Sinochem Hong Kong (Group) Company Limited

Consolidated Financial Statements
31 December 2021

Directors' Report

The directors submit herewith their annual report together with the audited consolidated financial statements for Sinochem Hong Kong (Group) Company Limited (the "Company") and its subsidiaries (collectively the "Group") the year ended 31 December 2021.

Principal place of business

The Company is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 46th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

Principal activities

The principal activities of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries, joint ventures and associates are set out in notes 47, 18 and 19 to the consolidated financial statements, respectively.

Share capital

Details of share capital of the Company are set out in note 37 to the financial statements. There were no movements during the year.

Dividends

No dividends were declared during the year ended 31 December 2021.

According to the board of directors' meetings on 30 September 2020 and 31 December 2020, dividends amounting to RMB5,878,000 (equivalent to HK$6,689,000) and US$270,000,000 (equivalent to HK$2,093,202,000) were declared to the immediate parent respectively, among which RMB5,878,000 (equivalent to HK$6,689,000) was paid on 30 September 2020 and US$270,000,000 (equivalent to HK$2,093,202,000) was paid on 31 December 2020.

Directors

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

Ning Gaoning
Lin Yu
Wen Jie

In accordance with the Company's Articles of Association, all the remaining directors shall retire and, being eligible, offer themselves for re-election.

At no time during the year was the Company, or any of its holding company or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Indemnity of directors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout this year.

Directors' interests in transactions, arrangements or contracts

No transaction, arrangement and contract of significance to which the Company, or any of its holding company or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Ning Gaoning

Director

20 May 2022

Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Sinochem Hong Kong (Group) Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 13 to 129, which comprise the consolidated statement of financial position as at 31 December 2021, 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").

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.

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. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (continued)

Assessing potential impairment of goodwill

Refer to note 16 to the consolidated financial statements and the accounting policies on note 2(g).

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2021, the Group had a goodwill of approximately HK$2 billion which was arisen from the acquisitions of subsidiaries of the real estate business segments in prior year. Management determined the recoverable amounts of the cash-generating unit ("CGU") to which the goodwill was allocated for annual impairment testing by preparing discounted cash flow forecasts prepared for the CGU. Management's impairment assessment of goodwill involves significant judgement, particularly in determining the estimated future revenue, growth rates and the discounted rates applied, all of which can be inherently uncertain. We identified assessing potential impairment of goodwill as a key audit matter because determining the key impairment assumptions involves a significant degree of management judgement and may be subject to management bias.	Our audit procedures to assess potential impairment of goodwill included the following: • assessing management's identification of the CGU and the allocation of assets and liabilities to the CGU with reference to the requirements of the prevailing accounting standards; • discussing future operating plans with management and comparing the estimated revenue used in the discounted cash flow forecasts with the approved budget and evaluating the estimated revenue and growth rates with reference to our understanding of the business, historical trends and available industry information and available market data; • engaging our internal valuation specialists to assist us in assessing the impairment assessment methodology adopted and the discount rates used in the discounted cash flow forecasts by comparing with market and other external available information derived from companies in the similar industries; • evaluating the sensitivity analysis prepared by management for each of the key assumptions adopted in the discounted cash flow forecasts and considering the possibility of error or management bias;

Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Key audit matters (continued)

<table>
<tr><th colspan="2">Assessing potential impairment of goodwill</th></tr>
<tr><td colspan="2">Refer to note 16 to the consolidated financial statements and the accounting policies on note 2(g).</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td></td><td>performing retrospective review of last year's impairment assessment and comparing the forecast data with the current year's results to assess the effectiveness of management's forecasting process and considering if there was any indication of management bias; and
assessing the reasonableness of the disclosures in the consolidated financial statements in respect of the impairment assessment with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Key audit matters (continued)

Valuation of investment properties	
Refer to note 14 to the consolidated financial statements and the accounting policies on note 2(k).	
The Key Audit Matter	**How the matter was addressed in our audit**
The fair value of the Group's investment properties as at 31 December 2021 totalled HK$39.56 billion. The fair value of the Group's investment properties as at 31 December 2021 was assessed by the Group based on independent valuations prepared by qualified external property valuers. The changes in fair value of investment properties recorded in the consolidated statement of comprehensive income amounted to HK$2.05 billion for the year ended 31 December 2021. The Group's investment properties, which are located in Hong Kong, Singapore and Mainland China, comprise shopping malls, office premises and car parks. Different valuation methodologies were applied to different types of investment properties.	Our audit procedures to valuation of investment properties included the following: • obtaining and inspecting the valuation reports prepared by the qualified external property valuer engaged by the Group on which the Group' assessment of valuation of investment properties was based; • assessing the qualifications of the external property valuers and their experience and expertise in the properties being valued, and considering their objectivity; • with the assistance of our internal valuation specialists, discussing with the external property valuers and assessing their valuation methodology and challenging the key estimates and assumptions adopted in the valuations, including the capitalisation rates, market rent, term yield and reversionary yield by comparing assumptions made in prior years with the current year's assumptions and current publicly available data;

Key audit matters (continued)

Valuation of investment properties (continued)	
Refer to note 14 to the consolidated financial statements and the accounting policies on note 2(k).	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of the changes in fair value of investment properties to the Group's profit before tax and because the valuation of investment properties can be inherently subjective and requires significant judgement and estimation, particularly in relation to the selection of the appropriate valuation methodology, market rent, capitalisation rates, term yield and reversionary yield which increases the risk of error or potential management bias.	• comparing tenancy information, including committed rents, provided by the Group to the external property valuers with underlying contracts and related documentation, on a sample basis; and • assessing the reasonableness of the disclosures in the consolidated financial statements in respect of the investment properties with reference to the requirements of the prevailing accounting standards.

Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Key audit matters (continued)

<table>
<tr><td colspan="2">Assessing the net realisable value of properties under development and properties held for sale</td></tr>
<tr><td colspan="2">Refer to note 13 and note 26 to the consolidated financial statements and the accounting policies on notes 2(q) and 2(r).</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>As at 31 December 2021, the Group's properties under development and properties held for sale are located in certain cities across Mainland China. As at 31 December 2021, the aggregate carrying value of the Group's properties under development and properties held for sale amounted to HK$210.73 billion, and a provision for diminution in value of the Group's properties under development and properties held for sale of HK$1.20 billion was made during the year ended 31 December 2021.

These properties are stated at the lower of cost and net realisable value. The determination of the net realisable value of these properties requires estimations, including expected future selling prices and costs necessary to complete the sale of these properties. Changes in government policies, which affect interest rates, the required reserve ratio for banks and/or mortgage requirements for second-home buyers, could lead to volatility in property prices.</td><td>Our audit procedures to assess the net realisable value of properties under development and properties held for sale included the following:

• evaluating the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for each property development project;

• conducting site visits to properties under development, on a sample basis, to observe the development progress and evaluating the management's development budgets reflected in the latest forecasts with reference to the signed construction contracts and/or unit construction costs of recently completed projects.</td></tr>
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Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Key audit matters (continued)

Assessing the net realisable value of properties under development and properties held for sale (continued)	
Refer to note 13 and note 26 to the consolidated financial statements and the accounting policies on notes 2(q) and 2(r).	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified the assessment of the net realisable value of properties under development and properties held for sale as a key audit matter because of the significance of these properties to the Group's total assets and because the assessment of net realisable value is inherently subjective and requires significant management judgement and estimation in relation to estimating future selling prices and future construction costs which increases the risk of error or potential management bias.	• discussing with management and assessing their methodologies applied in determining the net realisable value and assessing the key estimates and assumptions adopted, including expected future selling prices and costs to completion by, on a sample basis, comparing expected future selling prices to, where available, recently transacted prices for similar properties or the prices of comparable properties located in the nearby vicinity of each property development project as well as comparing expected future construction costs to, where available, recently incurred construction costs for similar properties or related construction contracts and other relevant documents; and • re-calculating the net realisable value of properties under development and properties held for sale at the year end on a sample basis based on management's methodology.

Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the directors' report.

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 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 for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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. This report is made solely to you in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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.

- 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.

Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

From the matters communicated with the board of directors, 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 Maggie L.T. Lee.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 May 2022

Consolidated statement of comprehensive income for the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	Note	*2021* HK$'000	*2020* HK$'000
Revenue	4	108,882,717	67,776,383
Cost of sales		(88,368,775)	(53,916,628)
Gross profit		20,513,942	13,859,755
Other income, gains and losses, net	5	7,448,537	3,832,610
Selling and distribution expenses		(2,867,056)	(1,799,854)
Administrative expenses		(5,664,335)	(4,012,295)
Fair value changes of investment properties	14	(2,054,347)	960,516
Finance costs	6	(4,084,881)	(3,853,026)
Share of profits and losses of:			
Joint ventures	18	1,200,712	417,299
Associates	19	699,624	801,977
Profit before tax	7	15,192,196	10,206,982
Income tax expense	8(a)	(6,045,458)	(3,906,716)
Profit for the year		9,146,738	6,300,266
Attributable to:			
Owners of the parent		1,736,859	865,460
Non-controlling interests		7,409,879	5,434,806
Profit for the year		9,146,738	6,300,266

The notes on pages 29 to 129 form part of these financial statements. Details of dividends payable to equity shareholders of the Company for the year are set out in note 10.

Consolidated statement of comprehensive income for the year ended 31 December 2021 (continued)

(Expressed in Hong Kong dollars)

	Note	*2021* HK$'000	*2020* HK$'000
Profit for the year		9,146,738	6,300,266
Other comprehensive income for the year	9		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of foreign operations		4,091,172	7,675,241
Share of other comprehensive income of associates and joint ventures		1,239,451	1,883,636
Reclassification adjustments for foreign operations disposed of during the year		58,884	378,265
Cash flow hedges, net of tax		123,165	(91,605)
		5,512,672	9,845,537
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation, net of tax		10,107	-
Changes in fair value of equity investments at fair value through other comprehensive income ("FVOCI"), net of tax		(25,025)	(234,847)
		(14,918)	(234,847)
Other comprehensive income for the year, net of tax		5,497,754	9,610,690

The notes on pages 29 to 129 form part of these financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2021 (continued)

(Expressed in Hong Kong dollars)

	Note	*2021* HK$'000	*2020* HK$'000
Total comprehensive income for the year		14,644,492	15,910,956
Attributable to:			
Owners of the parent		3,687,752	4,055,612
Non-controlling interests		10,956,740	11,855,344
Total comprehensive income for the year		14,644,492	15,910,956

The notes on pages 29 to 129 form part of these financial statements.

Consolidated statement of financial position at 31 December 2021

(Expressed in Hong Kong dollars)

	Note	*31 December 2021* HK$'000	*31 December 2020* HK$'000
Non-current assets			
Property, plant and equipment	11	14,391,832	13,470,395
Land under development	12	15,980,878	12,469,731
Properties under development	13	102,359,757	70,517,248
Investment properties	14	39,564,575	40,586,363
Right-of-use assets	15	2,086,169	1,952,677
Goodwill	16	1,999,570	1,999,570
Intangible assets	17	213,904	127,698
Investments in joint ventures	18	27,136,828	19,390,762
Investments in associates	19	24,872,332	13,195,044
Financial assets at fair value through other comprehensive income	20	265,401	675,245
Amounts due from related parties	22	45,359,458	37,973,684
Deferred tax assets	36	4,034,255	3,688,385
Amounts due from non-controlling interests	23	5,545,231	1,029,948
Other assets	24	2,441,505	662,126
		286,251,695	217,738,876
Current assets			
Inventories	25	286,332	208,995
Land under development	12	2,267,642	1,698,257
Properties under development	13	74,764,633	94,430,489
Properties held for sale	26	33,607,576	23,050,610
Trade receivables	27	2,546,460	530,877
Prepayments, other receivables and other assets	28	46,143,435	45,247,314
Contract assets	29	1,713,427	937,880
Amounts due from related parties	22	72,392,935	45,686,876
Tax recoverable		4,905,154	5,597,992
Derivative financial instruments	21	149,405	89,011
Restricted bank balances	30(a)	10,633,307	10,244,867
Cash and cash equivalents	30(a)	38,399,413	48,537,270
Other assets	24	52	4,516,403
		287,809,771	280,776,841

The notes on pages 29 to 129 form part of these financial statements.

Consolidated statement of financial position at 31 December 2021 (continued)

(Expressed in Hong Kong dollars)

	Note	31 December 2021 HK$'000	31 December 2020 HK$'000
Current liabilities			
Trade and bills payables	31	35,410,423	26,029,716
Other payables and accruals	32	127,017,263	124,671,048
Derivative financial instruments	21	16,663	12,361
Interest-bearing borrowings	33	41,940,347	38,911,605
Lease liabilities	35	143,353	114,719
Amounts due to related parties	22	45,120,266	36,832,915
Tax payable		2,434,997	2,713,169
Provision for land appreciation tax	34	2,830,312	2,464,500
		254,913,624	231,750,033
Net current assets		32,896,147	49,026,808
Total assets less current liabilities		319,147,842	266,765,684
Non-current liabilities			
Interest-bearing borrowings	33	132,634,389	95,122,182
Lease liabilities	35	1,160,433	1,191,797
Deferred tax liabilities	36	8,701,543	8,298,060
Amounts due to related parties	22	16,274,066	13,134,304
Derivative financial instruments	21	34,335	101,459
Other payables and accruals	32	943,687	-
Other non-current liabilities		-	85,545
		159,748,453	117,933,347
Net assets		159,399,389	148,832,337

The notes on pages 29 to 129 form part of these financial statements.

Consolidated statement of financial position at 31 December 2021 (continued)

(Expressed in Hong Kong dollars)

	Note	*31 December 2021* HK$'000	*31 December 2020* HK$'000
Capital and reserves			
Issued capital	37	24,468,400	24,468,400
Reserves		20,391,358	20,699,704
Equity attributable to owners of the parent		44,859,758	45,168,104
Non-controlling interests		114,539,631	103,664,233
Total equity		159,399,389	148,832,337

Approved and authorised for issue by the board of directors on 20 May 2022.

Director

Director

The notes on pages 29 to 129 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2021

(Expressed in Hong Kong dollars)

		Attributable to owners of the parent														
	Note	Issued capital HK$'000	Capital reserve HK$'000 (Note (a))	Asset revaluation reserve HK$'000 (Note (b))	Merger reserve HK$'000 (Note (c))	Statutory reserve HK$'000 (Note (d))	Fair value reserve HK$'000 (Note (e))	Translation reserve HK$'000 (Note (f))	Other contribution reserve HK$'000 (Note (g))	Cashflow hedge reserve HK$'000 (Note (h))	Share option reserve HK$'000	Perpetual capital securities HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021		24,468,400	(3,514,035)	713,824	(4,097,269)	4,890,696	(176,992)	584,173	2,304,290	(108,306)	53,603	3,856,273	16,193,447	45,168,104	103,664,233	148,832,337
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	1,736,859	1,736,859	7,409,879	9,146,738
Other comprehensive income for the year																
Changes in fair value of equity investments designated at FVOCI, net of tax		-	-	-	-	-	(25,025)	-	-	-	-	-	-	(25,025)	-	(25,025)
Transfer of loss on disposal of equity instrument at fair value through other comprehensive income to retained profits		-	-	-	-	-	388	-	-	-	-	-	(388)	-	-	-
Cash flow hedges, net of tax		-	-	-	-	-	-	-	-	78,621	-	-	-	78,621	44,544	123,165
Gains on property revaluation, net of tax		-	-	3,566	-	-	-	-	-	-	-	-	-	3,566	6,541	10,107
Reclassification adjustments of exchange differences for foreign operations disposed of during the year	43	-	-	-	-	-	-	20,774	-	-	-	-	-	20,774	38,110	58,884
Exchange differences on translation of foreign operations		-	-	-	-	-	-	1,872,957	-	-	-	-	-	1,872,957	3,457,666	5,330,623
Total comprehensive income for the year, net of tax		-	-	3,566	-	-	(24,637)	1,893,731	-	78,621	-	-	1,736,471	3,687,752	10,956,740	14,644,492
Issue of perpetual securities by a subsidiary	38	-	-	-	-	-	-	-	-	-	-	-	-	-	5,103,720	5,103,720
Perpetual capital securities issue expense		-	-	-	-	-	-	-	-	-	-	-	-	-	(13,216)	(13,216)
Exercise of share options (Note i)		-	(10,338)	-	-	-	-	-	-	-	(615)	-	-	(10,953)	19,077	8,124
Equity-settled share-based payments of subsidiaries	41	-	-	-	-	-	-	-	-	-	19,601	-	-	19,601	35,954	55,555
Acquisition of non-controlling interests		-	(49,665)	-	-	-	-	-	-	-	-	-	-	(49,665)	(658,507)	(708,172)
Reclassification of perpetual securities issued by a subsidiary		-	-	-	-	-	-	-	-	-	-	(3,856,273)	-	(3,856,273)	3,856,273	-
Transfer from retained profits		-	-	-	-	224,462	-	-	-	-	-	-	(224,462)	-	-	-
Dividends declared by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	(3,603,415)	(3,603,415)
Transfer of share option reserve upon the forfeiture of share options		-	-	-	-	-	-	-	-	-	(10,590)	-	10,590	-	-	-
Capital contribution from non-controlling interests		-	1,199	-	-	-	-	-	-	-	-	-	-	1,199	6,738,505	6,739,704
Acquisition of subsidiaries	42	-	-	-	-	-	-	-	-	-	-	-	-	-	607,763	607,763
Redemption of perpetual securities by a subsidiary (Note j)		-	-	-	-	-	-	-	-	-	-	-	-	-	(8,810,390)	(8,810,390)
Distributions paid for perpetual securities by subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	(1,672,283)	(1,672,283)
Capital repayment of non-controlling interests		-	(42,678)	-	-	-	-	-	-	-	-	-	-	(42,678)	(1,579,654)	(1,622,332)
Repurchase of shares by a subsidiary (Note i)		-	-	-	-	-	-	-	-	-	-	-	(57,329)	(57,329)	(105,169)	(162,498)
At 31 December 2021		24,468,400	(3,615,517)	717,390	(4,097,269)	5,115,158	(201,629)	2,477,904	2,304,290	(29,685)	61,999	-	17,658,717	44,859,758	114,539,631	159,399,389

* These reserve accounts comprise the consolidated reserves of HK$ 20,391,358,000 in the consolidated statement of financial position.

