash equivalents — Not yet past due	55,229	—	—	—	55,229
Financial guarantees issued — Not yet past due	3,643,803	—	—	—	3,643,803
	23,789,953	—	—	82,942	23,872,895

* The credit quality of receivables for urban redevelopment projects and financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from the pre-sale of properties, committed credit facilities, and short-term and long-term borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining an adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing. The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt to the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, and accelerating sales with more flexible pricing. The Group will pursue such strategies based on its assessment of relevant future costs and benefits.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Within one year or on demand HK$'000	In the second year HK$'000	In the third to fifth years, inclusive HK$'000	Over five years HK$'000	Total HK$'000
2021					
Interest-bearing bank and other borrowings (excluding lease liabilities)	8,826,856	5,784,042	4,455,578	2,353,464	21,419,940
Lease liabilities	7,452	–	–	–	7,452
Trade and other payables	5,517,933	139,432	442,000	–	6,099,365
Derivative financial instruments	121,781	–	–	–	121,781
	14,474,022	5,923,474	4,897,578	2,353,464	27,648,538
Financial guarantees issued:					
Maximum amount guaranteed	4,886,244	–	–	–	4,886,244

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

	Within one year or on demand HK$'000	In the second year HK$'000	In the third to fifth years, inclusive HK$'000	Over five years HK$'000	Total HK$'000
2020					
Interest-bearing bank and other borrowings (excluding lease liabilities)	9,572,172	5,757,853	1,900,645	4,905,595	22,136,265
Lease liabilities	8,268	7,452	–	–	15,720
Trade and other payables	3,858,256	353,223	–	–	4,211,479
Derivative financial instruments	19,645	–	–	–	19,645
	13,458,341	6,118,528	1,900,645	4,905,595	26,383,109
Financial guarantees issued: Maximum amount guaranteed	3,643,803	–	–	–	3,643,803

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital. Net debt includes total bank and other borrowings less cash and cash equivalents, restricted cash and term deposits with initial terms of over three months. Total capital comprises total equity plus net debt. The Group aims to maintain a healthy and stable gearing ratio.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Capital management *(continued)*

The gearing ratios as at the end of the reporting periods were as follows:

	2021	2020
	HK$'000	HK$'000
Interest-bearing bank and other borrowings	**19,195,996**	17,041,019
Less: Cash and cash equivalents	**(83,624)**	(55,229)
Term deposits with initial terms of over three months	**(892,746)**	(1,103,808)
Restricted cash	**(1,087,606)**	(1,353,143)
Net debt	**17,132,020**	14,528,839
Total equity	**9,076,303**	9,418,952
Total capital	**26,208,323**	23,947,791
Gearing ratio	**65%**	61%

NOTES TO FINANCIAL STATEMENTS

31 December 2021

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS		
Property and equipment	6,534	13,345
Investments in subsidiaries	580,897	580,897
Trade receivables	5,907	28,488
Total non-current assets	593,338	622,730
CURRENT ASSETS		
Amounts due from subsidiaries	20,944,632	20,952,519
Deposits and other receivables	4,316	4,316
Cash and cash equivalents	8,485	3,281
Total current assets	20,957,433	20,960,116
CURRENT LIABILITIES		
Amounts due to subsidiaries	9,230,191	7,679,272
Other payables and accruals	22,643	141,094
Interest-bearing bank and other borrowings	2,349,322	1,563,855
Income tax payables	1,290	3,492
Derivative financial instruments	121,781	19,645
Total current liabilities	11,725,227	9,407,358
NET CURRENT ASSETS	9,232,206	11,552,758
TOTAL ASSETS LESS CURRENT LIABILITIES	9,825,544	12,175,488
NON-CURRENT LIABILITIES		
Other payables	118,409	332,201
Interest-bearing bank and other borrowings	772,450	1,862,647
Total non-current liabilities	890,859	2,194,848
Net assets	8,934,685	9,980,640
EQUITY		
Share capital	722,564	719,442
Perpetual capital securities	1,204,169	904,416
Reserves (note)	7,007,952	8,356,782
Total equity	8,934,685	9,980,640

