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五礦地產有限公司

MINMETALS LAND LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL RESULTS

The board of directors (“Directors”) of Minmetals Land Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021, together with the comparative figures in 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	4	12,885,638	7,661,646
Cost of sales		(10,500,165)	(6,431,192)
Gross profit		2,385,473	1,230,454
Other income	5	91,590	495,945
Fair value changes on investment properties		(153,467)	(50,586)
Selling and marketing expenses		(468,420)	(255,866)
Administrative and other expenses		(647,887)	(752,540)
Impairment losses recognised under expected credit loss model, net		(13,640)	(14,534)
Finance income		249,115	222,799
Finance costs		(163,076)	(69,471)
Share of results of associates		(264,007)	4,469
Share of results of joint ventures		48,253	(2,260)
PROFIT BEFORE TAX		1,063,934	808,410
Income tax expense	7	(432,127)	(371,070)
PROFIT FOR THE YEAR	6	631,807	437,340
Profit for the year attributable to:			
Equity holders of the Company		89,209	112,370
Holders of perpetual capital instruments		164,996	220,578
Non-controlling interests		377,602	104,392
		631,807	437,340
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY, IN HK CENTS			
Basic	9	2.67	3.36
Diluted	9	2.67	3.36

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PROFIT FOR THE YEAR	631,807	437,340
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Currency translation differences	820,438	1,525,577
Fair value gain/(loss) on hedging instruments in cash flow hedges	36,407	(53,904)
Share of other comprehensive income of associates	97,917	185,207
Share of other comprehensive income of joint ventures	6,688	6,212
	961,450	1,663,092
Other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods:		
Gain on revaluation of owner-occupied properties upon transfer to investment properties	39,424	—
Fair value loss on financial assets at fair value through other comprehensive income	(267,345)	(576,174)
	(227,921)	(576,174)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	733,529	1,086,918
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,365,336	1,524,258
Total comprehensive income for the year attributable to:		
Equity holders of the Company	487,604	659,981
Holders of perpetual capital instruments	234,811	364,480
Non-controlling interests	642,921	499,797
	1,365,336	1,524,258

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		487,803	259,280
Investment properties		2,664,793	2,507,388
Interests in associates		3,306,006	3,472,096
Interests in joint ventures		227,863	196,074
Financial assets at fair value through other comprehensive income		555,433	822,778
Other receivables		9,813	—
Deferred tax assets		871,999	442,890
Total non-current assets		8,123,710	7,700,506
CURRENT ASSETS			
Inventories		43,113,619	34,293,789
Prepayments, trade and other receivables	10	12,522,896	17,052,118
Prepaid income tax		876,091	613,836
Contract assets		286,253	203,146
Contract costs		217,454	91,741
Cash and bank deposits, restricted		1,077,095	194,085
Cash and bank deposits, unrestricted		10,956,126	8,238,516
Total current assets		69,049,534	60,687,231
Total assets		77,173,244	68,387,737
EQUITY			
Share capital		334,691	334,691
Reserves	11	9,685,770	9,264,260
Equity attributable to equity holders of the Company		10,020,461	9,598,951
Perpetual capital instruments		2,448,182	3,947,539
Non-controlling interests		10,649,268	8,863,517
Total equity		23,117,911	22,410,007
NON-CURRENT LIABILITIES			
Borrowings		14,469,201	15,015,877
Other payables	12	—	438,287
Deferred tax liabilities		370,398	366,366
Lease liabilities		16,390	47,674
Other financial liabilities		4,571	59,846
Total non-current liabilities		14,860,560	15,928,050
CURRENT LIABILITIES			
Borrowings		6,547,465	4,555,246
Trade and other payables	12	15,339,599	11,071,038
Contract liabilities		15,848,803	12,787,885
Deferred revenue		316,528	307,815
Lease liabilities		35,115	30,069
Taxation payable		1,088,395	1,297,627
Other financial liabilities		18,868	—
Total current liabilities		39,194,773	30,049,680
Total liabilities		54,055,333	45,977,730
Total equity and liabilities		77,173,244	68,387,737
Net current assets		29,854,761	30,637,551
Total assets less current liabilities		37,978,471	38,338,057

NOTES

31 December 2021

1. CORPORATE AND GROUP INFORMATION

Minmetals Land Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in real estate development, specialised construction, property investment and securities investment. The People’s Republic of China is the major market for the Group’s businesses.