The notes on pages 29 to 129 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2021 (continued)

(Expressed in Hong Kong dollars)

		Attributable to owners of the parent														
	Note	Issued capital HK$'000	Capital reserve HK$'000 (Note (a))	Asset revaluation reserve HK$'000 (Note (b))	Merger reserve HK$'000 (Note (c))	Statutory reserve HK$'000 (Note (d))	Fair value reserve HK$'000 (Note (e))	Translation reserve HK$'000 (Note (f))	Other contribution reserve HK$'000 (Note (g))	Cashflow hedge reserve HK$'000 (Note (h))	Share option reserve HK$'000	Perpetual capital securities HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020, as originally stated		24,468,400	(1,317,384)	713,824	(4,001,613)	4,632,971	57,855	(2,833,330)	2,304,290	(58,106)	24,380	-	18,153,666	42,144,953	82,256,370	124,401,323
Effect of adopting merger accounting for common control combination		-	-	-	2,611,887	12,309	-	(57,696)	-	-	-	-	48,196	2,614,696	4,726,281	7,340,977
At 1 January 2020, as restated		24,468,400	(1,317,384)	713,824	(1,389,726)	4,645,280	57,855	(2,891,026)	2,304,290	(58,106)	24,380	-	18,201,862	44,759,649	86,982,651	131,742,300
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	865,460	865,460	5,434,806	6,300,266
Other comprehensive income for the year																
Changes in fair value of equity investments designated at FVOCI, net of tax		-	-	-	-	-	(234,847)	-	-	-	-	-	-	(234,847)	-	(234,847)
Cash flow hedges, net of tax		-	-	-	-	-	-	-	-	(50,200)	-	-	-	(50,200)	(41,405)	(91,605)
Reclassification adjustments of exchange differences for foreign operations disposed of during the year	43	-	-	-	-	-	-	132,960	-	-	-	-	-	132,960	245,305	378,265
Exchange differences on translation of foreign operations		-	-	-	-	-	-	3,342,239	-	-	-	-	-	3,342,239	6,216,638	9,558,877
Total comprehensive income for the year, net of tax		-	-	-	-	-	(234,847)	3,475,199	-	(50,200)	-	-	865,460	4,055,612	11,855,344	15,910,956
Issue of perpetual securities by a subsidiary	38	-	-	-	-	-	-	-	-	-	-	-	-	-	5,622,500	5,622,500
Issue of perpetual securities	38	-	-	-	-	-	-	-	-	-	-	3,876,300	-	3,876,300	-	3,876,300
Exercise of share options (Note i)		-	9,850	-	-	-	-	-	-	-	(2,469)	-	-	7,381	25,223	32,604
Issue of new shares by a subsidiary (Note i)		-	(1,806,826)	-	-	-	-	-	-	-	-	-	-	(1,806,826)	5,221,578	3,414,752
Equity-settled share-based payments of subsidiaries	41	-	-	-	-	-	-	-	-	-	34,698	-	-	34,698	64,017	98,715
Acquisition of non-controlling interests		-	(412,125)	-	-	-	-	-	-	-	-	-	-	(412,125)	(3,768,120)	(4,180,245)
Transfer from retained profits		-	-	-	-	245,416	-	-	-	-	-	-	(245,416)	-	-	-
Dividends declared by the Company	10	-	-	-	-	-	-	-	-	-	-	-	(2,099,891)	(2,099,891)	-	(2,099,891)
Dividends declared by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	(2,290,796)	(2,290,796)
Transfer of share option reserve upon the forfeiture of share options		-	-	-	-	-	-	-	-	-	(3,006)	-	3,006	-	-	-
Capital contribution from non-controlling interests		-	12,450	-	-	-	-	-	-	-	-	-	-	12,450	7,365,465	7,377,915
Disposal of subsidiaries	43	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,151,423)	(1,151,423)
Acquisition of subsidiaries	42	-	-	-	-	-	-	-	-	-	-	-	-	-	706,667	706,667
Redemption of perpetual securities by a subsidiary (Note j)		-	-	-	-	-	-	-	-	-	-	-	-	-	(698,315)	(698,315)
Distributions paid for perpetual securities		-	-	-	-	-	-	-	-	-	-	(20,027)	-	(20,027)	-	(20,027)
Distributions paid for perpetual securities subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	(1,275,276)	(1,275,276)
Deemed distributions to a fellow subsidiary		-	-	-	-	-	-	-	-	-	-	-	(531,574)	(531,574)	-	(531,574)
Considerations paid for acquisition of subsidiaries under common control combination		-	-	-	(2,707,543)	-	-	-	-	-	-	-	-	(2,707,543)	(4,995,282)	(7,702,825)
At 31 December 2020		24,468,400	(3,514,035)	713,824	(4,097,269)	4,890,696	(176,992)	584,173	2,304,290	(108,306)	53,603	3,856,273	16,193,447	45,168,104	103,664,233	148,832,337

The notes on pages 29 to 129 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2021 (continued)

(Expressed in Hong Kong dollars)

Notes:

(a) The capital reserve of the Group mainly comprises (i) contributions from owners in respect of settlement of doubtful receivables; (ii) contributions made by owners for the transfer of equity interest in a joint venture, associates and subsidiaries to the Group in previous years; (iii) the differences between the cost of acquisitions and the non-controlling interests acquired upon the acquisitions made by the Company of additional equity interests in a non-wholly-owned subsidiary and (iv) contributions made by owners to the Company's subsidiaries.

(b) The asset revaluation reserve of the Group arose from the change in use from owner-occupied properties to investment properties carried at fair value.

(c) The merger reserve of the Group comprises the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the holding companies of the acquirees as consideration for the group restructuring transactions.

(d) The statutory reserve comprises the statutory reserve fund, reserve fund and enterprise expansion fund. In accordance with the relevant rules and regulations in the People's Republic of China ("PRC"), each of the Group's PRC subsidiaries is required to transfer an amount of its profit after income tax to the statutory reserve fund, until the accumulated total of the fund reaches 50% of its registered capital. The appropriations to the reserve fund and enterprise expansion fund are determined by the articles of association of the Company's subsidiaries and are subject to the approval by the board of directors of the respective subsidiaries.

(e) Fair value reserve comprises the cumulative net change in the fair value, of equity investments designated at FVOCI under HKFRS 9 that are held at the end of reporting period.

(f) Translation reserve comprises all foreign currency differences arising from the translation of the financial statements presented in any currencies other than Hong Kong dollars which are dealt with in accordance with the accounting policies as set out in note 2(z)(iii)(dd).

(g) The other contribution reserve mainly comprises capital contributions, maintenance and production fund, capital contribution for energy saving and emission reduction projects, and deemed contributions from equity owners net of deemed distributions to equity owners. The maintenance and production fund is appropriated/utilised in accordance with relevant PRC regulations on certain enterprises.

(h) The cashflow hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(j).

The notes on pages 29 to 129 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2021 (continued)

(Expressed in Hong Kong dollars)

(i) On 13 July 2020, China Jinmao Holdings Group Limited ("Jinmao") issued 602,340,000 new ordinary shares (the "Placing") at a price of HK$5.70 per share. The net proceeds from the Placing amounted to approximately HK$3,416,000,000.

On 31 August 2020, Jinmao issued 349,450,000 ordinary shares to the Company (the "Subscription") at a price of HK$5.70 per share. The net proceeds from the Subscription were approximately HK$1,992,000,000.

During the year ended 31 December 2020, 14,928,800 share options of Jinmao were exercised at the subscription price of HK$2.196 per share for a total cash consideration, before issue expenses, of HK$32,604,000.

Upon completion of the above transactions, the Group's equity interest in Jinmao increased from 35.06% as at 31 December 2019 to 35.15% as at 31 December 2020.

During the year ended 31 December 2021, 3,700,800 share options of Jinmao were exercised at the subscription price of HK$2.196 per share for a total cash consideration, before issue expenses, of HK$8,124,000.

Jinmao purchased 51,602,000 ordinary shares of the Company on the Hong Kong Stock Exchange in 2021 at a total consideration of HK$162,498,000 which was paid wholly out of retained profits. The purchased shares were cancelled during the year.

Upon completion of the above transactions, the Group's equity interest in Jinmao increased from 35.15% as at 31 December 2020 to 35.28% as at 31 December 2021.

(j) On 22 December 2017, Jinmao Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, completed an issue of the guaranteed perpetual capital securities, in an aggregate principal amount of RMB621,000,000 (equivalent to approximately HK$737,996,000) with the trust plan established by Hwabao Trust Co., Ltd..

On 29 December 2020, the Group redeemed all of these guaranteed perpetual capital securities with a principal amount of RMB621,000,000 (equivalent to approximately HK$698,315,000).

On 4 February 2016, Franshion Brilliant Limited, a wholly-owned subsidiary of the Company, issued the subordinate guaranteed perpetual capital securities ("2016 Subordinate Guaranteed Perpetual Capital Securities") with an aggregate principal amount of RMB3,270,950,000 (equivalent to approximately HK$4,000,672,000). The direct transaction costs attributable to the issuance amounted to RMB9,619,000 (equivalent to approximately HK$11,764,000).

The notes on pages 29 to 129 form part of these financial statements.

On 4 February 2021, the Group redeemed all of these 2016 Subordinate Guaranteed Perpetual Capital Securities with a principal amount of RMB3,270,950,000 (equivalent to approximately HK$3,942,939,000).

On 4 December 2018, Franshion Brilliant Limited issued the senior guaranteed perpetual capital securities ("2018 Subordinate Guaranteed Perpetual Capital Securities") in an aggregate principal amount of RMB2,068,170,000 (equivalent to approximately HK$2,529,562,000). The direct transaction costs attributable to the issuance amounted to RMB13,772,000 (equivalent to approximately HK$16,844,000).

On 6 December 2021, the Group redeemed all of these 2018 Senior Guaranteed Perpetual Capital Securities with a principal amount of RMB2,068,170,000 (equivalent to approximately HK$2,493,058,000).

On 18 December 2018, Jinmao Investment Management (Shanghai) Co., Ltd., issued the unsecured perpetual medium-term notes ("2018 Domestic Unsecured Perpetual Medium-Term Notes"), with an aggregate principal amount of RMB2,000,000,000 (equivalent to approximately HK$2,446,183,000). The direct transaction costs attributable to the issuance amounted to RMB6,882,000 (equivalent to approximately HK$8,417,000).

On 18 December 2021, the Group redeemed all of these 2018 Domestic Unsecured Perpetual Medium-Term Notes with a principal amount of RMB2,000,000,000 (equivalent to approximately HK$2,410,883,000).

Consolidated statement of cash flows for the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	Note	*2021* HK$'000	*2020* HK$'000
Cash flows from operating activities			
Profit before tax		15,192,196	10,186,955
Adjustments for:			
Losses/(gains) on disposal of:			
Property, plant and equipment	5	17,350	(581)
Subsidiaries	5	(1,288,405)	(1,735,279)
Joint ventures and associates	5	(531,487)	(417,197)
Equity investments designated at fair value through profit or loss	5	-	(31,922)
Intangible assets	5	-	(345)
Gain on bargain purchase	5	(113,026)	(164,793)
Impairment losses on:			
Trade receivables and other receivables	5	14,277	9,619
Amounts due from related parties	5	-	1,474,422
Properties under development	5	716,376	1,735,623
Properties held for sale	5	481,340	1,704,171
Fair value gains on:			
Other financial assets	5	(24,830)	(16,010)
Derivative financial instruments - transactions not qualifying as hedges	5	(165,118)	(20,487)
Equity interest previously held as investments in joint ventures or associates	5	(320,868)	(1,470,234)
Finance costs	6	4,084,881	3,873,053
Share of profits and losses of joint ventures	18	(1,200,712)	(417,299)
Share of profits and losses of associates	19	(699,624)	(801,977)
Interest and investment income	5	(3,648,913)	(4,273,521)
Effect of exchange rate changes, net		143,840	-
Fair value changes of investment properties	14	2,054,347	(960,516)
Depreciation of:			
Property, plant and equipment	7	522,721	522,663
Right-of-use assets	7	225,766	185,953
Amortisation of:			
Other non-current assets		8,013	8,013
Intangible assets	7	27,925	23,547

The notes on pages 29 to 129 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2021 (continued)

(Expressed in Hong Kong dollars)

	Note	*2021* HK$'000	*2020* HK$'000
Cash flows from operating activities (continued)			
Adjustments for (continued):			
Equity-settled share-based payment expense	7	55,555	98,715
Gain on bargain purchase of an associate	5	(2,001,376)	-
		13,550,228	9,512,573
Changes in working capital:			
Increase in inventories		(70,172)	(1,932)
(Increase)/decrease in land under development		(785,374)	1,081,441
Increase in properties under development		(97,873,672)	(60,222,758)
Decrease in properties held for sale		83,785,498	48,173,024
(Increase)/decrease in trade receivables		(1,978,381)	1,129,966
Decrease/(increase) in prepayments, other receivables and other assets		1,770,456	(13,000,766)
Decrease in amounts due from related parties		1,508,120	2,816,426
Increase in contract assets		(737,212)	(587,348)
Increase in trade and bills payables		8,829,747	3,897,376
(Decrease)/increase in other payables and accruals		(1,228,739)	40,573,650
Increase in amounts due to related parties		1,152,367	5,661,668
Cash generated from operations		7,922,866	39,033,320
Income tax paid		(3,634,022)	(3,340,475)
Land appreciation tax paid		(1,795,310)	(2,808,763)
Net cash flows generated from operating activities		2,493,534	32,884,082

The notes on pages 29 to 129 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2021 (continued)

(Expressed in Hong Kong dollars)

	Note	*2021* HK$'000	*2020* HK$'000
Cash flows from investing activities			
Interest received		3,861,228	3,308,859
Dividends received from:			
Associates		-	16,742
Joint ventures		873,631	204,277
Purchase of property, plant and equipment		(1,092,956)	(971,769)
Proceeds from disposal of property, plant and equipment		23,601	67,929
Proceeds from disposal of intangible assets		213	593
Additions to investment properties	14	(193,694)	(369,059)
Proceeds from disposal/liquidation of joint ventures and associates		757,275	1,417,741
Disposal of subsidiaries	43	2,263,016	(420,672)
Increase in other assets and intangible assets		(109,291)	(87,081)
Acquisition of subsidiaries	42	2,076,592	(1,691,734)
Additional investments in joint ventures		(6,627,221)	(6,126,428)
Additional investments in associates		(8,000,364)	(2,925,641)
Decrease/(increase) in restricted bank balances and long-term deposits		4,764,427	(1,249,795)
Increase in other financial assets		(114,822)	(329,349)
Proceeds from disposal of financial assets at FVOCI		302,408	215,364
(Increase)/decrease in amounts due from related parties		(31,854,148)	17,743,025
Increase in advance of loans to non-controlling interests		(7,536,795)	(3,511,078)
Purchase of a convertible bond		(961,529)	-
Increase in entrusted loans to third parties		-	(731,001)
Decrease/(increase) in entrustment loans to non-controlling interests of a subsidiary		320,745	(334,492)
Prepaid investment cost		(2,674,573)	(1,133,512)
Net cash flows (used in)/generated from investing activities		(43,922,257)	3,092,919

The notes on pages 29 to 129 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2021 (continued)

(Expressed in Hong Kong dollars)

	Note	*2021* HK$'000	*2020* HK$'000
Cash flows from financing activities			
Distribution paid for perpetual securities		(1,672,283)	(1,275,276)
Issue of perpetual securities, net of issue expenses		5,090,504	9,498,800
New bank and other borrowings	30(b)	144,567,708	107,640,653
Repayment of bank and other borrowings	30(b)	(105,979,946)	(115,231,993)
Increase in other non-current liabilities	30(b)	-	2,245
Capital contribution from non-controlling interests		5,861,683	7,377,915
Dividends paid	30(b)	-	(389,393)
Dividends paid to non-controlling interests of subsidiaries	30(b)	(3,554,364)	(2,343,696)
Advance from non-controlling interests	30(b)	1,806,458	1,897,460
Placing of existing shares of Jinmao		-	3,414,752
Capital repayment of non-controlling interests		(1,422,579)	-
Repurchase of shares by a subsidiary		(162,498)	-
Repayment of loans from non-controlling interests	30(b)	(1,827,478)	(1,084,169)
Interest paid	30(b)	(6,751,061)	(10,153,936)
(Repayment)/advance of investments (to)/ from third parties	30(b)	(2,421,774)	2,040,066
Increase/(decrease) in amounts due to related parties	30(b)	6,357,688	(122,390)
Proceeds from exercise of share options		8,124	32,604
Redemption of perpetual securities		(8,810,390)	(698,315)
Acquisition of subsidiaries under common control		-	(7,702,825)
Acquisition of non-controlling interests		(530,662)	(4,180,245)
Capital element of lease rentals paid	30(b)	(150,930)	(150,158)
Interest element of lease rentals paid	30(b)	(59,894)	(45,878)
Net cash flows generated from/(used in) financing activities		30,348,306	(11,473,779)

The notes on pages 29 to 129 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2021 (continued)

(Expressed in Hong Kong dollars)

	Note	*2021* HK$'000	*2020* HK$'000
Net (decrease)/increase in cash and cash equivalents		(11,080,417)	24,503,222
Cash and cash equivalents at the beginning of the year	30(a)	48,537,270	21,085,060
Effect of foreign exchange rate changes, net		942,560	2,948,988
Cash and cash equivalents at the end of the year	30(a)	38,399,413	48,537,270

The notes on pages 29 to 129 form part of these financial statements.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General

Sinochem Hong Kong (Group) Company Limited (the "Company") is a limited company incorporated in Hong Kong. Its registered office is located at 46th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries, joint ventures and associates are set out in notes 47, 18 and 19 to the consolidated financial statements respectively.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The financial information relating to the year ended 31 December 2021 included in these consolidated financial statements are not the Company's statutory annual financial statements for the year. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As the Company is a private company, the Company is not required to deliver its statutory financial statements to the Registrar of Companies, and has not done so.

The Company's auditor has reported on the financial statements for the year ended 31 December 2020. The auditor's report was unqualified; and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report. The Company's auditor has yet to report on the financial statements for the year ended 31 December 2021.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

2 Significant accounting policies (continued)

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- investment properties (see note 2(k));

- derivative financial instruments (see note 2(i)); and

- other investments in debt and equity securities (see note 2(h)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 16, *Interest rate benchmark reform — phase 2*
- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. The amendment did not have significant impact on the financial position and performance of the Group.

2 Significant accounting policies (continued)

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

Adoption of merger accounting

The Group has applied merger accounting to account for the business combination under common control.

Under merger accounting, the consolidated financial information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the earliest date presented or since the date when the combining entities or businesses first came under the control of the controlling party, where this is a shorter period, regardless of the date of the business combination under common control.

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the business combination under common control and no amount is recognised in respect of goodwill.

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

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group choose to measure any non-controlling interests at fair value of the subsidiary's net identifiable assets.

2 Significant accounting policies (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the parent.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)) or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(e)).

(e) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(g) and 2(s)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are included in the Group's consolidated profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the Group's other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

2 Significant accounting policies (continued)

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)).

A decrease in interest in an equity-accounted investee while maintaining equity accounting can result from a dilution. The Group's policy is to recognise any gain or loss on dilution directly in equity, except when impairment indicators exist then the Group first assesses and recognises any impairment loss in accordance with the accounting polices described in note 2(s)(ii).

(f) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, the obligations for the liabilities, relating to the arrangement.

The Group recognises in relation to its interests in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operations;
- its share of the revenue from the sale of the output by the joint operations; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

(g) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

2 Significant accounting policies (continued)

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units ("CGUs"), that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(s)(ii)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(h) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 40(f). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(z)(iii)(cc)(viii)).

- FVOCI (recycling), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 Significant accounting policies (continued)

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(z)(iii)(cc)(vii).

(i) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(j)).

(j) Hedging

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and variable rate borrowings (cash flow hedges). Some borrowings are designated as hedges of the foreign exchange risk of a net investment in a foreign operation.

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

2 Significant accounting policies (continued)

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

(ii) Hedge of net investments in foreign operations

The effective portion of any foreign exchange gain or loss on the borrowings is recognised in other comprehensive income and accumulated in equity in the translation reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. The ineffective portion is recognised immediately in profit or loss.

(k) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(o)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(z)(iii)(cc)(vi).

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation with surplus credited to the asset revaluation reserve and deficit charged to profit or loss. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the consolidated statement of comprehensive income.

(l) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(s)(ii)) including the interests in leasehold land and buildings where the Group is the registered owner of the property interest (see note 2(o)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 Significant accounting policies (continued)

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The principal annual rates used for this purpose are as follows:

Category	*Annual depreciation rate*
Hotel properties	1.70% to 9.50%
Buildings	2.00% to 5.00%
Leasehold improvements	18.00% to 20.00%
Furniture and fixtures	3.80% to 33.33%
Office and machinery equipment	7.14% to 25.00%
Motor vehicles	8.30% to 30.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(m) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(s)(ii)). Cost comprises direct costs of construction as well as interest expense capitalised during the periods of construction and installation. Capitalisation of these costs ceases when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

(n) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(s)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Computer software is amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

Both the period and method of amortisation are reviewed annually.

2 Significant accounting policies (continued)

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(o) Leased assets

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(s)(ii)).

2 Significant accounting policies (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the Covid-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

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. The rental income from operating leases is recognised in accordance with note 2(z)(iii)(cc)(vi).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(o)(i), then the Group classifies the sub-lease as an operating lease.

(p) Land under development

Land under development is stated at the lower of cost and net realisable value and comprises the compensation for land requisition, project costs, other preliminary infrastructure costs, borrowing costs, professional fees and other costs directly attributable to such land under development during the development period.

2 Significant accounting policies (continued)

Land under development which has been pre-sold or intended for sale and is expected to be completed within one year from the end of the reporting period is classified under current assets. Net realisable value takes into account the Group's proceeds derived from the sale of land under development by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land under development based on prevailing market conditions.

(q) Properties under development

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

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the end of the reporting period are classified under current assets. On completion, the properties are transferred to properties held for sale.

(r) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building 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's estimates based on the prevailing market conditions, on an individual property basis.

(s) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, contract assets and loans to related parties).

Other financial assets measured at fair value, including equity and debt securities measured at FVPL and equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

2 Significant accounting policies (continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 180 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 Significant accounting policies (continued)

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;

- a breach of contract, such as a default or past due event;

- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

- the disappearance of an active market for a security because of financial difficulties of the issuer.

2 Significant accounting policies (continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including construction in progress;
- right-of-use assets;
- goodwill;
- intangible assets;
- investments in joint ventures;
- investments in associates; and
- other non-current assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2 Significant accounting policies (continued)

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(t) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the moving weighted-average method, and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contact costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as land under development (see note 2(p)), properties under development (see note 2(q)), inventory (see note 2(t)(i)), property, plant and equipment (see note 2(l)) or intangible assets (see note 2(n)).

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. an incremental sales commission. 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 Significant accounting policies (continued)

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(z)(iii)(cc).