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium HK$'000	Contributed surplus HK$'000	(Accumulated losses)/ Retained profits HK$'000	Total HK$'000
At 1 January 2020	5,564,286	717,209	(1,743,306)	4,538,189
Profit and total comprehensive income for the year	–	–	3,818,593	3,818,593
At 31 December 2020 and 1 January 2021	5,564,286	717,209	2,075,287	8,356,782
Loss and total comprehensive for the year	**–**	**–**	**(688,141)**	**(688,141)**
Issue of shares (note 34)	**61,874**	**–**	**–**	**61,874**
Dividend paid	**–**	**–**	**(722,563)**	**(722,563)**
At 31 December 2021	**5,626,160**	**717,209**	**664,583**	**7,007,952**

As at 31 December 2021, the contributed surplus of the Company includes (i) approximately HK$477,805,000 (2020: HK$477,805,000) that arose when the Company issued shares in exchange for the shares of companies being acquired, and represented the difference between the nominal value of the Company's shares issued and the value of the shares acquired; and (ii) approximately HK$239,404,000 (2020: HK$239,404,000) which was credited from the share premium cancellation in the prior years. The application of the contributed surplus is governed by the Companies Act of Bermuda.

48. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the consolidated financial statements, due to the Policy Change during the current year, the presentation of certain items in the consolidated statement of cash flows has been revised to comply with the new accounting policy. Accordingly, certain comparative amounts have been reclassified and restated to conform to the current year's presentation.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 22 April 2022.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is as follows:

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**2,985,021**	6,624,798	4,074,814	2,704,796	2,766,510
Gross profit	**2,262,611**	3,223,940	2,087,261	1,087,787	1,018,289
Profit before tax	**445,860**	3,337,557	1,344,797	523,151	383,151
Income tax	**(336,244)**	(1,112,361)	(625,300)	(445,299)	(237,713)
Profit/(loss) for the year	**109,616**	2,225,196	719,497	77,852	145,438
Attributable to:					
Equity holders of the parent	**71,018**	2,242,404	747,225	4,717	174,401
Non-controlling interests	**38,598**	(17,208)	(27,728)	73,135	(28,963)
	109,616	2,225,196	719,497	77,852	145,438

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**42,897,797**	36,930,194	35,843,685	35,808,435	24,152,944
Total liabilities	**(33,821,494)**	(27,511,242)	(28,279,591)	(28,960,128)	(18,970,371)
Net assets	**9,076,303**	9,418,952	7,564,094	6,848,307	5,182,573
Equity attributable to:					
Equity holders of the parent	**8,934,685**	9,318,649	7,465,574	6,722,504	4,858,131
Non-controlling interests	**141,618**	100,303	98,520	125,803	324,442
Total equity	**9,076,303**	9,418,952	7,564,094	6,848,307	5,182,573

PARTICULARS OF PROPERTIES

Investment properties		Attributable beneficial interest to the Group	Total Saleable GFA m^2	Existing use	Lease term
1.	Levels 31-33, 35-39, 40-43 and 45 Royal Mediterranean Hotel No. 518 Tianhe Road Tianhe District Guangzhou Guangdong Province The PRC	100%	18,184	H	Medium lease
2.	Various floors Zhukong International Lot A2-1 Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	80%	62,655	C/O	Medium lease
3.	Block 7 and various units of Block 9 Yujing Scenic Garden Provincial Highway G105 line Jiulibu District Jiangpu Town Conghua Guangzhou Guangdong Province The PRC	100%	3,652	C	Medium lease
4.	Various units Central Park Lot H3-3 Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	100%	2,746	C/O	Medium lease