The Company is a limited liability company incorporated in Bermuda. The Company is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate holding company is June Glory International Limited (incorporated in the British Virgin Islands) and its ultimate holding company is China Minmetals Corporation (“China Minmetals”) (incorporated in Mainland China).

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the accounting principles generally accepted in Hong Kong. In addition, these financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$” or “HK dollar(s)”) which is also the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with

through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

During the year, the Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR"). The Group had interest rate swaps whereby the Group pays interest at a fixed rate and receives interest at a variable rate based on HIBOR on the notional amounts. The Group had applied a cash flow hedge to manage the cash flow interest rate risk of certain bank borrowings, denominated in Hong Kong dollars based on HIBOR, by using the interest rate swaps. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings, interest rate swaps and the cash flow hedge.

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

The Group has early applied the amendment on 1 January 2021. The application of the amendment had no impact to the opening retained earnings at 1 January 2021 or profit or loss for the current year.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{2, 5}</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information²</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{2, 4}</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>

Amendments to HKAS 16

*Property, Plant and Equipment: Proceeds before Intended Use*¹

Amendments to HKAS 37

*Onerous Contracts — Cost of Fulfilling a Contract*¹

Annual Improvements to HKFRSs 2018–2020

Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41¹

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

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

³ No mandatory effective date yet determined but available for adoption

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

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

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

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

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

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

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained earnings or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

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

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. OPERATING SEGMENT INFORMATION

The chief operating decision maker has been identified as the executive directors. The executive directors review the Group's internal financial reports in order to assess performance and allocate resources. The executive directors have determined the operating segments based on these reports as follows:

Real estate development:	Development and sales of residential and commercial properties
Specialised construction:	Design, installation and selling of curtain walls and aluminum windows, doors and other materials
Property investment:	Holding of properties to generate rental income and/or to gain from the appreciation in properties' values in the long-term
Securities investment:	Investment of securities

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

Segment revenue and results

	Real estate development		Specialised construction		Property investment		Securities investment		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue										
Total segment revenue	12,511,033	7,071,620	321,444	574,949	60,168	67,027	—	—	12,892,645	7,713,596
Inter-segment revenue	—	—	—	(45,520)	(7,007)	(6,430)	—	—	(7,007)	(51,950)
Sales to external customers	12,511,033	7,071,620	321,444	529,429	53,161	60,597	—	—	12,885,638	7,661,646
Results										
Segment results	1,396,636	825,532	(4,692)	22,830	8,821	(28,701)	59,893	52,949	1,460,658	872,610
Unallocated corporate expenses, net									(267,009)	(219,737)
Finance income									1,193,649	652,873
Finance costs									249,115	222,799
Share of results of associates									(163,076)	(69,471)
Share of results of joint ventures									(264,007)	4,469
Profit before tax									48,253	(2,260)
									1,063,934	808,410

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment results represent the profit before tax without allocation of unallocated corporate expenses, finance income, finance costs and share of results of associates and joint ventures.

Inter-segment revenue is charged at prevailing market rates.

Segment assets and liabilities

	Real estate development		Specialised construction		Property investment		Securities investment		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets										
Segment assets	<u>67,125,762</u>	<u>61,548,989</u>	<u>376,585</u>	<u>413,356</u>	<u>2,099,569</u>	<u>2,064,410</u>	<u>555,433</u>	<u>822,778</u>	<u>70,157,349</u>	<u>64,849,533</u>
Unallocated corporate assets									<u>7,015,895</u>	<u>3,538,204</u>
Total assets									<u><u>77,173,244</u></u>	<u><u>68,387,737</u></u>
Liabilities										
Segment liabilities	<u>52,070,383</u>	<u>43,891,388</u>	<u>179,234</u>	<u>144,371</u>	<u>11,702</u>	<u>13,627</u>	<u>—</u>	<u>—</u>	<u>52,261,319</u>	<u>44,049,386</u>
Unallocated corporate liabilities									<u>1,794,014</u>	<u>1,928,344</u>
Total liabilities									<u><u>54,055,333</u></u>	<u><u>45,977,730</u></u>