(u) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(z)(iii)(cc)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(s)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(v)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(z)(iii)(cc)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(v)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(z)(iii)(cc)).

(v) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

2 Significant accounting policies (continued)

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 2(s)(i)).

(w) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(s)(i).

(x) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts .

(y) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(z)(iii)(ee)).

(z) Employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 Significant accounting policies (continued)

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its 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 the statement of 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 the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

(ii) Share-based payments

Jinmao operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of Jinmao's operations. Employees (including directors) of Jinmao receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 40 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and Jinmao's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of Jinmao's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2 Significant accounting policies (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(aa) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 Significant accounting policies (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(k), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 Significant accounting policies (continued)

(bb) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(cc) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, 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 with the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of completed properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 2(u)).

2 Significant accounting policies (continued)

(ii) Land development

Revenue from land development is recognised at the point in time when control of the asset is transferred to the customers, that is when the related construction works have been completed as well as land is sold, and the collectability of the proceeds from land sales is reasonably assured.

(iii) Hotel operations

Hotel and other service income is recognised in the period in which such services are rendered.

(iv) Property management services

Revenue from the rendering of property management services is recognised over the scheduled period on a straight-line basis.

(v) Design and decoration services

Revenue from the rendering of design and decoration services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the design and decoration services.

(vi) Rental income

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.

(vii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(viii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(s)(i)).

2 Significant accounting policies (continued)

(ix) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss over the useful life of the related asset on a reasonable and systematic manner or deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expenses.

(dd) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Consolidated statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(ee) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

2 Significant accounting policies (continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(ff) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of comprehensive income, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(gg) Related parties

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

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

(B) has significant influence over the Group; or

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

(ii) An entity is related to the Group if any of the following conditions applies:

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

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

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

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

2 Significant accounting policies (continued)

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

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

(G) A person identified in (i)(A) 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).

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

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

(hh) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgements and estimates

In the application of the Group's accounting policies which are described in note 2, the directors of the Company have made judgements, estimates and assumptions concerning the future that have a significant risk of material adjustments on the amounts recognised in the consolidated financial statements within the next financial year.

(a) Critical accounting judgements in applying the Group's accounting policies

(i) 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 or both. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention of 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 if the properties are intended for sale after completion. Upon completion of construction, properties under development are transferred to properties held for sale and are stated at cost. Properties under construction are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation after completion.

2 Significant accounting policies (continued)

(ii) Consolidation of an entity in which the Group holds less than a majority of voting rights

The Group considers that it controls Jinmao even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Jinmao with a 35.28% equity interest. The remaining 64.72% of the equity shares in Jinmao are widely held by many other shareholders. There has been no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

(b) Sources of estimation uncertainty

Notes 14, 16, 40(f) and 41 contain information about the assumptions and their risk factors relating to valuation of investment property, goodwill impairment, financial instruments, and fair value of share options granted. Other significant sources of estimation uncertainty are as follows:

(i) Measurement of land under development

The Group's land under development is stated at the lower of cost and net realisable value. Cost of land under development during the construction stage, before the final settlement of the development cost, and other costs relating to the land under development are accrued by the Group based on management's best estimate. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years. Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land under development, and its net realisable value, i.e., the revenue to be derived from the land under development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land under development based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land under development over its net realisable value should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying amount and provision for land under development in the period in which such estimate is changed will be adjusted accordingly. The carrying amount of land under development at 31 December 2021 was HK$18,248,520,000 (2020: HK$14,167,988,000).

(ii) Measurement of properties under development

The Group's properties under development is stated at the lower of cost and net realisable value. Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. An apportionment of these costs will be recognised in profit or loss upon recognition of the sale of properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

3 Accounting judgements and estimates (continued)

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a particular phase are recorded as the cost of that phase. Common costs are allocated to individual phases based on the estimated saleable area of the entire development project. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years.

Based on the Group's recent experience and the nature of the subject project, the Group makes estimates of cost of properties under development, and its net realisable value, i.e., the revenue to be derived from the properties under development for sale, less costs to completion and the costs to be incurred in realising the revenue from the sale of properties under development based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of properties under development over its net realisable value should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying amount and provision for properties under development in the period in which such estimate is changed will be adjusted accordingly. The carrying amount of properties under development at 31 December 2021 was HK$177,124,390,000 (2020: HK$164,947,737,000).

(iii) Estimation of net realisable value of properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. The net realisable value is assessed with reference to market conditions and prices existing at the end of the reporting period and is determined by the Group having taken suitable external advice and in light of recent market transactions. The carrying amount of properties held for sale at 31 December 2021 was HK$33,607,576,000 (2020: HK$23,050,610,000).

(iv) Provision for expected credit losses on amounts due from joint ventures and associates

The Group uses general approach to calculate ECLs on the amounts due from joint ventures and associates. For those associates and joint ventures undertaking property development projects, if applicable, the provision is measured at an amount equal to the lifetime ECL which would be calculated by taking into account the impairment losses of the properties under development and properties held for sale held by the associates and joint ventures. The ECLs reflect the current conditions and forecasts of future economic conditions, as appropriate. The assessment of the carrying value properties under development and properties held for sale held by the associates and joint ventures and ECLs is a significant estimate. As at 31 December 2021, the loss allowance was assessed and recognised at an amount of HK$1,603,694,000 (2020: HK$1,474,422,000).

(v) Provision for impairment of properties held for sale

Management reviews the market conditions of properties for sale held by the Group and associates and joint ventures at the end of each reporting period, and makes provision for impairment of properties for sale identified that the net realisable value is lower than cost. Management estimates the net realisable value for properties for sale based primarily on the latest selling prices and current market conditions. If the condition was to deteriorate so that the actual provision might be higher than expected, the Group would be required to revise the basis of making the provision and its future results would be affected.

4 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are properties and land development, property investment, hotel operations and provision of property management service. Further details regarding the Group's principal activities are disclosed in note 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue by major products or service lines is as follow:

	2021 HK$'000	*2020* HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
Sale of completed properties	93,779,851	53,282,508
Land development	5,839,790	7,852,661
Hotel operations	1,974,611	1,414,439
Property management and others	5,083,231	3,337,695
Revenue from other sources		
Gross rentals from investment properties	1,895,661	1,653,497
- Variable lease payments that do not depend on an index or a rate	9,282	149,286
- Other lease payments, including fixed payments	1,886,379	1,504,211
Others	309,573	235,583
	108,882,717	67,776,383

4 Revenue and segment reporting (continued)

No revenue from a single external customer accounts for 10% or more of the Group's revenue during both years.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 4(b)(i).

(ii) Performance obligations

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

Sale of completed properties

The performance obligation is satisfied upon delivery of the completed properties.

Land development

The performance obligation is satisfied when the land development is completed.

Hotel operations

The performance obligation is satisfied as services are rendered. Short-term advances are sometimes required before rendering the services.

Property management services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Property management service contracts are for periods of one year or less, or are billed based on the time incurred.

Design and decoration services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 60 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the customer satisfaction of the service quality over a certain period as stipulated in the contracts.

4 Revenue and segment reporting (continued)

(iii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The amount of remaining performance obligation of pre-completion sales contracts for properties under development is approximately the same as the balance of contract liabilities associated to sales of properties as of 31 December 2021 and 31 December 2020.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales that had an original expected duration of one year or less or are billed based on performance completed.

(b) Segment reporting

The Group organises its business activities into the following operating segments: (i) real estate,and (ii) others (mainly securities investment).

(i) Segment results

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

	Real estate		*Others*		*Total*	
	2021 HK$'000	*2020* HK$'000	*2021* HK$'000	*2020* HK$'000	*2021* HK$'000	*2020* HK$'000
Disaggregated by timing of revenue recognition						
Point in time	99,619,642	61,135,170	-	-	99,619,642	61,135,170
Over time	8,942,368	6,395,416	320,707	245,797	9,263,075	6,641,213
Revenue from external customers	108,562,010	67,530,586	320,707	245,797	108,882,717	67,776,383
Inter-segment revenue	-	-	1,442,931	1,180,874	1,442,931	1,180,874
Reportable segment revenue	108,562,010	67,530,586	1,763,638	1,426,671	110,325,648	68,957,257
Reportable segment result (adjusted profit/(loss) before taxes)	9,212,884	6,140,724	1,781,363	1,288,004	10,994,247	7,428,728

4 Revenue and segment reporting (continued)

(ii) Reconciliations of reportable segment revenues and profit or loss

	2021 HK$'000	*2020* HK$'000
Revenue		
Reportable segment revenue	110,325,648	68,957,257
Elimination of inter-segment revenue	(1,442,931)	(1,180,874)
Consolidated revenue (note 4(a))	108,882,717	67,776,383
Profit		
Reportable segment profit	10,994,247	7,428,728
Elimination of inter-segment profits	(1,200,713)	(1,177,050)
Consolidated profit	9,793,534	6,251,678
Interest income & investment income (note 5)	3,648,913	4,271,785
Finance costs	(4,084,881)	(3,873,053)
Gains on disposal of subsidiaries (note 5)	1,288,405	1,735,279
Gains on disposal of joint ventures and associates (note 5)	531,487	417,197
Gain on bargain purchase of subsidiaries (note 42)	113,026	164,793
Gain on bargain purchase of an associate (note 5)	2,001,376	-
Share of profits and losses of:		
Joint ventures	1,200,712	417,299
Associates	699,624	801,977
Consolidated profit before tax	15,192,196	10,186,955

(iii) Geographical information

The Group principally operates in the PRC and its major operating assets are located in the PRC. The following table sets out information about the geographical locations of the Group's revenue from external customers. The geographical locations of customers are based on the locations at which the services were provided or the goods were delivered.

	Real estate		*Others*		*Total*	
	2021 HK$'000	*2020* HK$'000	*2021* HK$'000	*2020* HK$'000	*2021* HK$'000	*2020* HK$'000
Geographical						
Mainland China	108,562,010	67,530,586	-	-	108,562,010	67,530,586
Other countries/regions	-	-	320,707	245,797	320,707	245,797
Total revenue	108,562,010	67,530,586	320,707	245,797	108,882,717	67,776,383

5 Other income, gains and losses, net

	2021 HK$'000	*2020* HK$'000
Other income		
Interest on bank and other deposits	197,866	681,180
Interest on other advances	2,675,905	2,949,977
Investment income on other financial assets	775,142	642,364
Government grants *(note (i))*	348,062	112,537
Default penalty income	37,967	48,607
Sundry income	186,784	136,707
	4,221,726	4,571,372
Gains and losses		
Gains/(losses) on disposal of:		
Property, plant and equipment	(17,350)	581
Subsidiaries (note 43)	1,288,405	1,735,279
Joint ventures and associates	531,487	417,197
Equity investment designed at fair value through profit or loss	-	31,922
Intangible assets	-	345
Gain on bargain purchase		
Recognised in other income, gains and losses, net in the consolidated statement of comprehensive income (note 42)	113,026	164,793
Gain on bargain purchase of an associate *(note (ii))*	2,001,376	-
Impairment losses on:		
Trade receivables	(7,252)	(6,095)
Prepayments, other receivables and other assets (note 28)	(7,025)	(3,524)
Properties under development (note 13)	(716,376)	(1,735,623)
Properties held for sale (note 26)	(481,340)	(1,704,171)
Amounts due from related parties	-	(1,474,422)
Foreign exchange differences, net	143,840	332,164
Fair value gains, net:		
Other financial assets	24,830	16,010
Derivative financial instruments - transactions not qualifying as hedges	165,118	20,487
Equity interest previously held as investments in joint ventures and associates (note 42)	320,868	1,470,234
Others	(132,796)	(3,939)
	3,226,811	(738,762)
Other income, gains and losses, net	7,448,537	3,832,610

5 Other income, gains and losses, net (continued)

Notes:

(i) Government grants mainly comprised payments from the government to support the business development of the entities within the Group in accordance with applicable law and regulations in the PRC.

(ii) On 30 June 2021, the Group acquired a 29.9% equity interest in China VAST Industrial Urban Development Company Limited ("China VAST"), The investment in China VAST is accounted as an associate and be measured using the equity method. The excess of the Group's share of net fair value of China VAST's identifiable assets and liabilities over the cost of the investment of HK$2,001,376,000 is recognised as a gain in the profit or loss.

6 Finance costs

	2021 HK$'000	*2020* HK$'000
Interest on bank and other loans, overdrafts, notes and bonds	5,994,173	8,190,012
Interest on advances from related parties	1,544,082	1,456,497
Interest on lease liabilities (note 15)	59,892	46,000
Total borrowing costs	7,598,147	9,692,509
Less: Interest capitalised	(3,513,266)	(5,840,467)
Total interest expenses	4,084,881	3,852,042
Transaction costs	-	984
	4,084,881	3,853,026

7 Profit before tax

Profit before tax is arrived at after charging:

	2021 HK$'000	*2020* HK$'000
Cost of properties sold	80,348,882	46,059,865
Cost of land development	3,397,068	4,242,496
Cost of services provided	4,622,825	3,603,883
Depreciation of property, plant and equipment (note 11)	522,721	522,663
Depreciation of right-of-use assets (note 15)	225,766	185,953
Amortisation of intangible assets (note 17)	27,925	23,547
Lease payments not included in the measurement of lease liabilities	91,717	36,710
Auditors' remuneration	13,111	10,723
Direct operating expenses arising from investment properties that generated rental income	306,554	224,922
Staff costs:		
Directors' emoluments	4,333	4,617
Wages and salaries	3,808,202	2,438,135
Equity-settled share-based payment expense	55,555	98,715
Contributions to retirement benefit schemes	257,743	71,705

8 Income tax in the consolidated statement of comprehensive income

(a) *Taxation in the consolidated statement of comprehensive income represents:*

	2021 HK$'000	*2020* HK$'000
Hong Kong profits tax:		
Current tax	-	-
PRC tax:		
Enterprise income tax ("EIT")	4,055,705	3,090,201
Land appreciation tax ("LAT") (note 34)	2,464,821	1,027,487
Over-provision in prior years	(12,276)	(7,174)
	6,508,250	4,110,514
Other jurisdictions:		
Current tax	1,134	984
Over-provision in prior years	-	(93)
	1,134	891
Deferred taxation (note 36)	(463,926)	(204,689)
Total tax charge for the year	6,045,458	3,906,716

8 Income tax in the consolidated statement of comprehensive income (continued)

(i) Pursuant to the income tax rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group is not subject to income tax in Bermuda and the BVI.

(ii) The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits arising in Hong Kong for the year.

(iii) The provision for the PRC EIT is based on the statutory rate of 25% on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC for the year.

(iv) According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate properties in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including borrowing costs and all property development expenditures.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2021 HK$'000	*2020* HK$'000
Profit before tax from continuing operations	15,192,196	10,206,982
Tax at the statutory income tax rate	3,798,049	2,599,783
LAT (note 34)	2,464,821	1,027,487
Tax effect of LAT	(616,207)	(256,872)
Withholding tax on interest income from group companies	47,096	(33,841)
Over-provision in prior years	(12,276)	(7,267)
Income not subject to tax	(1,053,689)	(797,998)
Expenses not deductible for tax	891,357	1,304,398
Tax effect of share of profits and losses of associates and joint ventures	(443,100)	(300,634)
Tax losses utilised from previous periods	(171,027)	(128,126)
Tax effect of tax losses and deductible temporary differences not recognised	1,140,434	499,786
Income tax expense for the year	6,045,458	3,906,716

9 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	2021			*2020*		
	Before-tax amount HK$'000	*Tax expense* HK$'000	*Net-of-tax* HK$'000	*Before-tax amount* HK$'000	*Tax expense* HK$'000	*Net-of-tax* HK$'000
Exchange differences on translation of:						
- Financial statements of foreign operations	4,091,172	-	4,091,172	7,675,241	-	7,675,241
- Share of associates and joint ventures	1,239,451	-	1,239,451	1,883,636	-	1,883,636
- Foreign operations disposed during the year	58,884	-	58,884	378,265	-	378,265
	5,389,507	-	5,389,507	9,937,142	-	9,937,142
Cash flow hedge: net movement in hedging reserve	123,165	-	123,165	(91,605)	-	(91,605)
Gain on property revaluation, net of tax	13,476	(3,369)	10,107	-	-	-
Changes in fair value of equity investments at FVOCI	(25,025)	-	(25,025)	(234,847)	-	(234,847)
Other comprehensive income	5,501,123	(3,369)	5,497,754	9,610,690	-	9,610,690

10 Dividends

	2021 HK$'000	*2020* HK$'000
Dividends declared during the year	-	2,099,891

No dividends were declared during the year ended 31 December 2021.

According to the board of directors' meetings on 30 September 2020 and 31 December 2020, dividends amounting to RMB5,878,000 (equivalent to HK$6,689,000) and US$270,000,000 (equivalent to HK$2,093,202,000) were declared to the immediate parent respectively, among which RMB5,878,000 (equivalent to HK$6,689,000) was paid on 30 September 2020 and US$270,000,000 (equivalent to HK$2,093,202,000) was paid on 31 December 2020.

11 Property, plant and equipment

	Hotel properties HK$'000	*Buildings* HK$'000	*Leasehold improvements* HK$'000	*Furniture and fixtures* HK$'000	*Office and machinery equipment* HK$'000	*Motor vehicles* HK$'000	*Construction in progress* HK$'000	*Total* HK$'000
At 31 December 2020 and at 1 January 2021:								
Cost	10,463,516	1,234,119	31,195	2,404,993	420,319	75,330	3,618,794	18,248,266
Accumulated depreciation and impairment	(2,691,949)	(331,199)	(28,954)	(1,402,837)	(259,349)	(63,583)	-	(4,777,871)
Net carrying amount	7,771,567	902,920	2,241	1,002,156	160,970	11,747	3,618,794	13,470,395
At 1 January 2021, net of accumulated depreciation and impairment	7,771,567	902,920	2,241	1,002,156	160,970	11,747	3,618,794	13,470,395
Additions	(70,310)	12,333	16,944	57,837	51,503	3,583	733,867	805,757
Acquisition of subsidiaries (note 42)	-	-	143	198	1,003	2	181,814	183,160
Transfers	81,311	-	6,602	148,656	(4,759)	-	(231,810)	-
Transfer from investment properties (note 14)	-	146,677	-	-	-	-	-	146,677
Transfer to investment properties (note 14)	-	(17,479)	-	-	-	-	-	(17,479)
Gains on property revaluation in relation to the transfer to investment properties	-	13,476	-	-	-	-	-	13,476
Other disposals	(30,687)	-	(5)	(2,035)	(3,217)	(614)	(50,601)	(87,159)
Disposal of subsidiaries (note 43)	-	-	-	(1,091)	(1,104)	-	-	(2,195)
Depreciation charge for the year	(282,605)	(55,880)	(1,170)	(121,822)	(55,944)	(5,300)	-	(522,721)
Exchange adjustments	223,789	26,763	395	30,578	4,545	311	115,540	401,921
At 31 December 2021, net of accumulated depreciation and impairment	7,693,065	1,028,810	25,150	1,114,477	152,997	9,729	4,367,604	14,391,832
At 31 December 2021:								
Cost	10,745,250	1,410,805	56,176	2,676,792	461,679	74,949	4,367,604	19,793,255
Accumulated depreciation and impairment	(3,052,185)	(381,995)	(31,026)	(1,562,315)	(308,682)	(65,220)	-	(5,401,423)
Net carrying amount	7,693,065	1,028,810	25,150	1,114,477	152,997	9,729	4,367,604	14,391,832

11 Property, plant and equipment (continued)

	Hotel properties HK$'000	*Buildings* HK$'000	*Leasehold improvements* HK$'000	*Furniture and fixtures* HK$'000	*Office and machinery equipment* HK$'000	*Motor vehicles* HK$'000	*Construction in progress* HK$'000	*Total* HK$'000
At 31 December 2019 and at 1 January 2020:								
Cost	9,770,376	897,263	28,210	2,225,971	338,887	70,009	2,876,381	16,207,097
Accumulated depreciation and impairment	(2,227,881)	(268,141)	(27,208)	(1,208,779)	(202,158)	(56,935)	-	(3,991,102)
Net carrying amount	7,542,495	629,122	1,002	1,017,192	136,729	13,074	2,876,381	12,215,995
At 1 January 2020, net of accumulated depreciation and impairment	7,542,495	629,122	1,002	1,017,192	136,729	13,074	2,876,381	12,215,995
Additions	56,581	216,249	2,123	20,444	48,892	4,806	631,289	980,384
Acquisition of subsidiaries (note 42)	-	-	-	234	2,980	260	-	3,474
Transfers	4,284	-	422	20,831	15,651	-	(41,188)	-
Transfer from investment properties (note 14)	-	55,707	-	-	-	-	-	55,707
Other disposals	(66)	(17)	(1,066)	(1,099)	(1,492)	(843)	(62,822)	(67,405)
Disposal of subsidiaries (note 43)	-	-	-	(759)	(3,740)	(389)	-	(4,888)
Depreciation charge for the year	(303,769)	(49,179)	(368)	(115,785)	(47,675)	(5,887)	-	(522,663)
Exchange adjustments	472,042	51,038	128	61,098	9,625	726	215,134	809,791
At 31 December 2020, net of accumulated depreciation and impairment	7,771,567	902,920	2,241	1,002,156	160,970	11,747	3,618,794	13,470,395
At 31 December 2020:								
Cost	10,463,516	1,234,119	31,195	2,404,993	420,319	75,330	3,618,794	18,248,266
Accumulated depreciation and impairment	(2,691,949)	(331,199)	(28,954)	(1,402,837)	(259,349)	(63,583)	-	(4,777,871)
Net carrying amount	7,771,567	902,920	2,241	1,002,156	160,970	11,747	3,618,794	13,470,395

(i) In the opinion of the directors, certain ownership interests in land continue to be accounted for as property, plant and equipment as the allocation between the land and building elements cannot be made reliably.