Particulars of Properties

Investment properties		Attributable beneficial interest to the Group	Total Saleable GFA m^2	Existing use	Lease term
5.	Various floors Hua Cheng Yujing Garden No. 770 Hua Cheng Da Dao Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	100%	15,918	C/O	Medium lease
6.	G235 Yangguang Section Fengshun New Area Fengshun County Meizhou City Guangdong Province The PRC	100%	10,659	C/H	Medium lease
7.	Various retail units Tianhu Yujing Shui Di Village Jiulibu District Wenquan Town Conghua Guangzhou Guangdong Province The PRC	100%	2,001	C	Medium lease
8.	Meizhou Yujing Hotel Chaotang Village Chengdong Town Meixian District Meizhou City Guangdong Province The PRC	100%	7,389	H	Medium lease

Particulars of properties

Detail of property development projects		Attributable beneficial interest to the Group	Site area m²	Total GFA m²	Total Saleable GFA m²	Completed and sold properties m²	Completed properties held for sale m²	Under development m²	Completed properties held as investment properties m²	Existing use	Estimated/ actual date of completion
9.	Zhukong International Lot A2-1, Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	80%	10,449	133,297	109,824	43,824	3,345	–	62,655	C/CP/O	2015
10.	Pearl Yunling Lake Provincial Highway S355 line Jiekou Street Conghua Guangzhou Guangdong Province The PRC	100%	200,083	126,657	110,417	39,295	71,122	–	–	R/H/V	2017-2021
11.	Yujing Scenic Garden Provincial Highway G105 line Jiulibu District Jiangpu Town Conghua Guangzhou Guangdong Province The PRC	100%	294,684	892,070	758,606	703,125	51,829	–	3,652	R/C/CP/S	2014-2020
12.	Tianhu Yujing Shui Di Village Jiulibu District Wenquan Town Conghua Guangzhou Guangdong Province The PRC	100%	55,031	241,556	186,895	138,378	46,516	–	2,001	R/C/CP	2016
13.	Central Park Lot H3-3 Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	100%	3,430	36,489	28,909	23,631	2,532	–	2,746	S/C/CP	2015
14.	Pearl Yijing No.168 Xin Kai Street West Section Xianghe County Langfang City Hebei Province The PRC	100%	45,310	192,441	164,603	146,287	18,316	–	–	R/C/CP	2017-2020
15.	Xincheng Yujing Zhong Su Shang Wei Sunshine Village Tang Nan Town Fengshun County Meizhou City Guangdong Province The PRC	100%	280,836	355,352	310,657	168,079	37,056	94,865	10,660	R/V	2018-2022
16.	Nansha Scenic Jinzhou Main Street Nansha District Guangzhou The PRC	100%	28,319	103,266	92,544	92,532	12	–	–	R/C/CP	2012-2013

Particulars of properties

Detail of property development projects		Attributable beneficial interest to the Group	Site area m²	Total GFA m²	Total Saleable GFA m²	Completed and sold properties m²	Completed properties held for sale m²	Under development m²	Completed properties held as investment properties m²	Existing use	Estimated/ actual date of completion
17.	Project Tian Ying Jiang Pu Street Conghua Guangzhou The PRC	100%	22,742	74,502	59,679	50,026	9,653	–	–	R/C	2019
18.	Hua Cheng Yujing Garden No. 770 Hua Cheng Da Dao Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	100%	60,237	144,123	108,675	87,013	5,744	–	15,918	R/C/CP/O	2017-2019
19.	Meizhou Chaotang Project Chaotang Village Chengdong Town Meixian District Meizhou City The PRC	100%	46,793	55,248	34,202	–	–	26,813	7,389	H/V	2021
20.	Yujing Yayuan Guoji Fuyong Nanqu Zhongshan City The PRC	50%	15,745	50,471	38,005	18,112	19,893	–	–	R/C/CP	2020
21.	Zhuguang Financial Town One Huangpu Road East Tianhe District Guangzhou Guangzhou Province The PRC	100%	63,637	516,401	393,195	–	–	393,195	–	R/C/O	2022-2025

R-Residential C-Commercial CP-Car park H-Hotel O-Office V-Villa S-Service Apartment