Segment assets consist primarily of interests in associates, interests in joint ventures, property, plant and equipment, investment properties, financial assets of fair value through other comprehensive income, inventories, receivables, contract assets, contract costs and operating cash but exclude items such as bank deposits for corporate use and deferred tax assets. Segment liabilities comprise all operating liabilities but exclude items such as taxation.

Other segment information

	Real estate development		Specialised construction		Property investment		Securities investment		Segment total		Unallocated		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:														
Interests in associates	3,306,006	3,472,096	—	—	—	—	—	—	3,306,006	3,472,096	—	—	3,306,006	3,472,096
Interests in joint ventures	227,863	196,074	—	—	—	—	—	—	227,863	196,074	—	—	227,863	196,074
Capital expenditures	264,633	42,199	—	1,164	39	281	—	—	264,672	43,644	698	189	265,370	43,833
Depreciation recognised in the consolidated statement of profit or loss	49,376	31,493	54	2,002	377	454	—	—	49,807	33,949	5,453	5,157	55,260	39,106
Fair value changes on investment properties	(135,767)	8,914	—	—	(17,700)	(59,500)	—	—	(153,467)	(50,586)	—	—	(153,467)	(50,586)
(Reversal of impairment)/ allowance for impairment of inventories, net	(47,598)	299,894	—	—	—	—	—	—	(47,598)	299,894	—	—	(47,598)	299,894
Impairment losses (reversed)/ recognised under expected credit loss model, net	—	—	—	(3,265)	13,640	17,799	—	—	13,640	14,534	—	—	13,640	14,534

Geographical information

The Group operates its businesses in two main geographical areas:

Hong Kong:	Real estate development, specialised construction, property investment and securities investment
Mainland China:	Real estate development, specialised construction and property investment

In presenting geographical information, sales are presented based on the geographical locations of the customers. Total non-current assets exclude financial instruments and deferred tax assets.

	Hong Kong		Mainland China		Total	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
External sales	378,002	287,684	12,507,636	7,373,962	12,885,638	7,661,646
Total non-current assets	<u>2,175,599</u>	<u>2,223,907</u>	<u>4,510,866</u>	<u>4,210,931</u>	<u>6,686,465</u>	<u>6,434,838</u>

Information about major customer

No revenue from transaction with single external customer is amounted to 10% or more of the Group's revenue for both years.

4. REVENUE

An analysis of revenue is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>	12,832,477	7,601,049
<i>Revenue from other sources</i>		
Rental and management fee income from investment properties	<u>53,161</u>	<u>60,597</u>
	<u><u>12,885,638</u></u>	<u><u>7,661,646</u></u>

5. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Government subsidies (i)	317	136,062
Dividend income	59,922	53,008
Management fee income from fellow subsidiaries	4,813	6,295
Bargain purchase gain on acquisition of interest in a subsidiary	—	111,889
Bargain purchase gain on acquisition of interest in an associate	—	159,729
Gain on disposal of subsidiaries	—	955
Others	<u>26,538</u>	<u>28,007</u>
	<u><u>91,590</u></u>	<u><u>495,945</u></u>

- (i) During the year ended 31 December 2020, a government subsidy of RMB121,000,000 (equivalent to HK\$136,062,000) was awarded to the Group in Mainland China. There were no unfulfilled conditions or contingencies relating to the grant.