(ii) At the end of the reporting period, certain of the Group's property, plant and equipment with an aggregate net carrying amount of approximately HK$3,930,763,000 (2020: HK$261,383,000) were pledged to secure bank loans granted to the Group (note 33).

12 Land under development

Land under development represents the project cost, land requisition cost, compensation cost and other preliminary infrastructure costs in relation to the Group's land development projects (the "Projects") in Mainland China. Though the Group does not have the ownership title or land use right to such land, the Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities as well as other development works in the Projects. When the land plots are sold by the local government, the Group is entitled to receive from the local authorities the land development fee.

	2021	*2020*
	HK$'000	HK$'000
Carrying amount:		
At 1 January	14,167,988	14,172,338
Additions	10,766,058	3,360,132
Recognised in profit or loss during the year	(7,154,456)	(4,228,140)
Exchange adjustments	468,930	863,658
At 31 December	18,248,520	14,167,988
Current portion	(2,267,642)	(1,698,257)
Non-current portion	15,980,878	12,469,731

13 Properties under development

	2021	*2020*
	HK$'000	HK$'000
Carrying amount:		
At 1 January	164,947,737	146,797,770
Additions	99,970,967	70,932,032
Acquisition of subsidiaries (note 42)	12,467,659	27,907,136
Disposal of subsidiaries (note 43)	(12,761,902)	(30,960,921)
Transfer to properties held for sale	(91,733,528)	(57,914,460)
Impairment (note 5)	(716,376)	(1,735,623)
Exchange adjustments	4,949,833	9,921,803
At 31 December	177,124,390	164,947,737
Current portion	(74,764,633)	(94,430,489)
Non-current portion	102,359,757	70,517,248

At 31 December 2021, certain of the Group's properties included in properties under development with a net carrying amount of approximately HK$110,496,468,000 (2020: HK$89,477,391,000) were pledged to secure bank loans granted to the Group (note 33).

14 Investment properties

	2021 HK$'000	*2020* HK$'000
Fair value:		
At 1 January	40,586,363	35,954,909
Additions	193,694	369,059
Fair value changes recognised in profit or loss	(2,054,347)	960,516
Transfer from property, plant and equipment (note 11)	17,479	-
Transfer to property, plant and equipment (note 11)	(146,677)	(55,707)
Transfer (to)/from right-of-use assets (note 15)	(153,981)	978,249
Exchange adjustments	1,122,044	2,379,337
At 31 December	39,564,575	40,586,363

At 31 December 2021, certain of the Group's investment properties with a carrying value of HK$14,531,651,000 (2020: HK$13,447,964,000) were pledged to secure bank loans granted to the Group (note 33).

(a) *Fair value measurement of properties*

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement.* The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurement as at 31 December 2021 using		
	Significant observable inputs (Level 2) HK$'000	*Significant unobservable inputs* (Level 3) HK$'000	*Total* HK$'000
Recurring fair value measurement for:			
Commercial properties	406,125	39,158,450	39,564,575

14 Investment properties (continued)

	Fair value measurement as at 31 December 2020 using		
	Significant observable inputs (Level 2) HK$'000	*Significant unobservable inputs* (Level 3) HK$'000	*Total* HK$'000
Recurring fair value measurement for:			
Commercial properties	417,254	40,169,109	40,586,363

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 (2020: Nil).

The Group's investment properties mainly belong to Jinmao. Jinmao's investment properties consist of 19 commercial properties in Mainland China. The directors of Jinmao have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. Jinmao's investment properties were revalued individually on 31 December 2021 based on valuations performed by Cushman & Wakefield Limited, Shanghai Cairui Real Estate Land Appraisal Co., Ltd., Beijing Renda Real Estate Appraisal Co., Ltd., and Beijing Zhuoxindahua Appraisal Co., Ltd., independent professionally qualified valuers. Jinmao's management has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

At 31 December 2020, except for two investment properties which were valued by Jinmao's management, Jinmao's investment properties were revalued individually based on valuations performed by Cushman & Wakefield Limited, Shanghai Cairui Real Estate Land Appraisal Co., Ltd., Beijing Renda Real Estate Appraisal Co., Ltd., and Beijing Zhuoxindahua Appraisal Co., Ltd., independent professionally qualified valuers. Jinmao's management has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

As at 31 December 2021, three of Jinmao's investment properties were right-of-use assets with total carrying amount of HK$937,263,000 (2020: HK$1,114,433,000) relating to buildings which were leased out under one or more operating leases.

The Company has one investment property located in Hong Kong. The investment property was revalued on 31 December 2021 and 31 December 2020 based on valuation performed by Knight Frank Petty Limited, an independent professionally qualified valuer.

Each year, the Group's management decides to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

14 Investment properties (continued)

(ii) Information about Level 3 fair value measurements

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

	Valuation techniques	*Significant unobservable inputs*	*Range or weighted average* 2021	2020
Property 1 - Beijing Chemsunny World Trade Cetre	Term and reversion method	Term yield	5.00%	5.25%
		Reversionary yield	5.50%	5.75%
		Market rent (per square metre ("sqm") per annum("p.a."))	HK$7,233 - HK$14,321	HK$6,510 - HK$11,037
Property 2 - Sinochem Tower	Term and reversion method	Term yield	3.00% – 5.50%	3.00% – 5.50%
		Reversionary yield	3.50% – 5.50%	3.50% – 6.00%
		Market rent (per sqm p.a.)	HK$4,108 - HK$11,572	HK$3,676 - HK$10,795
Property 3 - Jin Mao Tower	Term and reversion method	Term yield	3.50% – 4.00%	3.50% – 4.00%
		Reversionary yield	4.00% – 4.50%	4.00% – 4.50%
		Market rent (per sqm p.a.)	HK$5,887 - HK$21,698	HK$4,994 - HK$20,241
Property 4 - Zhuhai Every Garden	Term and reversion method	Term yield	5.00% – 6.00%	5.00% – 6.25%
		Reversionary yield	5.50% – 6.50%	5.50% – 6.50%
		Market rent (per sqm p.a.)	HK$636 - HK$955	HK$578 - HK$875
Property 5 - Nanjing Xuanwu Lake Jin Mao Plaza	Term and reversion method	Term yield	3.50% – 4.50%	3.50% – 4.50%
		Reversionary yield	4.00% – 5.00%	4.00% – 5.00%
		Market rent (per sqm p.a.)	HK$2,676 - HK$10,126	HK$2,429 - HK$8,501
Property 6 - Changsha Meixi Lake International R&D Centre	Discounted cash flow method	Estimated rental value (per sqm p.a.)	HK$2,414	HK$3,036
		Rental growth p.a.	2.50%	3.00%
		Long term vacancy rate	20.00%	8.22%
		Discount rate	7.00%	6.00%
	Market comparable method	Price per sqm	HK$16,032	NA
Property 7 - Lijiang J•LIFE	Term and reversion method	Term yield	5.00%	5.00%
		Reversionary yield	5.50%	5.50%
		Market rent (per sqm p.a.)	HK$1,302	HK$1,205
Property 8 - Shanghai International Shipping Service Centre	Market comparable method	Price per sqm	HK$69,728 - HK$109,502	HK$64,687 - HK$101,767
Property 9 - Qingdao Jinmao Harbour Shopping Mall	Discounted cash flow method and market comparable method	Estimated rental value (per sqm p.a.)	HK$982	HK$931
		Rental growth p.a.	6.00% – 6.50%	5.00% – 7.00%
		Long term vacancy rate	5.00%	5.00%
		Discount rate	5.50%	5.50%
		Price per sqm	HK$20,295	HK$16,975
Property 10 - Ningbo Jiayuan Plaza	Term and reversion method	Term yield	4.00%	4.00%
		Reversionary yield	4.50%	4.50%
		Market rent (per sqm p.a.)	HK$853 - HK$6,220	HK$783 - HK$5,802
Property 11 - Ningbo Huijin Tower	Term and reversion method	Term yield	4.00%	4.00%
		Reversionary yield	4.50%	4.50%
		Market rent (per sqm p.a.)	HK$1,201 - HK$6,220	HK$1,004 - HK$5,667
Property 12 - Changsha Jinmao Mall of Splendor	Discounted cash flow method and market comparable method	Estimated rental value (per sqm p.a.)	NA	HK$731
		Rental growth p.a.	NA	3.50% – 5.00%
		Long term vacancy rate	NA	5.00%
		Discount rate	NA	6.00%
		Price per sqm	NA	HK$15,745
	Term and reversion method	Term yield	4.50% – 5.00%	NA
		Reversionary yield	5.00% – 5.50%	NA
		Market rent (per sqm p.a.)	HK$2001	NA
Property 13 - Beijing Chaoyang Jinmao Centre Project	Residual method	Developer's profit rate	NA	5.00%
	Term and reversion method	Reversionary yield	4.50% – 5.50%	5.00% – 5.50%
		Market rent (per sqm p.a.)	HK$2,110 - HK$3,303	HK$2,564 - HK$4,048
Property 14 - Nanjing Southern Hexi Yuzui Land Parcel No.G97	Residual method	Developer's profit rate	5.00%	5.00%
	Term and reversion method	Reversionary yield	3.00% – 6.00%	3.00% – 6.00%
		Market rent (per sqm p.a.)	HK$1,832 - HK$2,676	HK$1,889 - HK$2,861
Property 15 - Hangzhou Shangtang Project	Residual method	Developer's profit rate	NA	5.00%
	Term and reversion method	Reversionary yield	2.00%	2.00%
		Market rent (per sqm p.a.)	HK$1,682	HK$1,565

14 Investment properties (continued)

	Valuation techniques	*Significant unobservable inputs*	*Range or weighted average* 2021	2020
Property 16 - Wangfujing Quadrangle Courtyard	Term and reversion method	Term yield	4.00%	4.00%
		Reversionary yield	4.50%	4.50%
		Market rent (per sqm p.a.)	HK$7,739	HK$7,084
Property 17 - Jinmao Boill e-Wisdom Valley Executive Apartment	Term and reversion method	Term yield	4.25%	NA
		Reversionary yield	4.25%	NA
		Market rent (per sqm p.a.)	HK$768	NA
	Discounted cash flow method	Estimated rental value (per sqm p.a.)	NA	HK$1,226
		Rental growth p.a.	NA	1.00%-3.00%
		Long term vacancy rate	NA	10.00%
		Discount rate	NA	4.84%
Property 18 - Jinmao Boill e-Wisdom Valley Youth Apartment	Term and reversion method	Term yield	4.25%	NA
		Reversionary yield	4.25%	NA
		Market rent (per sqm p.a.)	HK$959	NA
	Discounted cash flow method	Estimated rental value (per sqm p.a.)	NA	HK$1,150
		Rental growth p.a.	NA	3.00%
		Long term vacancy rate	NA	5.00%
		Discount rate	NA	4.04%
Property 19 - Beijing Royal International Mansion	Term and reversion method	Developer's profit rate	3.50% – 5.50%	5.00% – 5.50%
		Reversionary yield	4.00% – 6.00%	5.50% – 6.00%
		Market rent (per sqm p.a.)	HK$1,820 - HK$3,170	HK$1,876 - HK$2,793
Property 20 - Hong Kong Convention Plaza Office Building 47/F	Term and reversion method	Estimated rental value (per sq. ft/per month)	HK$85	HK$97
		Capitalisation rate	2.50%	2.70%

The term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates.

A significant increase/(decrease) in the term yield and the reversionary yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. A significant increase/(decrease) in the market rent would result in a significant increase/(decrease) in the fair value of the investment properties.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

14 Investment properties (continued)

A significant increase/(decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

Under the market comparable method, a property's fair value is estimated based on comparable transactions. Although property interests are not homogeneous, the International Valuation Standards Council considers the market approach most commonly applied. "In order to compare the subject of the valuation with the price of other real property interests that have been recently exchanged or that may be currently available in the market, it is usual to adopt a suitable unit of comparison. Units of comparison that are commonly used include analysing sales prices by calculating the price per square meter of a building or per hectare for land. Other units used for price comparison where there is sufficient homogeneity between the physical characteristics include a price per room or a price per unit of output, e.g., crop yields. A unit of comparison is only useful when it is consistently selected and applied to the subject property and the comparable properties in each analysis".

The market comparable method is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by the Group is the price per square metre. The market comparable approach is often used in combination with either the discounted cash flow or the term and reversion method as many inputs to these methods are based on market comparison.

A significant increase/(decrease) in the price per square metre would result in a significant increase/(decrease) in the fair value of the investment properties.

The residual method is essentially a mean of valuing land with reference to its development potential by deducting construction cost, interest and developer's profit from its estimated gross development value assuming it would have been completed as at the valuation date in accordance with the latest development scheme provided to the Group by relevant parties. The estimated total and outstanding construction costs and development schedule to be advised by the relevant parties will also be considered.

A significant increase/(decrease) in the developer's profit rate would result in a significant decrease/(increase) in the fair value of the investment properties.

14 Investment properties (continued)

(b) The Group as a lessor

The Group leases out investment properties under operating leases.

At 31 December 2021, the undiscounted lease payments under non-cancellable operating leases will be receivable by the Group in future periods as follows:

	2021 HK$'000	*2020* HK$'000
Within one year	1,468,654	1,495,989
After one year but within two years	1,043,396	1,168,527
After two years but within three years	538,454	434,234
After three years but within four years	362,537	251,955
After four years but within five years	208,157	131,127
After five years	556,973	384,463
	4,178,171	3,866,295

15 Right-of-use assets

(a) The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Prepaid land lease payments HK$'000	*Office properties and staff quarters* HK$'000	*Total* HK$'000
As at 1 January 2020	1,649,971	156,496	1,806,467
Other additions	-	1,179,764	1,179,764
Additions as a result of acquisition of subsidiaries (note 42)	-	7,681	7,681
Transfer to investment properties (note 14)	-	(978,249)	(978,249)
Depreciation charge	(61,654)	(124,299)	(185,953)
Exchange adjustments	98,379	24,588	122,967
As at 31 December 2020	1,686,696	265,981	1,952,677
As at 1 January 2021	1,686,696	265,981	1,952,677
Other additions	6,254	118,787	125,041
Additions as a result of acquisition of subsidiaries (note 42)	20,683	1,392	22,075
Transfer from investment properties (note 14)	-	153,981	153,981
Depreciation charge	(66,513)	(159,253)	(225,766)
Exchange adjustments	48,668	9,493	58,161
As at 31 December 2021	1,695,788	390,381	2,086,169

15 Right-of-use assets(continued)

(b) The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 HK$'000	*2020* HK$'000
Depreciation charge of right-of-use assets (note 7)	225,766	185,953
Interest on lease liabilities (note 6)	59,892	46,000
Expense relating to short-term leases	15,226	7,344
Expense relating to leases of low-value assets	76,491	29,366

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 30(c) and 35, respectively.

(c) The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2021 HK$'000	*31 December 2020* HK$'000
Ownership interests in leasehold land held for own use	1,695,788	1,686,696
Other properties leased for own use	390,381	265,981
	2,086,169	1,952,677

16 Goodwill

	2021 HK$'000	*2020* HK$'000
At 1 January and 31 December:		
Cost and net carrying amount	1,999,570	1,999,570

16 Goodwill (continued)

Impairment testing on goodwill

For the purposes of impairment testing, goodwill has been allocated to the CGUs of the related segments as follows:

	2021 HK$'000	*2020* HK$'000
Real estate division	1,999,570	1,999,570

The recoverable amounts of the CGU have been determined on the basis of value in use calculations by estimating the future cash flows expected from the CGU. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to revenue and direct cost used in the cash flow forecasts. Cash flow forecasts are based on past practices and expectations of future changes in the market.

Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific relating to the CGU.

At the end of the reporting period, the recoverable amount of the real estate division was determined based on a value in use calculation using cash flow projections based on financial budgets of 2021 covering a certain period approved by the directors of Jinmao. The pre-tax discount rate applied to the cash flow projection was 11.3% (2020: 11.4%). Cash flows were extrapolated using a growth rate of 1.0% (2020: 3.0%) for the first two years and a steady growth rate of 1.0% (2020: 1.0%) for the following years.

The value in use calculated by using the discount rate is higher than the carrying amount of this group of CGU, and therefore, there is no impairment of goodwill attributable to the real estate division.

17 Intangible assets

	Computer software HK$'000
At 31 December 2020 and at 1 January 2021:	
Cost	232,098
Accumulated amortisation and impairment	(104,400)
Net carrying amount	127,698
At 1 January 2021, net of accumulated amortisation	127,698
Additions	109,291
Acquisition of subsidiaries (note 42)	92
Amortisation and impairment for the year	(27,925)
Other disposals	(192)
Exchange adjustments	4,940
At 31 December 2021, net of accumulated amortisation	213,904
At 31 December 2021:	
Cost	317,172
Accumulated amortisation and impairment	(103,268)
Net carrying amount	213,904

	Computer software HK$'000
At 31 December 2019 and at 1 January 2020:	
Cost	168,127
Accumulated amortisation	(112,286)
Net carrying amount	55,841
At 1 January 2020, net of accumulated amortisation	55,841
Additions	87,081
Acquisition of subsidiaries (note 42)	2,061
Amortisation for the year	(23,547)
Disposal of subsidiaries (note 43)	(747)
Other disposals	(247)
Exchange adjustments	7,256
At 31 December 2020, net of accumulated amortisation	127,698
At 31 December 2020:	
Cost	232,098
Accumulated amortisation	(104,400)
Net carrying amount	127,698

18 Joint operations and investments in joint ventures

Investments in joint ventures

	2021	*2020*
	HK$'000	HK$'000
Unlisted investments:		
Share of net assets	27,136,828	19,390,762

Notes:

(a) The Group has discontinued the recognition of its share of loss of certain joint ventures because the share of loss of the joint ventures exceeded the Group's interests in them and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the joint ventures for the current year and cumulatively were HK$613,489,000 (2020: HK$477,904,000) and HK$1,703,473,000 (2020: HK$1,016,794,000), respectively.

(b) The amounts due from/to joint ventures are disclosed in note 22 to the consolidated financial statements.

The directors of the Company are of the opinion that no joint ventures are individually material to the Group. The following table illustrates the aggregate financial information of the Group's joint ventures under continuing operations that are not individually material:

	2021	*2020*
	HK$'000	HK$'000
Share of the joint ventures' profit for the year	1,200,712	417,299
Share of the joint ventures' other comprehensive income for the year	679,273	1,113,942
Share of the joint ventures' total comprehensive income	1,879,985	1,531,241
Aggregate carrying amount of the Group's investments in the joint ventures	27,136,828	19,390,762

18 Joint operations and investments in joint ventures (continued)

Joint operations

On 28 July 2011, Qingdao Jin Mao, an indirect wholly-owned subsidiary of Jinmao completed an acquisition of a 50% equity interest in Qingdao Lanhai Xingang City Properties Co., Ltd. ("Lanhai Xingang City") through contributing RMB1 billion to the newly registered capital of Lanhai Xingang City. On the same day, Qingdao Jin Mao and Qingdao Urban Investment Group entered into a supplementary agreement pursuant to which Lanhai Xingang City agreed to establish two branches, where branch 1 would be unilaterally managed and controlled by Qingdao Jin Mao in respect of the development of the Southern region with a land area of 200 mu (the "Southern Region") and branch 2 would be unilaterally managed and controlled by Qingdao Urban Investment Group in respect of the development of the Northern region with a total land area of 140 mu (the "Northern Region"). The land use right certificate in connection with the Southern Region is registered under the name of Lanhai Xingang City.

The Group considered this supplementary arrangement as a joint operation and recognised the assets, liabilities and revenue and expenses of branch 1 as the Group is given the rights to the assets and has obligations for the liabilities of branch 1 pursuant to the terms of the supplementary agreement.

The following table illustrates the summarised financial information of branch 1 of Lanhai Xingang City recognised in the Group's consolidated financial statements:

	2021 HK$'000	*2020* HK$'000
Assets	441,129	736,890
Liabilities	304,377	533,759
Revenue	329,315	73,656
Gross profit	35,384	81,214
Profit for the year	13,788	33,105

19 Investments in associates

	2021	*2020*
	HK$'000	HK$'000
Unlisted investments:		
Share of net assets	24,872,332	13,195,044

Notes:

(a) The Group has discontinued the recognition of its share of loss of certain associates because the share of loss of the associates exceeded the Group's interests in them and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the associates for the current year and cumulatively were HK$662,948,000 (2020:HK$739,593,000) and HK$1,663,729,000 (2020: HK$933,614,000), respectively.

(b) The amounts due from/to associates are disclosed in note 22 to the consolidated financial statements.

The directors of the Company are of the opinion that no associates are individually material to the Group. Aggregate information of associates under continuing operations that are not individually material are listed below:

	2021	*2020*
	HK$'000	HK$'000
Share of the associates' profit for the year	699,624	801,977
Share of the associates' other comprehensive income for the year	560,178	769,694
Share of the associates' total comprehensive income	1,259,802	1,571,671
Aggregate carrying amount of the Group's investments in the associates	24,872,332	13,195,044

20 Financial assets at fair value through other comprehensive income

	2021 HK$'000	*2020* HK$'000
Equity securities designated at FVOCI (non-recycling)		
- Listed equity securities (note a)	265,401	657,082
- Unlisted equity securities (note b)	-	18,163
	265,401	675,245

(a) Details of investments in listed equity securities are as follows:

Name	*Fair value*		*Dividends recognised during the year*		*Place of Incorporation*	*Principal activities*
	2021 HK$'000	*2020* HK$'000	*2021* HK$'000	*2020* HK$'000		
China CITIC Bank International VRN Perpetual Regs	-	389,669	16,516	-	Hong Kong	Provision of financing services
Sino-Ocean Group Holding Limited	111,828	95,238	8,909	5,407	Hong Kong	Provision of investment holding, property development and property investment services
China Resources Pharmaceutical Group Limited	153,573	172,175	5,185	4,753	Hong Kong	Provision of investment holding, property development and property investment services
	265,401	657,082	30,610	10,160		

(b) Details of investments in unlisted equity securities are as follows:

Name of company	*Fair value at 31 December 2021* HK$'000	*Fair value at 31 December 2020* HK$'000	*Place of incorporation/ establishment*	*Percentage of ownership interest*	*Principal activity*
Sinochem Petroleum Netherlands Cooperatief U.A.	-	18,163	Netherlands	0.1019%	Exploration and production of crude oil

The above unlisted investments represent investments in unlisted shares issued by a private entity. No dividends were received on such investments during the year (2020: Nil).

(c) The above equity investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

For the year ended 31 December 2021, the net loss in respect of the Group's equity investments designated at FVOCI recognised in other comprehensive income amounted to HK$25,025,000 (2020: HK$234,847,000).

21 Derivative financial instruments

	2021		2020	
	Assets HK$'000	*Liabilities* HK$'000	*Assets* HK$'000	*Liabilities* HK$'000
Interest rate swaps	-	47,833	-	113,820
Cross currency interest rate swaps	92,513	3,165	77,862	-
Forward exchange contracts	56,892	-	-	-
Other derivative financial instruments	-	-	11,149	-
	149,405	50,998	89,011	113,820
Current portion	(149,405)	(16,663)	(89,011)	(12,361)
Non-current portion	-	34,335	-	101,459

Transactions of derivative financial instruments of the Group were conducted with creditworthy banks.

Cash flow hedge – Interest rate risk and foreign currency risk

At 31 December 2021, Jinmao had interest rate swap agreements in place with an aggregate notional amount of HK$960,000,000 and US$250,000,000, respectively, whereby it pays interest at fixed rates ranging from of 2.59% to 4.45% and receives interest at variable rates equal to the Hong Kong Interbank Offered Rate ("HIBOR") plus 1.65% and London Interbank Offered Rate ("LIBOR") plus 1.25% on the notional amount. The swaps are being used to hedge the interest rate exposure of floating rate unsecured bank loans with an aggregate face value of HK$960,000,000 and US$250,000,000, respectively.

At 31 December 2020, Jinmao had interest rate swap agreements in place with a notional amount of HK$1,920,000,000 whereby it pays interest at fixed rates ranging from 3.81% to 4.45% and receives interest at variable rates equal to the HIBOR plus 1.45% to 1.65% on the notional amount. The swaps are being used to hedge the interest rate risk exposure of a floating rate unsecured bank loans with an aggregate face value of HK$1,920,000,000.

At 31 December 2021, Jinmao had a cross currency interest rate swap agreement whereby the Group is required to pay interest at a fixed rate of 3.55% and pay RMB160,785,000 on the maturity date, and is entitled to receive interest at a variable rate equal to the LIBOR plus 0.30% and receive US$25,000,000 on the maturity date. The swap is being used to hedge the interest rate and foreign currency exposure of a floating rate unsecured bank loan with face value of US$25,000,000.

At 31 December 2021, the Group had cross currency interest rate swap agreements in place with a notional amount of 250,000,000 in Swiss Franc ("CHF") and US$268,240,000 whereby it pays interest at a fixed rate of 3.49% and pays US$268,240,000 on the maturity date, and receives interest at a fixed rate of 0.76% and receives CHF250,000,000 on the maturity date. And another cross currency interest rate swap agreement in place with a notional amount of RMB1,944,000,000 whereby it pays interest at a fixed rate of 1.2% and pays US$300,000,000 on the maturity date. The swaps are being used to hedge the foreign currency risk exposure to unsecured loans with face value of CHF250,000,000 and RMB1,944,000,000, respectively.

21 Derivative financial instruments (continued)

At 31 December 2020, the Group had a cross currency interest rate swap agreement in place with a notional amount of CHF250,000,000 and US$268,240,000 whereby it pays interest at a fixed rate of 3.49% and pays US$268,240,000 on the maturity date, and receives interest at a fixed rate of 0.76% and receives CHF250,000,000 on the maturity date. The swap is being used to hedge the foreign currency risk exposure to an unsecured loan with a face value of CHF250,000,000.

At 31 December 2021, the Group had forward exchange contracts in place with a notional amount of RMB1,965,900,000 for US$300,000,000. The forward exchange contracts is being used to hedge the exchange rate risk of loans from the immediate parent with an aggregate face value of RMB1,930,000,000. Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities denominated in foreign currencies include effective portions and ineffective portions, the effective portions are recognised in other comprehensive income, the ineffective portions are recognised in profit or loss, and the changes in the value of the forward points are recognised in profit or loss. The net fair value of forward exchange contracts used by the Group as economic hedges of monetary assets and liabilities denominated in foreign currencies at 31 December 2021 was HK$56,892,000 (2020: HK$Nil), and recognised as derivative financial instruments.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the swaps and foreign currency forward contracts match the terms of the variable rate foreign currency denominated bank loans (i.e., notional amount, maturity and payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the swaps and foreign currency forward contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted payments and the hedging instruments;
- Different interest rate curves applied to discount the hedged items and hedging instruments;
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items;
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments.

22 Amounts due from/to related parties

	31 December 2021 HK$'000	*31 December 2020* HK$'000
Current:		
Amounts due from an associate of the Group's ultimate holding company	116	-
Amounts due from associates (note a)	11,850,059	9,371,696
Amounts due from joint ventures (note b)	24,237,526	23,915,294
Amounts due from fellow subsidiaries	35,560,269	7,680,200
Amounts due from the ultimate parent	789	337
Amounts due from the immediate parent	8,201	4,726,348
Amounts due from non-controlling interests (note c)	2,339,669	1,550,945
	73,996,629	47,244,820
Less: Impairment allowance	(1,603,694)	(1,557,944)
	72,392,935	45,686,876
Non-current:		
Amounts due from associates (note a)	1,305,868	1,814,240
Amounts due from joint ventures (note b)	13,196,385	14,274,093
Amounts due from the immediate parent	20,967,181	20,847,216
Amounts due from non-controlling interests (note c)	-	1,038,135
Amounts due from fellow subsidiaries	9,890,024	-
	45,359,458	37,973,684

22 Amounts due from/to related parties (continued)

	31 December 2021 HK$'000	*31 December 2020* HK$'000
Current:		
Amounts due to related parties		
Amounts due to joint ventures (note d)	14,382,395	14,446,692
Amounts due to the ultimate parent	2,654	2,578
Amounts due to associates (note e)	13,068,729	9,545,195
Amounts due to other related parties	1	1
Amounts due to the immediate parent (note f)	8,655,835	2,584,719
Amounts due to fellow subsidiaries	5,838,780	9,370,259
Amounts due to associates of the Group's ultimate parent	19,510	3,173
Amounts due to non-controlling interests	3,152,362	880,298
	45,120,266	36,832,915
Non-current:		
Amounts due to related parties		
Amounts due to a joint venture (note d)	-	118,820
Amounts due to associates (note e)	2,139,067	1,349,721
Amounts due to the immediate parent (note f)	14,134,999	11,665,763
	16,274,066	13,134,304

Notes:

At each reporting date, an impairment analysis is performed using the general approach to recognise the ECLs on the amounts due from the related parties. For those associates and joint ventures undertaking property development projects, if applicable, the loss allowance is measured at an amount equal to the lifetime ECL which would be calculated by taking into account the fair value of the properties under development and properties held for sale held by the associates and joint ventures. The ECLs reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 December 2021, the loss allowance was HK$1,603,694,000 (2020: HK$1,474,422,000).

The amounts due from related parties are unsecured, interest-free and are repayable on demand, except for the following:

(a) The current balances of amounts due from associates as at 31 December 2021 included the amounts of HK$4,916,014,000 which bear interest at rates ranging from 2.42% to 9.00% per annum (2020: HK$3,375,580,000 which bear interest at rates ranging from 4.35% to 10.00% per annum).

The non-current balances of amounts due from associates as at 31 December 2021 included the amounts of HK$1,208,168,000 which bear interest at rates ranging from 5.22% to 8.00% per annum (2020: HK$1,558,061,000 which bear interest at rates ranging from 2.42% to 12.00% per annum).

22 Amounts due from/to related parties (continued)

(b) The current balances of amounts due from joint ventures as at 31 December 2021 included the amounts of HK$13,067,849,000 which bear interest at rates ranging from 4.35% to 10.00% per annum (2020: HK$10,823,338,000 which bear interest at rates ranging from 2.18% to 13.88% per annum).

The non-current balances of amounts due from joint ventures as at 31 December 2021 included the amounts of HK$11,787,235,000 which bear interest at rates ranging from 1.93% to 13.88% per annum (2020: HK$13,676,225,000 which bear interest at rates ranging from 1.93% to 12.00% per annum).

(c) The current balances of amounts due from the non-controlling interests as at 31 December 2021 included the amounts of HK$2,137,956,000 which bear interest at a rate of 2.18% to 2.75% per annum (2020: HK$1,205,486,000 which bear interest at a rates of 2.18% per annum).

The non-current balances of amounts due from the non-controlling interests as at 31 December 2021 included the amounts of HK$Nil (2020: HK$1,003,069,000 which bear interest at a rate of 2.75% per annum).

The amounts due to related parties are unsecured, interest-free and repayable on demand, except for the following:

(d) The current balances of amounts due to joint ventures as at 31 December 2021 included the amounts of HK$Nil (2020: HK$819,858,000 which bear interest at a rate of 4.75% per annum).

The non-current balances of amounts due to a joint venture as at 31 December 2021 included the amounts of HK$Nil (2020: HK$118,820,000 which bear interest at a rate of 2.00% per annum).

(e) The current balances of amounts due to associates as at 31 December 2021 included the amounts of HK$1,606,372,000 which bear interest at rates ranging from 2.18% to 3.85% per annum (2020: HK$1,681,785,000 which bear interest at rates ranging from 3.05% to 4.75% per annum).

The non-current balances of amounts due to associates as at 31 December 2021 included the amounts of HK$950,342,000 which bear interest at rates ranging from 4.28% to 4.75% per annum (2020: HK$1,325,437,000 which bear interest at rates ranging from 2.38% to 4.28% per annum).

(f) The current balances of the amounts due to the immediate parent included the amounts of HK$4,444,900,000 (2020: HK$4,190,216,000), HK$2,360,568,000 (2020: HK$522,808,000) and HK$1,766,072,000 which bear interest at 2.9%, 0.1% and 2.9% per annum (2020: HK$2,554,630,000 which bear interest at a rate of 2.90% per annum).

The non-current balances of amounts due to the immediate parent as at 31 December 2021 included the amounts of HK$ 13,087,084,000 which bear interest at rates ranging from 4.20% to 4.35% per annum (2020: HK$11,050,260,000 which bear interest at rates ranging from 4.20% to 4.35% per annum).

23 Amounts due from non-controlling interests

The non-current balances of amounts due from non-controlling interests are unsecured, bear interest at rates ranging from 2.18% to 4.75% (2020: 0.35% to 4.75%) per annum and are not repayable within one year.

24 Other assets

	2021 HK$'000	*2020* HK$'000
Other receivables (note a)	546,525	487,853
Other financial assets (note b)	1,895,032	769,616
Long-term time deposit (note 30(a))	-	3,921,060
At 31 December	2,441,557	5,178,529
Current portion	(52)	(4,516,403)
Non-current portion	2,441,505	662,126

(a) As at 31 December 2021, the other receivables included a pledged deposit of HK$300,833,000 (2020: HK$292,297,000) made to a local government for performance guarantee, which is not recoverable within one year.

(b) Set out below is the information about other financial assets:

	2021 HK$'000	*2020* HK$'000
Non-current portion		
Unlisted equity investments at fair value through profit or loss	128,425	59,410
Investment in convertible bond, at fair value	986,305	-
Other unlisted investments at fair value through profit or loss	780,250	114,863
	1,894,980	174,273
Current portion		
Other unlisted investments at fair value through profit or loss	52	595,343
	52	595,343
	1,895,032	769,616

The balance of the non-current portion of unlisted equity investments at 31 December 2021 was classified as financial assets at fair value through profit or loss.

24 Other assets (continued)

The balance of the non-current portion of other unlisted investments as at 31 December 2021 represented wealth management products with original maturity of over one year when acquired from banks.

The balance of the current portion of listed equity investments at 31 December 2021 was classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The balance of the current portion of other unlisted investments as at 31 December 2021 included wealth management products with original maturity within one year when acquired from banks of HK$52,000 (2020: HK$595,343,000).

25 Inventories

	2021 HK$'000	*2020* HK$'000
Raw materials	266,044	188,659
Finished goods	3,288	3,174
Consumables	17,000	17,162
	286,332	208,995

26 Properties held for sale

For the year ended 31 December 2021, the Group recognised impairment losses of HK$481,340,000 (2020: HK$1,704,171,000) on properties held for sale (note 5). At 31 December 2021, the provision for impairment of properties held for sale amounted to HK$1,357,474,000 (2020: HK$1,704,171,000).

At 31 December 2021, certain of the Group's properties included in properties held for sale with a net carrying amount of approximately HK$162,061,000 (2020: HK$157,438,000) were pledged to secure bank loans granted to the Group (note 33).

27 Trade receivables

	2021 HK$'000	*2020* HK$'000
Trade receivables	2,580,255	556,560
Impairment allowance	(33,795)	(25,683)
Total trade receivables	2,546,460	530,877

27 Trade receivables (continued)

As at the end of the reporting period, the ageing analysis of trade receivables net of loss allowance presented based on the invoice date is as follows:

	2021 HK$'000	*2020* HK$'000
Within 3 months	1,642,940	279,619
3 to 6 months	181,923	80,745
6 to 12 months	605,166	57,066
Over 12 months	116,431	113,447
	2,546,460	530,877

Consideration in respect of properties sold is receivable in accordance with the terms of the related sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of hotel, decoration and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months for major customers. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing. At 31 December 2021, certain of the Group's trade receivables with a net carrying amount of approximately HK$14,080,235 (2020: Nil) were pledged to secure bank and other loans granted to the Group.

28 Prepayments, other receivables and other assets

	2021 HK$'000	*2020* HK$'000
Prepayments	15,826,545	18,540,301
Deposits	5,043,112	4,915,623
Other receivables	8,895,784	7,191,873
Amounts due from non-controlling interests (note a)	16,166,592	14,211,274
Contract costs (note b)	225,654	395,164
	46,157,687	45,254,235
Impairment allowance (note c)	(14,252)	(6,921)
Total	46,143,435	45,247,314

28 Prepayments, other receivables and other assets (continued)

Notes:

(a) The amounts due from non-controlling interests are unsecured, interest-free and repayable within one year, except for the amounts of HK$13,808,082,000 in aggregate, which bear interest at rates ranging from 1.93% to 4.75% per annum (2020: HK$10,628,500,000 in aggregate, which bear interest at rates ranging from 0.35% to 4.75% per annum).

(b) The contract costs represent primarily sale commission and stamp duty paid/payable as a result of obtaining the property sale contracts. These amounts would be amortised when the related revenue is recognised in profit or loss.

(c) The movement in the loss allowance during the year is as follows:

	2021 HK$'000	*2020* HK$'000
At 1 January	6,921	3,004
Impairment losses recognised (note 5)	7,025	3,524
Exchange adjustments	306	393
At 31 December	14,252	6,921

29 Contract assets

	2021 HK$'000	*2020* HK$'000
Contract assets arising from:		
Design, construction and decoration services	1,713,427	937,880

Contract assets are initially recognised for other revenue earned from the design and decoration services as the receipt of consideration is conditional on successful completion of services. Included in contract assets for design and decoration services are retention receivables. Upon completion of design and decoration services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

The increase in contract assets in 2021 and 2020 was the result of the increase in the ongoing provision of design and decoration services.

The expected timing of recovery or settlement for contract assets as at 31 December 2021 and 2020 is within one year.

29 Contract assets (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group performs impairment assessment under ECL model on contract assets based on shared credit risk characteristics by reference to repayment history and past due status of customers and forward looking information. Given the Group has not experienced any significant credit losses in the past, the directors of the Group assess that the loss allowance is insignificant.

30 Cash and bank balances

(a) Reconciliation of cash and bank balances to cash and cash equivalents

	2021 HK$'000	*2020* HK$'000
Cash and bank balances	38,318,801	48,414,644
Time deposits	10,713,919	14,288,553
	49,032,720	62,703,197
Less: Restricted bank balances	(10,633,307)	(10,244,867)
Less: Long-term time deposit (note i)	-	(3,921,060)
Cash and cash equivalents (note ii)	38,399,413	48,537,270

Notes:

(i) The Group's long-term time deposit of HK$Nil (2020: HK$3,921,060,000) is placed with Sinochem Group Finance Co., Ltd., a fellow subsidiary of the Company, has a term of 2 years with a fixed rate of 3.15% per annum. The long-term deposit has been recovered in 2021.

(ii) Cash and cash equivalents comprise cash at banks and cash held by the Group bearing interest at prevailing market rates.

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.