6. PROFIT FOR THE YEAR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of properties sold (i)	10,196,779	5,934,990
Cost of specialised construction	291,474	481,853
Depreciation	55,260	39,106
Auditor's remuneration	3,650	4,580
Direct operating expenses incurred for investment properties that generated rental income	11,912	14,349
Employee benefit expense (including directors' emoluments)	323,565	235,597
(Reversal of impairment)/allowance for impairment of inventories	(47,598)	299,894
Net exchange loss/(gain)	5,949	(31,606)

- (i) Included in cost of properties sold are interest expenses of HK\$619,054,000 (2020: HK\$342,918,000).

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong. Under the two-tiered profits tax regime, the first HK\$2,000,000 (2020: HK\$2,000,000) of the profits of qualifying group entities established in Hong Kong have been taxed at 8.25%, and profits above that amount have been subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rate regime will continue to be taxed at a rate of 16.5%.

The PRC enterprise income tax had been calculated on the estimated assessable profit for the year derived in Mainland China at the rate of 25% (2020: 25%).

Land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
PRC enterprise income tax	842,018	194,310
PRC enterprise income tax refund	—	(245,214)
PRC land appreciation tax	13,934	130,557
Hong Kong profits tax	21	1,410
	<u>855,973</u>	<u>81,063</u>
Deferred tax	<u>(423,846)</u>	<u>290,007</u>
	<u><u>432,127</u></u>	<u><u>371,070</u></u>

8. DIVIDENDS

The Directors recommend the payment of a final dividend of HK1.0 cent (2020: HK1.0 cent) and a special dividend of HK1.0 cent (2020: HK1.0 cent) per ordinary share with total amount of HK\$66,938,000 (2020: HK\$66,938,000). These dividends are to be approved by the shareholders at the annual general meeting of the Company to be held on 26 May 2022. These consolidated financial statements do not reflect this dividend payable.

A final dividend and a special dividend in respect of the year ended 31 December 2020 of each of HK1.0 cent per ordinary share totalling HK\$66,938,000 (2020: final dividend in respect of the year ended 31 December 2019 of HK8.0 cents per ordinary share totalling HK\$267,753,000) were recognised as distribution during the year.

9. EARNINGS PER SHARE — BASIC AND DILUTED

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the year.

Since there were no dilutive potential ordinary shares, the diluted earnings per share is equal to basic earnings per share.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>89,209</u>	<u>112,370</u>

	2021 Number of shares <i>'000</i>	2020 Number of shares <i>'000</i>
Weighted average number of ordinary shares in issue during the year	<u>3,346,908</u>	<u>3,346,908</u>

10. PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables, net (a)	139,732	148,085
Deposits	211,351	108,798
Prepayments (b)	891,132	772,816
Prepayments for land cost (c)	1,969,482	7,574,521
Amounts due from associates	1,052,958	1,088,435
Amounts due from joint ventures	3,054,411	4,639,711
Amounts due from non-controlling shareholders of subsidiaries	4,962,606	2,530,870
Others	<u>241,224</u>	<u>188,882</u>
	<u>12,522,896</u>	<u>17,052,118</u>

- (a) The aging analysis of trade receivables based on due date for rental receivables, date of properties delivered to purchasers and billing date of construction services certified is as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	109,665	98,032
91 to 180 days	3,006	6,052
181 days to 1 year	7,532	20,647
1 year to 2 years	22,020	8,690
Over 2 years	43,048	46,506
	185,271	179,927
Less: Allowance for impairment	(45,539)	(31,842)
	139,732	148,085

- (b) As at 31 December 2021, prepayments included prepaid other taxes and other charges of approximately HK\$845,219,000 (2020: HK\$677,889,000).
- (c) As at 31 December 2021, prepayments for land cost represented payments to the Bureau of Planning and Natural Resources of PRC for the acquisition of land in Mainland China and the amount will be reclassified to inventory upon issuance of land use right certificates.

11. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Cash flow hedging reserve <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1 January 2020	4,275,172	515,336	769	841,215	(5,942)	4,359	(309,864)	(1,437,153)	4,975,262	8,859,154
Fair value loss of financial assets at fair value through other comprehensive income	—	—	—	(576,174)	—	—	—	—	—	(576,174)
Fair value loss on hedging instruments in cash flow hedges	—	—	—	—	(53,904)	—	—	—	—	(53,904)
Currency translation adjustments	—	—	—	—	—	—	—	1,177,689	—	1,177,689
Gain on partial disposals of equity interests in subsidiaries	—	—	—	—	—	—	12,878	—	—	12,878
2019 final dividend paid	—	—	—	—	—	—	—	—	(267,753)	(267,753)
Profit for the year	—	—	—	—	—	—	—	—	112,370	112,370
Balance as at 31 December 2020	<u>4,275,172</u>	<u>515,336</u>	<u>769</u>	<u>265,041</u>	<u>(59,846)</u>	<u>4,359</u>	<u>(296,986)</u>	<u>(259,464)</u>	<u>4,819,879</u>	<u>9,264,260</u>
Fair value loss of financial assets at fair value through other comprehensive income	—	—	—	(267,345)	—	—	—	—	—	(267,345)
Fair value gain on hedging instruments in cash flow hedges	—	—	—	—	36,407	—	—	—	—	36,407
Gain on revaluation of owner-occupied properties upon transfer to investment properties	—	—	—	—	—	39,424	—	—	—	39,424
Currency translation adjustments	—	—	—	—	—	—	—	589,909	—	589,909
Gain on partial disposal of equity interests in a subsidiary	—	—	—	—	—	—	844	—	—	844
2020 final dividend paid	—	—	—	—	—	—	—	—	(66,938)	(66,938)
Profit for the year	—	—	—	—	—	—	—	—	89,209	89,209
Balance as at 31 December 2021	<u>4,275,172</u>	<u>515,336</u>	<u>769</u>	<u>(2,304)</u>	<u>(23,439)</u>	<u>43,783</u>	<u>(296,142)</u>	<u>330,445</u>	<u>4,842,150</u>	<u>9,685,770</u>

12. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade, bills and contract payables (a)	3,188,827	1,562,595
Retention payables	21,972	23,329
Accrued construction costs, other accruals and other payables	6,470,109	4,295,680
Rental deposits received	8,927	9,078
Amounts due to fellow subsidiaries	1,090,401	1,543,209
Amounts due to non-controlling shareholders of subsidiaries	2,054,568	1,792,178
Amounts due to associates	2,463,129	2,283,256
Amount due to a joint venture	41,666	—
	<u>15,339,599</u>	<u>11,509,325</u>
Less: Amounts due to a fellow subsidiary, for settlement after 1 year shown under non-current liabilities	<u>—</u>	<u>(438,287)</u>
Amount due for settlement within 1 year shown under current liabilities	<u><u>15,339,599</u></u>	<u><u>11,071,038</u></u>

- (a) The aging analysis of trade, bills and contract payables of the Group based on invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	1,503,667	1,048,965
91 to 180 days	388,955	65,538
181 days to 1 year	974,484	177,154
1 year to 2 years	98,687	199,606
Over 2 years	223,034	71,332
	<u><u>3,188,827</u></u>	<u><u>1,562,595</u></u>

13. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

In 2021, the real estate industry in the Mainland China experienced a significant adjustment with the ongoing global pandemic. The Group has been overcoming difficulties while pursuing progress and striving for stable growth while accelerating its transformation into an “urban operator”. During the year, the Group’s revenue was HK\$12,886 million, representing a year-on-year increase of 68.2%; profit for the year was HK\$632 million, representing a year-on-year increase of 44.6%; consolidated gross profit margin improved 2.4 percentage points to 18.5% as compared to last year; contracted sales reached a new record high of RMB26 billion. The financial position of the Group remains healthy, together with full compliance with the three red lines and a reasonable debt structure, fully ensuring the Group’s future development.

Real Estate Development

Contracted Sales

The total contracted sales of the Company together with its subsidiaries, joint ventures and associates for 2021 increased by 34.3% year-on-year to RMB26,008 million (2020: RMB19,360 million) whilst the gross floor area (“GFA”) contracted for sale rose approximately 31.7% to 992,000 square metres (2020: 753,000 square metres). The majority of the contracted sales was derived from Tier 1 and core Tier 2 cities.