30 Cash and bank balances (continued)

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank and other borrowings HK$'000	*Payable to non-controlling interests* HK$'000	*Other payables and accruals excluding payable to non-controlling interests* HK$'000	*Amounts due to related parties* HK$'000	*Other non-current liabilities* HK$'000	*Lease liabilities* HK$'000	*Total* HK$'000
At 1 January 2021	134,033,787	5,825,525	118,845,523	49,967,219	85,545	1,306,516	310,064,115
New bank and other borrowings	144,567,708	-	-	-	-	-	144,567,708
Repayment of bank and other borrowings	(105,979,946)	-	-	-	-	-	(105,979,946)
Advance from non-controlling interests	-	1,806,458	-	-	-	-	1,806,458
Dividends paid to non-controlling interests of subsidiaries	-	(3,554,364)	-	-	-	-	(3,554,364)
Repayment of loans from non-controlling interests	-	(1,827,478)	-	-	-	-	(1,827,478)
Advance of investments from third parties	-	-	(2,421,774)	-	-	-	(2,421,774)
Interest paid	-	-	(6,751,061)	-	-	-	(6,751,061)
Capital element of lease rentals paid	-	-	-	-	-	(150,930)	(150,930)
Interest element of lease rentals paid	-	-	-	-	-	(59,894)	(59,894)
Increase in amounts due to related parties	-	-	-	6,357,688	-	-	6,357,688
Net cash flows from financing activities	38,587,762	(3,575,384)	(9,172,835)	6,357,688	-	(210,824)	31,986,407
Increase in lease liabilities from entering into new leases during the year	-	-	-	-	-	49,275	49,275
Interest expenses	-	-	4,024,989	-	-	59,892	4,084,881
Interest capitalised in properties under development and other qualifying assets	-	-	3,513,266	-	-	-	3,513,266
Dividends declared by subsidiaries	-	3,603,415	-	-	-	-	3,603,415
Increase arising from acquisition of subsidiaries	1,436,439	-	17,095,372	-	-	1,258	18,533,069
Decrease arising from disposal of subsidiaries	(1,562,735)	-	(11,143,493)	-	-	-	(12,706,228)
Reclassification of other non-current liabilities	-	-	88,058	-	(88,058)	-	-
Other changes	-	(742,076)	(5,067,038)	4,556,367	-	-	(1,252,747)
	(126,296)	2,861,339	8,511,154	4,556,367	(88,058)	110,425	15,824,931
Net foreign exchange differences	2,079,483	258,213	4,407,415	513,058	2,513	97,669	7,358,351
At 31 December 2021	174,574,736	5,369,693	122,591,257	61,394,332	-	1,303,786	365,233,804

30 Cash and bank balances (continued)

	Bank and other borrowings HK$'000	*Payable to non-controlling interests* HK$'000	*Other payables and accruals excluding payable to non-controlling interests* HK$'000	*Amounts due to related parties* HK$'000	*Other non-current liabilities* HK$'000	*Lease liabilities* HK$'000	*Total* HK$'000
At 1 January 2020	128,937,688	5,415,712	87,186,330	24,799,462	78,138	212,648	246,629,978
New bank and other borrowings	107,640,653	-	-	-	-	-	107,640,653
Repayment of bank and other borrowings	(115,231,993)	-	-	-	-	-	(115,231,993)
Advance from non-controlling interests	-	1,897,460	-	-	-	-	1,897,460
Dividends paid to non-controlling interests of subsidiaries	-	(2,343,696)	-	-	-	-	(2,343,696)
Repayment of loans from non-controlling interests	-	(1,084,169)	-	-	-	-	(1,084,169)
Advance of investments from third parties	-	-	2,040,066	-	-	-	2,040,066
Interest paid	-	-	(10,153,936)	-	-	-	(10,153,936)
Dividends paid	-	-	-	(389,393)	-	-	(389,393)
Capital element of lease rentals paid	-	-	-	-	-	(150,158)	(150,158)
Interest element of lease rentals paid	-	-	-	-	-	(45,878)	(45,878)
Decrease in amounts due to related parties	-	-	-	(122,390)	-	-	(122,390)
Increase in other non-current liabilities	-	-	-	-	2,245	-	2,245
Net cash flows from financing activities	(7,591,340)	(1,530,405)	(8,113,870)	(511,783)	2,245	(196,036)	(17,941,189)
Increase in lease liabilities from entering into new leases during the year	-	-	-	-	-	1,120,848	1,120,848
Interest expenses	-	-	3,826,069	-	-	46,000	3,872,069
Interest capitalised in properties under development and other qualifying assets	-	-	5,840,467	-	-	-	5,840,467
Dividends declared	-	2,290,796	-	2,099,891	-	-	4,390,687
Increase arising from acquisition of subsidiaries	13,695,731	-	8,916,084	-	-	5,413	22,617,228
Decrease arising from disposal of subsidiaries	(5,484,299)	-	(25,489,615)	-	-	-	(30,973,914)
Increase in loans from joint ventures and associates	-	-	-	12,430,167	-	-	12,430,167
Other changes	-	(742,076)	37,804,648	7,741,233	-	-	44,803,805
	8,211,432	1,548,720	30,897,653	22,271,291	-	1,172,261	64,101,357
Net foreign exchange differences	4,476,007	391,498	8,875,410	3,408,249	5,162	117,643	17,273,969
At 31 December 2020	134,033,787	5,825,525	118,845,523	49,967,219	85,545	1,306,516	310,064,115

(c) *Total cash outflow for leases:*

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2021 HK$'000	*2020* HK$'000
Within operating cash flows	91,717	36,710
Within financing cash flows	210,824	196,036
	302,541	232,746

31 Trade and bills payables

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 HK$'000	*2020* HK$'000
Within one year	32,382,024	24,423,971
Over one year	3,028,399	1,605,745
	35,410,423	26,029,716

32 Other payables and accruals

	2021 HK$'000	*2020* HK$'000
Other payables	22,552,271	20,141,767
Receipt in advances	3,120,844	152,799
Accruals	258,223	317,560
Amounts due to non-controlling interests (note a)	5,369,693	5,825,228
Contract liabilities (note b)	95,662,646	96,830,887
Dividend payable to non-controlling interests	41,129	297
Deferred revenue	956,144	1,402,510
Carrying amount at 31 December	127,960,950	124,671,048
Current portion	127,017,263	124,671,048
Non-current portion	943,687	-

32 Other payables and accruals (continued)

Notes:

(a) The amounts due to non-controlling interests as at 31 December 2021 are unsecured, interest-free, except for the amounts of HK$1,753,230,000, in aggregate, which bear interest at rates ranging from 4.35% to 12.00% per annum (2020: HK$3,400,244,000, in aggregate, which bear interest at rates ranging from 4.35% to 12.00% per annum).

(b) Details of contract liabilities as at 31 December 2021 and 2020 were as follows:

	2021	*2020*
	HK$'000	HK$'000
Short-term advances received from customers		
Sale of properties	95,011,456	96,378,550
Hotel operations	100,586	95,561
Property management	550,604	328,751
Land development	-	28,025
Total contract liabilities	95,662,646	96,830,887

Contract liabilities include short-term advances received from customers to deliver completed properties and land development assets, render hotel operations, and provide design and decoration services and management services. The decrease in contract liabilities in 2021 was mainly due to the recognition of revenue arising from contract liabilities in relation to short-term advances received from customers.

33 Interest-bearing borrowings

	2021 HK$'000	*2020* HK$'000
Current:		
Bank loans, secured (note a)	9,174,000	6,804,888
Bank loans, unsecured	19,422,040	17,333,138
Guaranteed senior notes, unsecured (note b)	5,459,114	4,601,724
Notes issued under the medium-term note programme (note c)	4,570,037	1,543,505
Notes, unsecured	978,474	-
Bonds (note e)	-	3,563,272
Other loans (note f)	2,336,682	5,065,078
	41,940,347	38,911,605
Non-current:		
Bank loans, secured (note a)	12,932,416	7,864,800
Bank loans, unsecured	18,347,018	19,029,273
Guaranteed senior notes, unsecured (note b)	14,269,562	14,919,273
Notes issued under the medium-term note programme (note c)	28,526,337	8,367,108
Domestic corporate bonds, unsecured (note d)	16,878,669	10,456,160
Bonds (note e)	611,546	594,100
Other loans (note f)	41,068,841	33,891,468
	132,634,389	95,122,182

	2021 HK$'000	*2020* HK$'000
Within one year	41,940,347	38,911,605
In the second year	26,880,493	33,624,414
In the third to fifth years, inclusive	71,359,590	38,951,155
Beyond five years	34,394,306	22,546,613
	174,574,736	134,033,787

33 Interest-bearing borrowings (continued)

Notes:

(a) The Group's bank loans are secured by:

(i) mortgages over certain of the Group's property, plant and equipment, which had an aggregate net carrying value at the end of the reporting period of HK$ 3,930,763,000 (2020: HK$261,383,000);

(ii) mortgages over certain of the Group's properties under development, which had an aggregate carrying amount at the end of the reporting period of HK$ 110,496,468,000 (2020: HK$89,477,391,000);

(iii) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying amount at the end of the reporting period of HK$162,061,000 (2020: HK$157,438,000);

(iv) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of HK$14,531,651,000 (2020: HK$13,447,964,000);

(v) mortgages over certain of the Group's trade receivables, which had an aggregate carrying amount at the end of the reporting period of HK$14,080,000 (2020: HK$Nil).

(b) On 4 November 2010, Sinochem Overseas Capital Company Limited, a wholly-owned subsidiary of the Group, issued US$500,000,000 6.30% guaranteed senior notes due 2040 (the "2040 Notes"). The 2040 Notes are unsecured.

On 21 August 2013, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US$200,000,000 6.40% guaranteed senior notes due 2022 (the "2022 Notes 1 "). The 2022 Notes 1 are unsecured, bear interest at a rate of 6.40% per annum and will mature on 27 April 2022. On 3 March 2017 issued US$500,000,000 5.75% guaranteed senior notes due 2022 (the "2022 Notes 2 "). The 2022 Notes 2 are unsecured, bear interest at a rate of 3.60% per annum and will mature on 3 March 2022.

On 24 June 2019, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US$250,000,000 4.00% guaranteed senior notes due 2024 ("the 2024 Notes"). The 2024 Notes are unsecured, bear interest at a rate of 4.00% per annum and will mature on 24 June 2024.

On 23 July 2019, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US$500,000,000 4.25% guaranteed senior notes due 2029 ("the 2029 Notes"). The 2029 Notes are unsecured, bear interest at a rate of 4.00% per annum and will mature on 23 July 2029.

On 4 April 2021, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US$600,000,000 3.20% guaranteed senior notes due 2026 ("the 2026 Notes"). The 2029 Notes are unsecured, bear interest at a rate of 3.20% per annum and will mature on 23 July 2029.

33 Interest-bearing borrowings (continued)

(c) Sinochem Offshore Capital Company Limited, a wholly-owned subsidiary of the Company, established a US$3,000,000,000 Medium-Term Note Programme on 17 April 2014. According to the programme, the notes to be issued under the programme are unsecured and guaranteed on an unsubordinated basis by the Company. On 28 April 2017, Sinochem Offshore Capital Company Limited updated the programme to US$5,000,000,000. On 21 October 2020, Sinochem Offshore Capital Company Limited updated the programme to US$10,000,000,000.

On 17 June 2015 and 24 May 2017, Sinochem Offshore Capital Company Limited issued CHF250,000,000 0.76% senior guaranteed notes (due 2022), US$300,000,000 3.124% senior guaranteed notes (due 2022) under this programme, respectively. The notes are unsecured and will be matured on 17 June 2022 and 24 May 2022, respectively.

On 29 October 2020, Sinochem Offshore Capital Company Limited issued US$500,000,000 1.625% guaranteed notes due 2025. The note is unsecured and will be matured on 29 October 2025.

On 23 August 2021, Sinochem Offshore Capital Company Limited issued RMB1,944,000,000 3.12% guaranteed note due 2024. The note is unsecured and will be matured on 23 July 2024.

On 23 September 2021, Sinochem Offshore Capital Company Limited issued US$400,000,000 1.00% guaranteed notes (due 2024), US$600,000,000 1.500% guaranteed notes (due 2026), US$500,000,000 2.375% guaranteed notes (due 2031), respectively. The notes are unsecured and will be matured on 23 September 2024, 23 September 2026 and 23 September 2031, respectively.

On 24 November 2021, Sinochem Offshore Capital Company Limited issued US$300,000,000 1.50% guaranteed notes (due 2024), and US$ 500,000,000 2.25% guaranteed notes (due 2026), respectively. The notes are unsecured and will be matured on 24 November 2024, and 24 November 2026, respectively.

On 25 November 2021, Sinochem Offshore Capital Company Limited issued EUR$500,000,000 0.75% guaranteed notes (due 2025). The note is unsecured and will be matured on 25 November 2025.

(d) On 22 February 2019, Jinmao Investment Management (Shanghai) Co., a wholly-owned subsidiary of Jinmao, issued five year domestic corporate bonds with an aggregate principal amount of RMB1,800,000,000 to qualified investors. The coupon rate of the corporate bonds was fixed at 3.72% for the first three years based on the book-building process with the lead underwriters.

On 28 August 2019, Jinmao Investment Management (Shanghai) Co., a wholly-owned subsidiary of Jinmao, issued five year domestic corporate bonds with an aggregate principal amount of RMB2,000,000,000 to qualified investors. The coupon rate of the corporate bonds was fixed at 3.65% for the first three years based on the book-building process with the lead underwriters.

33 Interest-bearing borrowings (continued)

On 13 March 2020, Jinmao Investment Management (Shanghai) Co., a wholly-owned subsidiary of Jinmao, issued five year domestic corporate bonds with an aggregate principal amount of RMB2,500,000,000 to qualified investors. The coupon rate of the corporate bonds was fixed at 3.10% for the first three years based on the book-building process with the lead underwriters.

On 10 July 2020, Jinmao Investment, a wholly-owned subsidiary of Jinmao, issued five year domestic corporate bonds with an aggregate principal amount of RMB2,500,000,000 to qualified investors. The coupon rate of the corporate bonds was fixed at 3.80% for the first three years based on the book-building process with the lead underwriters.

On 16 April 2021, Jinmao Investment, a wholly-owned subsidiary of Jinmao, issued three years domestic corporate bonds with an aggregate principal amount of RMB3,000,000,000 to qualified investors. The coupon rate of the corporate bonds was fixed at 3.74% for the first three years based on the book-building process with the lead underwriters.

On 14 October 2021, Jinmao Investment, a wholly-owned subsidiary of Jinmao, issued three years domestic corporate bonds with an aggregate principal amount of RMB2,000,000,000 to qualified investors. The coupon rate of the corporate bonds was fixed at 3.65% for the first three years based on the book-building process with the lead underwriters.

(e) On 19 March 2020, Jinmao Holdings Group Limited issued medium-term notes with an aggregate principal amount of RMB500,000,000, with a maturity of three years at a rate of 3.28% per annum. The bond under current liability as at 31 December 2020 has already due and repaid on 12 April 2021.

(f) The balance includes an amount due to a fellow subsidiary of the Group, loans from third parties and short-term notes.

(g) The ranges of effective interest rates on the Group's borrowings are as follows:

	2021 HK$'000	*2020* HK$'000
Effective interest rate:		
Fixed rate borrowings	0.75% to 6.90%	0.76% to 7.00%
Variable rate borrowings	1.12% to 5.39%	1.52% to 5.70%

34 Provision for land appreciation tax

	HK$'000
At 1 January 2020	3,672,778
Charged to profit or loss during the year (note 8)	1,027,487
Payment during the year	(1,753,074)
Transfer from tax recoverable	(641,793)
Exchange adjustments	159,102
At 31 December 2020 and at 1 January 2021	2,464,500
Charged to profit or loss during the year (note 8)	2,464,821
Payment during the year	(1,047,593)
Transfer from tax recoverable	(1,128,022)
Exchange adjustments	76,606
At 31 December 2021	2,830,312

Details of provision for land appreciation tax are set out in note 8(a).

Effective from 1995, the local tax bureau requires the prepayment of LAT on the pre-sales and sales proceeds of properties. According to the relevant tax notices issued by local tax authorities, the Group is required to pay LAT in advance at 1% to 3.5% on the sales and pre-sales proceeds of the Group's properties.

Jinmao has estimated, made and included in taxation a provision for LAT according to the requirements set out in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects. The tax authorities might disagree with the basis on which the provision for LAT is calculated.

35 Lease liabilities

At 31 December 2021, the lease liabilities were repayable as follows:

	2021 HK$'000	2020 HK$'000
Within 1 year	143,353	114,719
After 1 year but after 2 years	148,400	118,846
After 2 years but within 5 years	211,633	208,950
After 5 years	800,400	864,001
	1,303,786	1,306,516

36 Deferred tax assets/liabilities

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset.

	Depreciation allowance in excess of related depreciation HK$'000	*Fair value adjustments on business combinations* HK$'000	*Accrued interest income* HK$'000	*Revaluation of investment properties* HK$'000	*Withholding taxes* HK$'000	*Provision for LAT* HK$'000	*Unrealised profits arising from intra-group transactions* HK$'000	*Losses available for offsetting taxable profits* HK$'000	*Others* HK$'000	*Total* HK$'000
At 1 January 2020	(758,239)	(909,870)	(249,171)	(4,295,911)	(158,735)	867,482	1,313,484	793,653	(301,077)	(3,698,384)
Deferred tax credited/ (charged) to profit or loss during the year	(52,465)	461,786	180,950	(335,398)	-	(378,600)	54,042	(47,808)	322,182	204,689
Acquisition of subsidiaries (note 42)	-	(830,977)	-	-	-	-	-	16,314	-	(814,663)
Disposal of subsidiaries (note 43)	-	-	-	-	-	-	(34,601)	-	-	(34,601)
Exchange adjustments	(51,808)	(79,518)	(5,799)	(287,905)	(10,224)	34,427	85,702	49,335	(926)	(266,716)
At 31 December 2020	(862,512)	(1,358,579)	(74,020)	(4,919,214)	(168,959)	523,309	1,418,627	811,494	20,179	(4,609,675)
At 1 January 2021	(862,512)	(1,358,579)	(74,020)	(4,919,214)	(168,959)	523,309	1,418,627	811,494	20,179	(4,609,675)
Deferred tax credited/ (charged) to profit or loss during the year	(74,729)	516,748	28,209	(94,707)	-	(32,061)	(6,945)	520,341	(392,930)	463,926
Acquisition of subsidiaries (note 42)	-	(427,908)	-	-	-	-	-	70,432	-	(357,476)
Disposal of subsidiaries (note 43)	-	-	-	-	-	-	-	(30,028)	-	(30,028)
Exchange adjustments	(26,422)	(38,594)	(1,761)	(24,754)	(4,961)	14,898	41,557	32,040	(126,038)	(134,035)
At 31 December 2021	(963,663)	(1,308,333)	(47,572)	(5,038,675)	(173,920)	506,146	1,453,239	1,404,279	(498,789)	(4,667,288)

36 Deferred tax assets/liabilities (continued)

	2021 HK$'000	*2020* HK$'000
Net deferred tax asset recognised in the consolidated statement of financial position	4,034,255	3,688,385
Net deferred tax liability recognised in the consolidated statement of financial position	(8,701,543)	(8,298,060)
	(4,667,288)	(4,609,675)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through the future taxable profits is probable. By reference to financial budgets, the management of the Group has assessed whether there will be sufficient future taxable profits or taxable temporary differences available in the future for the realisation of deferred tax assets which have been recognised in respect of tax losses and other temporary differences.

The Group has recognised deferred tax assets in respect of tax losses amounting to approximately HK$5,617,116,000 (2020: HK$3,245,977,000) that can be carried forward against taxable income in the coming five years in Mainland China.

No deferred tax assets were recognised on the remaining tax losses of approximately HK$7,623,977,495 (2020: HK$5,357,328,000) that will expire in one to five years as the Group determines that the realisation of the related tax benefit through future taxable profits is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is 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. Jinmao is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China to foreign investors in respect of earnings generated from 1 January 2008. For the Group, the applicable rates is 5%. At 31 December 2021, the Group recognised deferred tax liabilities of approximately HK$173,920,000 (2020: HK$168,959,000) for withholding taxes that would be payable on the unremitted earnings in the PRC. As the Group controls the dividend policy of its PRC subsidiaries, it has the ability to control the timing of the reversal of temporary differences associated with the investments in subsidiaries. Furthermore, the Group has determined that certain profits earned by the PRC subsidiaries will not be distributed to foreign investors in the foreseeable future. As such, deferred taxation has not been provided for in respect of temporary differences attributable to retained profits of those PRC subsidiaries of approximately HK$47,939,452,000 at 31 December 2021 (2020: HK$37,666,590,000).

37 Issued capital

The movements in issued capital of the Company:

	2021 HK$'000	2020 HK$'000
Issued and fully paid:		
24,468,400 (2020: 24,468,400) ordinary shares	24,468,400	24,468,400

38 Perpetual capital securities

On 8 February 2021, Franshion Brilliant Limited issued subordinate guaranteed perpetual capital securities with an aggregate principal amount of HK$3,898,278,000 (equivalent to RMB3,233,900,000). The direct transaction costs attributable to the issuance amounted to RMB10,964,000 (equivalent to approximately HK$13,216,000).

On 29 June 2021, Suzhou Yongmao Properties Limited entered into a perpetual debt agreement, in an aggregate principal amount of HK$1,205,442,000 (equivalent to RMB1,000,000,000) with Yangguang Asset Management Co., Ltd. The debts are guaranteed by Shanghai Jinmao Investment Management Group Co., Ltd. The debts confer a right to receive distribution at 5.40% per annum from and including 20 September 2021, payable quarterly on 20 March, 20 June, 20 September and 20 December of each year. The Group may at its sole discretion, elect to defer a distribution pursuant to the terms of the debts.

On 14 December 2020, Jinmao Investment Management (Tianjin) Co., Ltd. entered into a perpetual debt agreement, in an aggregate principal amount of HK$5,622,500,000 (equivalent to RMB5,000,000,000) with the Company's intermediate holding company, Sinochem Corporation. The debts confer a right to receive distribution at 4.95% per annum payable annually in arrears beginning on 14 December 2021. Jinmao Investment Management (Tianjin) Co., Ltd., may at its sole discretion, elect to defer a distribution pursuant to the terms of the debts.

On 29 October 2020, Sinochem Offshore Capital Company Limited issued Guaranteed Subordinated Perpetual Securities of HK$3,876,300,000 (equivalent to US$500,000,000) under the Medium Term Note and Perpetual Securities Programme unconditionally and irrevocably guaranteed by the Company.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of the perpetual securities due to redemption other than an unforeseen liquidation of the Group. Accordingly, these securities are classified as equity instruments.

39 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from previous years.

The capital structure of the Group consists of net debt including borrowings, net of cash and cash equivalents and equity attributable to owners of the Company comprising issued equity, retained profits and other reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

40 Financial risk management and fair value of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, restricted bank balances, amounts due from related parties, amounts due from non-controlling interests, trade receivables, contract assets and financial assets included in prepayments, other receivables and other assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's exposure to credit risk arising from cash and cash equivalents and restricted bank balances is limited because the counterparties are banks and financial institutions for which the Group considers to have low credit risk.

The related parties are subsidiaries of large group companies with sound credit ratings. Accordingly, in the opinion of the directors, the credit risk on amounts due from related parties is limited.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle trade receivables in accordance with contracted terms and other debts in accordance with agreements. Credit terms may be granted to customers, depending on the nature of business. Debtors with balances that are past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

40 Financial risk management and fair value of financial instruments (continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate. The Group has no concentration of credit risk in view of its large number customers.

The maximum consolidated exposure to credit risk is represented by the carrying amount of each financial asset, in the consolidated statement of financial position after deducting any impairment allowance.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 27 and note 28.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provide information about the Group's exposure to credit risk and ECLs for trade receivables:

	2021		
	Expected loss rate %	*Gross carrying amount* HK$'000	*Loss allowance* HK$'000
Current	0.04%	2,449,955	1,035
Less than 1 month	3.21%	5,943	191
1 to 3 months	8.16%	7,313	597
Over 3 months	27.32%	117,044	31,972
		2,580,255	33,795

	2020		
	Expected loss rate %	*Gross carrying amount* HK$'000	*Loss allowance* HK$'000
Current	0.02%	450,318	89
Less than 1 month	1.19%	4,710	56
1 to 3 months	1.40%	7,542	106
Over 3 months	27.06%	93,990	25,432
		556,560	25,683

40 Financial risk management and fair value of financial instruments (continued)

Expected loss rates are based on actual loss experience over the past 1 year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2021 HK$'000	*2020* HK$'000
At 1 January	25,683	18,078
Impairment losses recognised (note 5)	7,252	6,095
Exchange adjustments	860	1,510
At 31 December	33,795	25,683

(b) *Liquidity risk*

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturities at the end of reporting period of the Group's financial liabilities, which are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	2021 Contractual undiscounted cash outflow				
	Less than 1 year or on demand HK$'000	*1 to 5 years* HK$'000	*Over 5 years* HK$'000	*Total* HK$'000	*Carrying amount* HK$'000
Trade and bills payables	35,410,423	-	-	35,410,423	35,410,423
Financial liabilities included in other payables and accruals	30,946,564	-	-	30,946,564	30,946,564
Derivative financial instruments	16,663	34,335	-	50,998	50,998
Interest-bearing borrowings	51,883,789	114,440,891	31,567,553	197,892,233	174,574,736
Lease liabilities	221,212	662,687	1,084,439	1,968,338	1,303,786
Amounts due to related parties	45,138,329	16,274,066	-	61,412,395	61,394,332
	163,616,980	131,411,979	32,651,992	327,680,951	303,680,839

40 Financial risk management and fair value of financial instruments (continued)

	2020 Contractual undiscounted cash outflow				
	Less than 1 year or on demand HK$'000	*1 to 5 years* HK$'000	*Over 5 years* HK$'000	*Total* HK$'000	*Carrying amount* HK$'000
Trade and bills payables	26,029,716	-	-	26,029,716	26,029,716
Financial liabilities included in other payables and accruals	26,284,852	-	-	26,284,852	26,284,852
Derivative financial instruments	12,361	101,459	-	113,820	113,820
Interest-bearing borrowings	41,102,238	76,767,265	23,188,741	141,058,244	134,033,787
Lease liabilities	222,367	560,260	1,047,391	1,830,018	1,306,516
Amounts due to related parties	36,832,915	13,134,304	-	49,967,219	49,967,219
Other non-current liabilities	26,793	66,104	2,376	95,273	85,545
	130,511,242	90,629,392	24,238,508	245,379,142	237,821,455

(c) *Interest rate risk*

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in note(i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings and lease liabilities at the end of the reporting period.

	2021		*2020*	
	Effective interest rate %	HK$'000	*Effective interest rate* %	HK$'000
Fixed rate borrowings:				
Lease liabilities (note 35)	4.75% - 4.90%	1,303,786	4.75% - 4.90%	1,306,516
Bank loans	0.95% - 5.50%	20,628,489	1.52% - 5.50%	9,830,330
Other loans& notes, unsecured	3.91% - 6.90%	38,559,739	4.10% - 7.00%	30,946,025
Guaranteed senior notes	3.20% - 6.40%	19,728,676	3.60% - 6.75%	19,520,997
Notes issued under the medium term note programme	0.75% - 3.12%	33,096,374	0.76% - 4.40%	9,910,613
Domestic corporate bonds	3.10% - 3.74%	16,878,669	3.10% - 3.72%	10,456,160
Bonds	3.28%	611,546	3.28% - 4.99%	4,157,372
		130,807,279		86,128,013
Variable rate borrowings:				
Bank loans	1.12% - 5.39%	39,246,985	2.15% - 5.70%	41,201,769
Other loans	2.65% - 4.75%	5,824,258	2.65% - 5.50%	8,010,521
		45,071,243		49,212,290
Total borrowings		175,878,522		135,340,303

40 Financial risk management and fair value of financial instruments (continued)

(ii) Sensitivity analysis

At 31 December 2021, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit for the year by approximately HK$171,862,000 (2020: decreased/increased by approximately HK$186,403,000), and decreased/increased the Group's retained profits by approximately HK$171,862,000 (2020: decreased/increased by approximately HK$186,403,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

Certain bank balances, trade receivables, other receivables, trade and bills payables, other payables, amounts due from and to related companies, bank balances and borrowings are denominated in currencies other than the functional currencies of the respective group entities. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The Group is mainly exposed to the risk of fluctuations in the rates of US$, HK$ and RMB.

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2021			*2020*		
	Increase/ (decrease) in foreign exchange rates	*Effect on results of the year and retained profits* HK$'000	*Effect on other components of equity* HK$'000	*Increase/ (decrease) in foreign exchange rates*	*Effect on results of the year and retained profits* HK$'000	*Effect on other components of equity* HK$'000
US$	2%	(401,857)	-	2%	(182,190)	-
	(2%)	401,857	-	(2%)	182,190	-
RMB	2%	(169,434)	-	2%	(37,133)	-
	(2%)	169,434	-	(2%)	37,133	-

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' results of year and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

40 Financial risk management and fair value of financial instruments (continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2020.

(e) *Equity price risk*

The Group is exposed to equity price changes arising from equity investments classified as equity investments designated at FVOCI and equity investments at fair value through profit or loss and convertible bond at fair value included in other financial assets (notes 20 and 24). The Group's listed investments are listed on the Hong Kong Stock Exchange. Listed investments have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

Unlisted investments are held for long-term purposes. Their performance is assessed at least annually based on the information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks for listed equity securities at the end of the reporting period.

At 31 December 2021, it is estimated that an increase/(decrease) of 5% (2020: 5%) in the prices of the respective listed equity securities would have increased/(decreased) the Group's profit after tax (and retained profits) and other components of consolidated equity as follows:

	2021			*2020*		
	Increase/ (decrease) in foreign exchange rates	*Effect on profit after tax and retained profits* HK$'000	*Effect on other components of equity* HK$'000	*Increase/ (decrease) in foreign exchange rates*	*Effect on profit after tax and retained profits* HK$'000	*Effect on other components of equity* HK$'000
Change in the relevant equity price risk variable:						
Increase	5%	-	62,585	5%	-	32,854
Decrease	(5%)	-	(62,585)	(5%)	-	(32,854)

(f) *Fair value*

(i) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement.* The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

40 Financial risk management and fair value of financial instruments (continued)

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, trade receivables, equity investments designated at FVOCI, amounts due from/to related parties, financial assets included in other assets, amounts due from non-controlling interests, financial assets included in prepayments, other receivables and other assets, derivative financial instruments, trade and bills payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial 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. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing borrowings, except for notes, 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 fair value of notes is based on quoted market prices. The Group's own non-performance risk for interest-bearing borrowings as at 31 December 2021 was assessed to be insignificant.

40 Financial risk management and fair value of financial instruments (continued)

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at FVOCI have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with counterparties, principally financial institutions with good credit ratings. Derivative financial instruments are measured using present value calculations or similar calculations. The models incorporate market observable inputs including the foreign exchange spot and forward rates.

	Fair value at 31 December 2021	*Fair value measurements as at 31 December 2021 categorised into*		
		Level 1	*Level 2*	*Level 3*
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements				
Assets:				
Equity securities designated at FVOCI	265,401	265,401	-	-
Other financial assets	1,895,032	-	908,727	986,305
Derivative financial instruments	149,405	-	149,405	-
Liabilities:				
Derivative financial instruments	50,998	-	50,998	-

40 Financial risk management and fair value of financial instruments (continued)

	Fair value at 31 December 2020 HK$'000	*Fair value measurements as at 31 December 2020 categorised into*		
		Level 1 HK$'000	*Level 2* HK$'000	*Level 3* HK$'000
Recurring fair value measurements				
Assets:				
Equity securities designated at FVOCI	675,245	657,082	-	18,163
Other financial assets	769,616	-	769,616	-
Derivative financial instruments	89,011	-	89,011	-
Liabilities:				
Derivative financial instruments	113,820	-	113,820	-

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).

Below is a summary of significant unobservable inputs to the level 3 valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021:

	Valuation technique	*Significant unobservable input*	*Sensitivity of fair value to the input*
A convertible bond	Binomial option pricing	Share price(HK$1.69 per share)	5% increase in share price would result in increase in fair value by HK$95,000, 5% decrease in share price would not result in changes in fair value
		Expected volatility (20%)	5% increase in expected volatility would result in increase in fair value by HK$95,000, 5% decrease in expected volatility would not result in changes in fair value

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2021	*2020*
	HK$'000	HK$'000
Equity securities designated at FVOCI		
At 1 January	18,163	18,163
Change in fair value during the year	(18,163)	-
At 31 December	-	18,163
Other financial assets		
At 1 January	-	-
Purchase	961,529	-
Total gains recognised in the statement of profit or loss included in other income	24,830	-
Total losses recognised in other comprehensive income	(14,287)	-
Exchange adjustments	14,233	-
At 31 December	986,305	-

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2020 and 2021.

41 Share option scheme

2007 Scheme

Jinmao operates a share option scheme (the "2007 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of Jinmao's operations. Eligible participants of the 2007 Scheme include the Jinmao's executive and non-executive directors and Jinmao's senior management, key technical and professional personnel, managers and employees, but do not include Jinmao's independent non-executive directors. The 2007 Scheme became effective on 22 November 2007 and expired on 22 November 2017, after 10 years from the effective date. However, the options granted under the 2007 Scheme continue to be valid and exercisable in accordance with the terms of issue.

The maximum number of unexercised share options currently permitted to be granted under the 2007 Scheme was an amount equivalent, upon their exercise, to 10% of the shares of Jinmao in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the 2007 Scheme within any 12-month period is limited to 1% of the shares of Jinmao in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or non-controlling interests of Jinmao, or to any of their associates, were subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a director, chief executive or non-controlling interests of Jinmao, or to any of their associates, in excess of 0.1% of the shares of Jinmao in issue at any time or with an aggregate value (based on the price of Jinmao's shares at the date of grant) in excess of HK$5 million, within any 12-month period, were subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise and exercisability of the share options are related to the performance of individuals and of Jinmao. The board of directors of Jinmao would determine performance targets concerned and set out in the grant notice. The share options granted would become exercisable after two years from the grant date or a later date as set out in the relevant grant notice, and in any event shall end not later than seven years from the grant date but subject to the provisions for early termination of employment.

The exercise price of share options was determinable by the directors, but may not be less than the highest of (i) the Hong Kong Stock Exchange closing price of Jinmao's shares on the grant date of the share options; (ii) the average Hong Kong Stock Exchange closing price of Jinmao's shares for the five trading days immediately preceding the grant date; and (iii) the par value of Jinmao's share.

Share options did not confer rights on the holders to dividends or to vote at shareholders' meetings of Jinmao.

41 Share option scheme (continued)

The following share options were outstanding under the 2007 Scheme during the year:

	2021		*2020*	
	Weighted average exercise price HK$ per share	*Number of options*	*Weighted average exercise price* HK$ per share	*Number of options*
At 1 January	2.20	73,169,200	2.20	89,258,000
Forfeited during the year	2.20	-	2.20	(1,160,000)
Exercised during the year	2.20	(3,700,800)	2.20	(14,928,800)
At 31 December	2.20	69,468,400	2.20	73,169,200

The weighted average share price at the date of exercise for shares options exercised during the year was HK$3.0 per share (2020: HK$5.4 per share) .

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2021

Number of options	*Exercise price** HK$ per share	*Exercise period*
5,188,800	2.196	17 October 2018 to 16 October 2023
24,342,800	2.196	17 October 2019 to 16 October 2023
39,936,800	2.196	17 October 2020 to 16 October 2023
69,468,400		

2020

Number of options	*Exercise price** HK$ per share	*Exercise period*
5,458,800	2.196	17 October 2018 to 16 October 2023
25,799,200	2.196	17 October 2018 to 16 October 2023
41,911,200	2.196	17 October 2018 to 16 October 2023
73,169,200		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in Jinmao's share capital.

The fair value of the share options granted during the year ended 31 December 2016 was HK$80,332,000 (HK$0.47 each), which has been fully recognised in prior years.

41 Share option scheme (continued)

The 3,700,800 share options exercised during the year resulted in the issue of 3,700,800 ordinary shares of Jinmao and new share capital of HK$8,124,000 (before issue expenses).

New Scheme

On 29 January 2019, a new share option scheme (the "New Scheme") was adopted by Jinmao to enhance Jinmao's continuous commitment to eligible participants and enhance them to pursue the objectives of Jinmao. On 8 February 2019, an aggregate of 265,950,000 share options were granted under the New Scheme to eligible participants of the Group. These share options have an exercise price of HK$3.99 per share. One-third of the share options granted will be vested in two years from 8 February 2019, one-third of the share options granted will be vested in three years from 8 February 2019 and one-third of the options granted will be vested in four years from 8 February 2019. Once the share options are vested, they are exercisable until 7 February 2026.

On 9 September 2019, an aggregate of 9,000,000 share options were granted under the New Scheme to eligible participants of the Group. These share options have an exercise price of HK$4.58 per share. One-third of the share options granted will be vested in two years from 9 September 2019, one-third of the share options granted will be vested in three years from 9 September and one-third of the options granted will be vested in four years from 9 September. Once the share options are vested, they are exercisable until 8 September 2026.

According to the terms of the New Scheme, the board of directors of Jinmao shall at its absolute discretion grant to any participant a certain number of options at any time within 10 years after the adoption date of the New Scheme. Participants, i.e. recipients of the options granted, include any existing executive or non-executive directors of any member of Jinmao and any senior management, key technical and professional personnel, managers and employees of any member of Jinmao, but do not include any independent non-executive directors of Jinmao.

The number of shares to be issued at any time upon exercise of all options granted under the New Scheme and other share option schemes of Jinmao shall not in aggregate exceed 10% of the then issued share capital of Jinmao.

Unless an approval of shareholders is obtained at a general meeting, if the total number of shares issued and shares which may fall to be issued upon exercise of the share options (including exercised, cancelled and outstanding options) granted under the New Scheme and any other share option schemes of Jinmao to a participant in any 12-month period in aggregate exceeds 1% of the issued share capital of Jinmao at any time, no further options shall be granted to such participant. Upon acceptance of the grant, the grantee undertakes that he/she will, at the request of Jinmao, pay a consideration of HK$1 or the equivalent (to be determined on the date when the offer of the grant is accepted) to Jinmao for acceptance of the offer of the grant of the share option.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of Jinmao.

41 Share option scheme (continued)

The following share options were outstanding under the New Scheme during the year:

	2021		*2020*	
	Weighted average exercise price HK$ per share	*Number of options*	*Weighted average exercise price HK$ per share*	*Number of options*
At 1 January	4.01	262,350,000	4.01	269,100,000
Forfeited during the year	3.99	(21,350,000)	3.99	(6,750,000)
At 31 December	4.01	241,000,000	4.01	262,350,000

The exercise prices and exercise periods of the share options outstanding under the New Scheme as at the end of the reporting period are as follows:

2021

Number of options	*Exercise price** HK$ per share	*Exercise period*
76,394,000	3.99	8 February 2021 to 7 February 2026
77,794,000	3.99	8 February 2022 to 7 February 2026
77,812,000	3.99	8 February 2023 to 7 February 2026
3,000,000	4.58	9 September 2021 to 8 September 2026
3,000,000	4.58	9 September 2022 to 8 September 2026
3,000,000	4.58	9 September 2023 to 8 September 2026
241,000,000		

2020

Number of options	*Exercise price** HK$ per share	*Exercise period*
84,444,000	3.99	8 February 2021 to 7 February 2026
84,444,000	3.99	8 February 2022 to 7 February 2026
84,462,000	3.99	8 February 2023 to 7 February 2026
3,000,000	4.58	9 September 2021 to 8 September 2026
3,000,000	4.58	9 September 2022 to 8 September 2026
3,000,000	4.58	9 September 2023 to 8 September 2026
262,350,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in Jinmao's share capital.

41 Share option scheme (continued)

The fair value of the share options granted during the year ended 31 December 2019 was HK$257,594,000, of which the Group recognised a share option expense of HK$55,555,000 (2020: HK$98,715,000) during the year ended 31 December 2021.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, Jinmao had 69,468,400 share options outstanding under the 2007 Scheme and 241,000,000 share options outstanding under the New Scheme. The exercise in full of the outstanding share options would, under the present capital structure of Jinmao, result in the issue of 310,468,400 additional ordinary shares of Jinmao and additional share capital of HK$1,119,453,000 (before issue expenses).

42 Business combinations not under common control

Business combinations during the year mainly included Jinmao's acquisitions of a number of property development companies and acquisition of additional interests in joint ventures and associates (collectively referred to as the "Acquirees"). The directors of Jinmao consider that none of these subsidiaries acquired during the year was significant to Jinmao and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed.

Jinmao remeasured the fair value of the equity interest previously held as joint ventures or associates at the date of acquisition, and fair value gains of HK$320,868,000 (2020: HK$1,470,234,000) were recognised in other income, gains and losses, net in the consolidated statement of comprehensive income during the year ended 31 December 2021 (note 5).

Jinmao has elected to measure the non-controlling interest in the Acquirees at the non-controlling interest's proportionate share of the Acquirees' identifiable net assets.

42 Business combinations not under common control (continued)

The fair values of the identifiable assets and liabilities of the Acquirees as at the date of acquisition were as follows:

	Note	2021 HK$'000	2020 HK$'000
Property, plant and equipment	11	183,160	3,474
Right-of-use assets	15	22,075	7,681
Intangible assets	17	92	2,061
Investments in associates		-	222,613
Properties under development	13	12,467,659	27,907,136
Properties held for sale		2,270,809	526,954
Deferred tax assets	36	70,432	16,314
Trade receivables		-	12,482
Prepayments, other receivables and other assets		3,113,560	2,181,300
Restricted bank balances		872,800	-
Cash and cash equivalents		3,003,192	540,904
Trade and bills payables		(458,902)	(519,949)
Other payables and accruals		(17,095,372)	(8,916,084)
Interest-bearing bank and other borrowings		(1,436,439)	(13,695,731)
Tax payable		(703)	(64,714)
Lease liabilities		(1,258)	(5,413)
Deferred tax liabilities	36	(427,908)	(830,977)
Total identifiable net assets at fair value		2,583,197	7,388,051
Non-controlling interests		(607,763)	(706,667)
Gain on bargain purchase recognised in other income, gains and losses, net in the consolidated statement of comprehensive income	5	(113,026)	(164,793)
		1,862,408	6,516,591
Satisfied by:			
Cash		1,155,662	4,823,234
Fair value of equity interest previously held as investments in joint ventures and associates		706,746	1,693,357
Total purchase consideration		1,862,408	6,516,591

The fair values of its prepayments, other receivables and other assets as at the date of acquisition amounted to HK$2,381,812,000 (2020: HK$1,215,800,000), which are equal to their gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

42 Business combinations not under common control (continued)

Jinmao incurred transaction costs of HK$663,000 (2020: HK$341,000) for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in consolidated statement of comprehensive income.