The Company’s contracted sales in 2021 reached a new record high, exceeding its full-year sales target of RMB25.0 billion. The increase in contracted sales was mainly attributable to the real estate development projects acquired from the Group’s controlling shareholder in 2020, coupled with the growth in contracted sales of the real estate development projects in the Yangtze River Delta.

The contracted sales breakdown was listed as below:

Location	For the year ended 31 December			
	2021		2020	
	Contracted amount (RMB million)	Contracted GFA (sq.m.)	Contracted amount (RMB million)	Contracted GFA (sq.m.)
Pan Bohai Rim	3,780	192,483	2,252	139,310
Yangtze River Delta	11,612	286,427	2,909	89,445
Central China Region	2,679	252,231	2,120	179,143
Chengdu-Chongqing Region	1,496	88,436	—	—
Pearl River Delta including Hong Kong	6,441	172,871	12,079	344,900
Total	26,008	992,448	19,360	752,798

Revenue

Revenue from real estate development business was HK\$12,511 million (2020: HK\$7,072 million), up 76.9% from the previous year. It was mainly due to the delivery of several highly sought-after projects in the Pearl River Delta during the year, together with the real estate development projects acquired from the Group's controlling shareholder in 2020 which beefed up the Group's business scale, resulting in a significant increase in the area of delivered properties as compared to 2020. The gross profit margin of the real estate development business rose 2.4 percentage points to 18.5% (2020: 16.1%).

Specialised Construction

The Group is engaged in the business of specialised construction mainly comprising the services of design, production and installation of curtain walls system in the Hong Kong market via Minmetals Condo (Hong Kong) Engineering Company ("Condo Hong Kong"). Condo Hong Kong's active participation in both private development and the public sector in recent years has earned itself a good reputation in the industry. In light of persisting fierce market competition and the higher risk of increasing direct and indirect costs, Condo Hong Kong has adopted a relatively conservative bidding strategy to control risk, leading to fewer new projects and thus a lower contracted value of the projects on hand.

The Group disposed of Minmetals Condo (Shanghai) Construction Co., Ltd.* ("Condo Shanghai"), which was engaged in the Mainland China's specialised construction market, at the end of 2020 with resultant scaling down of the total size of the specialised construction business. Specialised construction business recorded a year-on-year revenue decline of 39.1% to HK\$322 million (2020: HK\$529 million), whilst the gross profit margin remained stable at 9.3% (2020: 9.0%).

Property Investment

The Group's property investment business primarily comprises two commercial office buildings in Hong Kong, namely China Minmetals Tower in Tsimshatsui and LKF 29 in Central.

Local consumption and investment sentiment remain low due to the impact of the COVID-19 pandemic. The Group's two investment properties in Hong Kong posted a decline in rental levels during the year. As at 31 December 2021, the occupancy rate of LKF 29 was 91.8% (2020: 83.6%) while that of China Minmetals Tower was 80.3% (2020: 80.3%). Revenue from property investment business saw a 13.1% decline to HK\$53 million (2020: HK\$61 million) and the gross profit margin remained at a relatively high level of 77.6% (2020: 76.3%).

Land Bank

As at 31 December 2021, the Group has 42 real estate development projects in 17 cities, namely Beijing, Yingkou, Langfang, Tianjin, Nanjing, Changsha, Xiangtan, Taian, Xining, Wuhan, Chengdu, Huizhou, Foshan, Guangzhou, Shenzhen, Suzhou and Hong Kong, with a total developable GFA ("Land Bank") of approximately 8,937,000 square metres.

As at 31 December 2021, the composition of the Group's Land Bank was listed as below:

City tier	Land Bank ('000 sq.m.)	Percentage share of Land Bank
First tier cities ¹	2,891	32%
Second tier cities ²	3,321	37%
Third tier cities ³	2,725	31%
Total	<u>8,937</u>	<u>100%</u>

Notes:

1. First tier cities include Beijing, Tianjin, Guangzhou, Shenzhen and Hong Kong.
2. Second tier cities include Chengdu, Changsha, Wuhan, Nanjing, Foshan and Suzhou.
3. Third tier cities include Yingkou, Langfang, Huizhou, Xiangtan, Xining and Taian.

Location	Land Bank (’000 sq.m.)	Percentage share of Land Bank
Pan Bohai Rim	2,862	32%
Yangtze River Delta	542	6%
Central China Region	2,266	25%
Chengdu-Chongqing Region	1,476	17%
Pearl River Delta including Hong Kong	1,791	20%
Total	8,937	100%

Newly Acquired Land Bank

Throughout the year of 2021, the Group acquired 12 parcels of land, with estimated construction GFA of 1,799,000 square metres. The total cost for the newly acquired Land Bank amounted to approximately RMB11,056 million and the average land cost was approximately RMB6,146 per square metre. The projects were located in the areas where the Group has established its solid footholds, and the newly acquired Land Bank would further strengthen the Group’s leading position in the market.

In 2021, the Group’s newly acquired Land Bank was listed as below:

Location/Project	Property type	Attributable interest to the Group	Site area (sq.m.)	Estimated Construction GFA (sq.m.)	Total land cost (RMB million)	Average land cost (RMB per sq.m.)	Acquisition date
1. Chengdu Dayi Shaqu project	Residential	100%	44,000	114,000	110	965	12/01/2021
2. Beijing Chao Yang One (formerly Beijing Wangsiyingxiang project)	Residential	40%	49,000	189,000	5,450	28,807	27/05/2021
3. Chengdu West-Lake Future City (a total of 3 land parcels)	Residential	100%	208,000	425,000	513	1,207	29/06/2021
4. Chengdu West-Lake Future City (a total of 2 land parcels)	Residential	100%	111,000	308,000	295	958	08/07/2021
5. Chengdu West-Lake Future City	Commercial	100%	21,000	28,000	34	1,214	22/09/2021
6. Changsha Wanjing Yayuan	Residential	51%	137,000	315,000	1,150	3,647	03/09/2021
7. Suzhou Industrial Project	Residential	55%	56,000	157,000	2,197	13,966	17/09/2021
8. Chengdu Xindu Jinshuihe Project	Residential	51%	44,000	140,000	670	4,786	28/12/2021
9. Chengdu Xindu Dafeng Project	Residential	51%	39,000	123,000	637	5,179	28/12/2021
Total			709,000	1,799,000	11,056	6,146	

Industry-City Business

Dayi Project

The West-Lake Future City, located in the eastern part of Dayi County, Chengdu, is the closest part of Dayi County to the city centre of Chengdu and with great ecological landscape. The West-Lake Future City, which is positioned as a commercial and residential project, is acquired by the Group through the industry-city business model with low land cost, with cultural tourism products as the primary industrial development direction. During the year, the Group acquired six parcels of land in the region, laying a solid foundation for further development in Chengdu and the integration of industry-city. During the year, the project's landscape construction, urban infrastructure and ancillary operational planning work progressed in an orderly manner.

Xindu Project

The project is located in Shibantan, Xindu District, Chengdu, and is the core area under the key development of the modern transportation industry functional area of Xindu. The project focuses on the two leading industrial ecosystems of rail transportation and aviation, and will focus on introducing enterprises in both the aviation and rail transportation fields to create high-quality science and innovation space. During the year, the Group achieved progressive results in terms of the conceptual planning of the urban area, and completed the project operation plan as well as the investment and operation agreement.

Opening of Huizhou Narada Hotel

In order to enhance the township commercial business of the Huizhou Hallstatt See project and further improve its township cultural atmosphere, the project has set up facilities such as the Austrian culture museum, bicycle-themed museum, cosplay museum, jungle adventure park and others. In addition, the Huizhou Narada Hotel, as a major part of the project, has been opened in 2021.