Jinmao recognised a gain on bargain purchase of approximately HK$113,026,000 and HK$164,793,000 in consolidated statement of comprehensive income for the year ended 31 December 2021 and 31 December 2020, respectively, which was, in the opinion of the directors of Jinmao, primarily attributable to Jinmao's ability in negotiating the agreed terms of the transaction with the independent third parties, as Jinmao has good reputation and rich experience in the development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the acquired projects.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	2021 HK$'000	*2020* HK$'000
Total cash consideration	(1,155,662)	(4,823,234)
Minus:		
Cash consideration pre-paid in prior year	193,875	2,590,596
Cash consideration payable	35,187	-
Cash consideration paid during the year	(926,600)	(2,232,638)
Cash and cash equivalents acquired	3,003,192	540,904
Net inflow/(outflow) of cash and cash equivalents included in cash flows from investing activities	2,076,592	(1,691,734)
Transaction costs of the acquisition included in cash flows used in operating activities	(663)	(341)
	2,075,929	(1,692,075)

Since the acquisition, the Acquirees contributed HK$4,472,034,000 and HK$9,095,538,000 to the Group's revenue and incurred a loss of HK$251,928,600 and HK$554,847,000 to the consolidated profit for the year ended 31 December 2021 and 31 December 2020, respectively in aggregate.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit for the year of the Group would have been HK$108,882,717,000 (2020: HK$69,231,268,000) and HK$9,142,045,000 (2020: HK$6,304,041,000), respectively.

43 Disposal of subsidiaries

Jinmao lost control over certain subsidiaries during the year ended 31 December 2021 and 2020. Details of financial impact of Jinmao's disposals are summarised below:

	Note	*2021* HK$'000	*2020* HK$'000
Net assets/liabilities disposed of:			
Property, plant and equipment	11	2,195	4,888
Properties under development	13	12,761,902	30,960,921
Intangible assets	17	-	747
Deferred tax assets	36	30,028	34,601
Prepayments, other receivables and other assets		1,805,821	3,213,857
Tax recoverable		438,765	512,905
Cash and cash equivalents		1,066,964	3,586,032
Trade and bills payables		(666,263)	(1,246,354)
Other payables and accruals		(11,143,493)	(25,489,615)
Interest-bearing borrowings		(1,562,735)	(5,484,299)
Non-controlling interests		-	(1,151,423)
		2,733,184	4,942,260
Translation reserve		58,884	378,265
		2,792,068	5,320,525
Gain on disposal of subsidiaries	5	1,288,405	1,735,279
		4,080,473	7,055,804
Satisfied by:			
Cash		3,329,980	3,165,360
Fair value of interests retained by the Group		750,493	3,890,444
		4,080,473	7,055,804

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2021 HK$'000	*2020* HK$'000
Cash consideration	3,329,980	3,165,360
Cash and cash equivalents disposed of	(1,066,964)	(3,586,032)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	2,263,016	(420,672)

44 Contingent liabilities

At the end of the reporting period, Jinmao has provided guarantees in respect of mortgage facilities for certain purchasers of Jinmao's properties amounting to approximately HK$47,286,235,000 (2020: HK$36,047,364,000).

45 Commitments

(a) The Group had the following commitments at the end of the reporting period:

	2021 HK$'000	*2020* HK$'000
Contracted but not provided for		
Properties under development	96,108,244	51,651,633
Land under development	7,988,774	5,992,057
Property, plant and equipment	34,744	344,877
Capital contributions to joint ventures and associates	10,939,258	6,600,826
	115,071,020	64,589,393

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2021. The future lease payments for these non-cancellable lease contracts are HK$31,920,000 due within one year.

46 Related party transactions

(a) In addition to the transaction disclosed elsewhere in the financial statements, the Group entered into the following significant transactions with its ultimate holding company, Sinochem Group and other related parties during the year:

	2021 HK$'000	*2020* HK$'000
The ultimate parent:		
Rental income	9,534	8,895
Interest expense	-	992
Property management fee income	876	-
The immediate parent:		
Interest income	37,163	87,485
Rental income	129,832	99,596
Property management fee income	10,874	12,995
Building decoration services income	7,587	-
Interest expense	820,969	748,420

46 Related party transactions (continued)

	2021	*2020*
	HK$'000	HK$'000
Fellow subsidiaries:		
Interest expense	174,413	291,055
Rental income	267,790	277,201
Property management fee income	44,751	55,310
Interest income	370,494	250,227
Associates:		
Interest income	8,705	898,775
Interest expense	244,081	157,058
Building decoration service income	396,786	461,819
Consulting fee income	49,619	77,720
Property management fee income	95,873	73,368
Rental income	3,625	-
Other service income	999	-
Joint ventures:		
Rental income	2,839	3,089
Building decoration service income	786,941	451,960
Property management fee income	134,479	97,939
Interest income	2,017,009	1,999,211
Consulting fee income	66,113	49,963
Interest expense	429,588	236,029
Consulting fee expense	-	265,725
Other service income	681	-
Associates of the Group's ultimate parent:		
Rental income	47,289	9,177
Property management fee income	6,840	738
Non-controlling interests:		
Interest income	140,056	99,871
Interest expense	8,720	20,910

(b) At the end of the reporting period, certain bank borrowings granted to the Group are guaranteed by its ultimate parent or immediate parent.

46 Related party transactions (continued)

(c) *Compensation of key management personnel*

	2021 HK$'000	2020 HK$'000
Short-term employee benefits	58,253	56,670
Post-employment benefits	3,341	2,800
Share-based payments	5,603	7,656
Total compensation paid to key management personnel	67,197	67,126

47 Investments in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of subsidiary	*Place of incorporation/ registration*	*Issued ordinary/ registered share capital*	*Proportion of ownership interest* Held by the Company	Held by a subsidiary	*Principal activities*
Jinmao (note a)	Hong Kong	HK$12,688,342,090	35.28%	-	Investment holding
Sinochem International Oil (Hong Kong) Company Limited	Hong Kong	HK$20,000,000	100.00%	-	Investment holding
Sinochem Asia Holdings Co., Ltd.	Singapore	US$50,642,154	100.00%	-	Investment holding
Sinochem Europe Holdings PLC	United Kingdom	US$13,031,000	100.00%	-	Investment holding
Sinochem Overseas Capital Company Limited	British Virgin Islands ("BVI")	US$1	100.00%	-	Financing vehicle for issuance of notes
Sinochem Offshore Capital Company Limited	BVI	US$1	100.00%	-	Financing vehicle for issuance of notes
Sinochem Overseas Trading Co., Ltd.	BVI	US$1	100.00%	-	Investment holding
Sinochem CP Co., Ltd.	BVI	US$1	100.00%	-	Financing vehicle for issuance of notes
Shanghai International Shipping Service Center Co., Ltd. (note b)	PRC/Mainland China	RMB3,150,000,000	-	35.28%	Property development
Sinochem Franshion Property (Beijing) Co., Ltd. (note b)	PRC/Mainland China	US$635,000,000	-	35.28%	Property development
Chongqing Xingqian Properties Development Co., Ltd. (note b)	PRC/Mainland China	RMB2,884,540,000	-	25.75%	Property development
Jinmao Hangzhou Property Development Co., Ltd. (note b)	PRC/Mainland China	RMB3,200,000,000	-	35.28%	Property development
Nanjing Xingtuo Investment Co., Ltd. (note b)	PRC/Mainland China	RMB3,000,000,000	-	28.22%	Land development
Beijing Chemsunny Property Co., Ltd. (note b)	PRC/Mainland China	US$102,400,000	-	35.28%	Property investment
Sinochem Jinmao Property Management (Beijing) Co.,Ltd. (note b)	PRC/Mainland China	RMB5,000,000	-	35.28%	Property management
Jinmao (China) Hotel Investments and Management Limited ("JCHIML") (notes b and c)	Cayman Islands/Hong Kong	HK$2,000,000	-	35.28%	Investment holding
Wangfujing Hotel Management Co., Ltd. (note b)	PRC/Mainland China	US$73,345,000	-	35.28%	Hotel operation
China Jin Mao Group Co., Ltd. (note b)	PRC/Mainland China	RMB2,635,000,000	-	35. 28%	Hotel operation and property investment
Jin Mao (Beijing) Real Estate Co., Ltd. (note b)	PRC/Mainland China	RMB1,600,000,000	-	35. 28%	Hotel operation
Jin Mao Sanya Resort Hotel Co., Ltd. (note b)	PRC/Mainland China	RMB300,000,000	-	35. 28%	Hotel operation
Jin Mao Sanya Tourism Co., Ltd. (note b)	PRC/Mainland China	RMB500,000,000	-	35. 28%	Hotel operation

47 Investments in subsidiaries (continued)

Name of subsidiary	*Place of incorporation/ registration*	*Issued ordinary/ registered share capital*	*Proportion of ownership interest*		*Principal activities*
			Held by the Company	*Held by a subsidiary*	
Jin Mao Shenzhen Hotel Investment Co., Ltd. (note b)	PRC/Mainland China	RMB700,000,000	-	35. 28%	Hotel operation
Jin Mao (Li Jiang) Hotel Investment Co., Ltd. (note b)	PRC/Mainland China	RMB1,500,000,000	-	35. 28%	Hotel operation
Changsha Jin Mao Meixi Lake International Plaza Properties Limited (note b)	PRC/Mainland China	US$600,000,000	-	35. 28%	Property development
Jin Mao Investment (Changsha) Co., Ltd. (note b)	PRC/Mainland China	RMB3,000,000,000	-	28.22%	Land development
Franshion Brilliant Limited (note b)	British Virgin Islands/Hong Kong	US$1	-	35. 28%	Investment holding
Franshion Properties (Suzhou) Limited (note b)	PRC/Mainland China	US$395,000,000	-	35. 28%	Property development
Guangzhou Xingtuo Properties Limited (note b)	PRC/Mainland China	RMB 260,000,000	-	31.75%	Property development
Changsha Jinmao City Construction Limited (note b)	PRC/Mainland China	RMB2,962,500,000	-	35. 28%	Land development
Jinmao Assets Management Limited Partnership (note b)	Cayman Islands/ Hong Kong	*RMB11,811,608,710*	-	*35. 28%*	Property investment
Suzhou Anmao Property Co., Ltd. ("Suzhou Anmao") (note d)	PRC/Mainland China	*RMB4,500,000,000*	-	*9.35%*	Property development
Ningbo Xingmao Property Development Co., Ltd. (note b)	PRC/Mainland China	*US$200,000,000*	-	*35. 28%*	Property development
Shanghai Franshion Development Co., Ltd. (note b)	PRC/Mainland China	*RMB7,000,000,000*	-	*31.75%*	Property development
Nanjing Runmao Property Development Co., Ltd ("Nanjing Runmao") (note e)	PRC/Mainland China	*RMB3,000,000,000*	-	*9.70%*	Property development
Hangzhou Yimao Property Development Co., Ltd ("Hangzhou Yimao") (note f)	PRC/Mainland China	*RMB2,500,000,000*	-	*12.70%*	Property development
Beijing Franshion Tuoying Property Development Co., Ltd. (note b)	PRC/Mainland China	*RMB10,000,000*	-	*35. 28%*	Property development
Foshan Maoxing Property Development Co., Ltd. (note b)	PRC/Mainland China	*RMB820,000,000*	-	*22.93%*	Property development
Beijing Jinfeng Property Development Co., Ltd. (note b)	PRC/Mainland China	*RMB11,112,000*	-	*35.28%*	Property development
Jinmao Investment Management (Tianjin) Co., Ltd. (note b)	PRC/Mainland China	*RMB50,000,000*	-	*35.28%*	Investment management
Hangzhou Qinmao Property Development Co., Ltd. (note b)	PRC/Mainland China	*RMB4,000,000,000*	-	*21.17%*	Property development
Wuhan Huazi Enterprise Management Consulting Co., Ltd (note b)	PRC/Mainland China	*RMB6,520,000,000*	-	*35.28%*	Investment holding
Jinan Yuanmao Property Development Co., Ltd. (note b)	PRC/Mainland China	*RMB3,162,657,760*	-	*35.28%*	Property development
Tianjin Jinhui Property Development Co., Ltd. (note b)	PRC/Mainland China	*RMB2,580,000,000*	-	*35. 28%*	Property development
Shenzhen Yuemao Property Development Co., Ltd. (note b)	PRC/Mainland China	*RMB500,000,000*	-	*28.22%*	Property development
Zhengzhou Maohui Property Development Co., Ltd. (note b)	PRC/Mainland China	*RMB1,530,000,000*	-	*35. 28%*	Property development
Ningbo Cimao Real Estate Development Co., Ltd. (notes b and g)	PRC/Mainland China	*RMB410,000,000*	-	*12.70%*	Property development
Ningbo Yongmao Construction Development Co., Ltd. (note b)	PRC/Mainland China	*RMB400,000,000*	-	*28.22%*	Land development
Wuhan Xingmao Enterprise Management Consulting Co., Ltd. (note b)	PRC/Mainland China	RMB8,000,000	-	35.28%	Property development
Kaimao Property (Hangzhou) Co., Ltd. (notes b and g)	PRC/Mainland China	RMB2,150,000,000	-	17.64%	Property development
Beijing Xingtuo Real Estate Co., Ltd. (note b)	PRC/Mainland China	RMB50,000,000	-	35.28%	Property development

47 Investments in subsidiaries (continued)

(a) Jinmao is accounted for as a subsidiary of the Group based on the factors explained in note 3 to the consolidated financial statements even though the Group has only a 35.28% equity interest in this company.

(b) Jinmao holds more than 50% of the registered capital of these entities or the parent company of these entities. Therefore, these entities are accounted for as subsidiaries by virtue of the Company's control over them.

(c) Ordinary shares of JCHIML are stapled to units of a trust namely Jinmao Hotel and are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). JCHIML and its subsidiaries are collectively referred to as the JCHIML Group. On 5th October 2020, JCHIML Group finished its privatisation transaction and withdrawal of its listing of the share stapled units on the Stock Exchange.

(d) Jinmao is entitled to 52% voting rights at the shareholders' meetings, and therefore has the power to exercise control over the entity's operating and management activities. Since Jinmao is a subsidiary of the Company, the entity is accounted for as a subsidiary by virtue of the Company's control over it.

(e) Jinmao is entitled to 57.5% voting rights at the shareholders' meetings, and therefore has the power to exercise control over the entity's operating and management activities. Since Jinmao is a subsidiary of the Company, the entity is accounted for as a subsidiary by virtue of the Company's control over it.

(f) Jinmao is entitled to 60% voting rights at the shareholders' meetings, and therefore has the power to exercise control over the entity's operating and management activities. Since Jinmao is a subsidiary of the Company, the entity is accounted for as a subsidiary by virtue of the Company's control over it.

(g) Jinmao is entitled to 51% voting rights at the shareholders' meetings, and therefore has the power to exercise control over the entity's operating and management activities. Since Jinmao is a subsidiary of the Company, the entity is accounted for as a subsidiary by virtue of the Company's control over it.

The following table lists out the information relating to certain subsidiaries which were acquired or established by the Group and have material non-controlling interests (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

47 Investments in subsidiaries (continued)

	2021		
	Jinmao HK$'000	*Nanjing Runmao* HK$'000	*Suzhou Anmao* HK$'000
NCI percentage	64.72%	90.30%	90.65%
Profit/(loss) for the year allocated to non-controlling interests	7,409,879	(414,078)	386,264
Dividends declared to non-controlling interests	3,603,415	-	163,911
Accumulated balances of non-controlling interests at the reporting date	110,683,358	2,769,799	5,558,596
Current assets	251,848,444	5,572,095	7,450,846
Non-current assets	252,068,268	1,641,813	176
Current liabilities	246,140,997	3,622,957	1,316,315
Non-current liabilities	127,157,286	523,552	2,830
Revenue	108,562,010	6,000,656	4,150,985
Profit/(loss) for the year	9,287,725	(458,568)	426,102
Total comprehensive income for the year	11,125,026	(458,568)	426,102
Cash flows generated from/(used in) operating activities	5,349,862	(427,333)	1,628,995
Cash flows used in investing activities	(14,220,023)	(106)	(1,145,170)
Cash flows used in financing activities	(2,058,057)	(112,841)	(910,004)
Net decrease in cash and cash equivalents	(10,928,218)	(540,280)	(426,178)

	2020		
	Jinmao HK$'000	*Nanjing Runmao* HK$'000	*Suzhou Anmao* HK$'000
NCI percentage	64.85%	90.33%	90.69%
Profit/(loss) for the year allocated to non-controlling interests	5,434,806	(22,442)	285,572
Dividends declared to non-controlling interests	4,272,969	-	152,963
Accumulated balances of non-controlling interests at the reporting date	103,664,233	3,112,297	5,176,069
Current assets	267,613,258	8,394,489	8,868,920
Non-current assets	193,118,628	3,942,159	309
Current liabilities	234,170,426	8,153,594	2,720,718
Non-current liabilities	105,570,521	741,241	431,413
Revenue	67,530,586	4,284	5,700,938
Profit/(loss) for the year	6,966,414	(24,842)	314,905
Total comprehensive income for the year	9,584,661	(24,842)	314,905
Cash flows generated from/(used in) operating activities	35,240,881	(367,667)	3,132,755
Cash flows used in investing activities	(341,095)	(208)	(2,024,100)
Cash flows used in financing activities	(9,878,288)	(408,037)	(891,742)
Net increase/(decrease) in cash and cash equivalents	25,021,498	(775,912)	216,913

48 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2021

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in the financial statements. These developments include the followings which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Annual improvements to HKFRSs 2018-2020 cycle Amendments to HKAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them are unlikely to have a significant impact on the consolidated financial statements.

49 Events after the reporting period

(a) On 18 January 2022, Jinmao completed the redemption and cancellation of the 2017 Subordinate Guaranteed Perpetual Capital Securities with a principal amount of US$500,000,000 (equivalent to approximately HK$3,889,750,000).

(b) On 16 February 2022, Shanghai Jinmao Investment Management Group Co., Ltd. ("Shanghai Jinmao"), a wholly-owned subsidiary of Jinmao, completed the issue of the first tranche of corporate bonds with an amount of RMB1,800,000,000 (equivalent to approximately HK$2,201,566,000). The corporate bonds are unsecured and have a term of 5 years with a fixed rate of 3.20% per annum. The issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the corporate bonds at the end of the third year.

49 Events after the reporting period (continued)

On 25 March 2022, Shanghai Jinmao completed the issue of the second tranche of corporate bonds with an amount of RMB1,500,000,000 (equivalent to approximately HK$1,834,638,000). The corporate bonds are unsecured and have a term of 5 years with a fixed rate of 3.50% per annum. The issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the corporate bonds at the end of the third year.

(c) On 18 February 2022, Jinmao declared a conditional special dividend by mean of distribution in specie of 191,680,031 ordinary shares of Jinmao Property Services Co., Limited (the "Jinmao Services") to the qualifying shareholders, which is conditional to the separate listing of the shares of Jinmao Services on the Hong Kong Stock Exchange (the "Global Offering"). The distribution became unconditional on 10 March 2022 upon the completion of the Global Offering as further described below.

On 10 March 2022, Jinmao Services completed its Global Offering and 101,411,500 shares were issued at offering price of HK$8.14 per share. Upon completion of the distribution and the Global Offering, Jinmao holds approximately 67.5% of the total number of issued shares of Jinmao Services and Jinmao Services remains as a subsidiary of Jinmao. 67,616,133 shares were distributed to the Company and recognised as dividend received.

(d) On 4 March 2022, Franshion Brilliant Limited, a wholly-owned subsidiary of Jinmao, completed the issue of guaranteed senior notes with a principal amount of US$200,000,000 (equivalent to approximately HK$1,555,900,000) (the "Original Notes"). On 22 March 2022, Franshion Brilliant Limited completed an additional issue of guaranteed senior notes with a principal amount of US$150,000,000 (equivalent to approximately HK$1,166,925,000) (the "New Notes"). The New Notes were consolidated and formed a single series with the Original Notes with an aggregate principal amount of US$350,000,000 (equivalent to approximately HK$2,722,825,000) (the "Notes"). The Notes were unsecured, interest-bearing at 4.40% per annum payable semi-annually in arrears and will mature on 4 March 2025.