Opening of Minmetals Taian-Live

Minmetals Taian-Live was grandly opened in December 2021 and was well received by the market with an occupancy rate of 99.7%. As the first large-scale commercial complex in Nancheng, Taian, Minmetals Taian-Live integrates entertainment, leisure, specialty dining, retail and children’s education, effectively fills the commercial blank in the region, promotes the prosperity and development of Nancheng, Taian, and offers a more fashionable and trendy shopping experience.

Sustainable Development Product

The Group relentlessly works on high-quality development. In recent years, the Group has been implementing the 5M intelligent health product system which promotes and deploys the concept of healthy life, smart system, delicate management, comfortable environment and green materials into its several product lines, and integrates the intelligent applications, environmental protection and green elements into the design of the Group’s real estate development projects. Adhering to the “people-oriented” philosophy, the Group will continue to pursue innovation in the fields of residential design, sales model, brand influence and service quality, bringing about high-quality products and services to residents.

The Group’s 5M intelligent health product system garnered the “2021 China Real Estate Association Technology Award”. At the same time, the Group has been actively implementing carbon emission reduction and carbon neutral initiatives, developing new technologies and new products, whilst the two patent applications for the new ventilators have been accepted, further enhancing the competitiveness of the Group’s products.

COVID-19 Outbreak and Effects on The Group’s Business

With the COVID-19 pandemic in Mainland China gradually subsided and economic activities resumed during the year, the Group’s overall operation and sales had resumed to normal. During the year, the Group advanced its real estate development projects as planned, with contracted sales reaching RMB26.0 billion for 2021, representing a year-on-year increase of 34.3%. However, the impact of the COVID-19 pandemic on consumption and investment sentiment in Hong Kong remained, resulting in lower rental levels for the Group’s investment properties. In general, there is no significant impact of COVID-19 on the Group’s business for the time being.

Entrusted Asset Management

During the year, the Group recorded a management service income of RMB3.24 million under the entrusted management service agreement, of which China Minmetals entrusted the Company with the management of its non-listed assets within its real estate development segment, including real estate development projects in Beijing, Tianjin, Shenyang, Liaoning, Jiangsu, Hunan and Guangdong.

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily derived from three business segments, namely real estate development, specialised construction and property investment. The Group's consolidated revenue for 2021 rose 68.2% to HK\$12,886 million as compared to HK\$7,662 million for the last year.

The Group's consolidated revenue breakdown was listed as below:

	For the year ended 31 December		2020		Year-on-year change
	2021	Percentage	2020	Percentage	
	HK\$ million	share of revenue	HK\$ million	share of revenue	
Real estate development	12,511	97.1%	7,072	92.3%	76.9%
Specialised construction	322	2.5%	529	6.9%	-39.1%
Property investment	53	0.4%	61	0.8%	-13.1%
Securities investment	—	—	—	—	—
Total	<u>12,886</u>	<u>100%</u>	<u>7,662</u>	<u>100%</u>	<u>68.2%</u>

The Group's revenue from real estate development business was HK\$12,511 million (2020: HK\$7,072 million), increased by 76.9% year-on-year and accounted for 97.1% of the Group's consolidated revenue. The increase in revenue from real estate development business was primarily due to a significant increase in the area of properties delivered by the Group in the Pearl River Delta, coupled with the real estate development projects acquired from the Group's controlling shareholder in 2020 which beefed up the Group's business scale.

Revenue from specialised construction business posted a year-on-year decline of 39.1% to HK\$322 million (2020: HK\$529 million), accounting for 2.5% of the Group's consolidated revenue. The decrease in revenue from specialised construction business was primarily due to the disposal of Condo Shanghai, which was engaged in the PRC market, at the end of 2020 with resultant scaling down of the total size of the specialised construction business.

Revenue from property investment business saw a 13.1% decline to HK\$53 million (2020: HK\$61 million), accounting for 0.4% of the Group's consolidated revenue. Revenue from property investment business was mainly generated from two commercial buildings in Hong Kong, and the decrease in revenue was primarily due to the decline in rental levels as a result of the impact of COVID-19 pandemic.

The Group's overall gross profit margin increased to 18.5% from 16.1% of last year, mainly due to the recognised revenue from real estate development business during the year was derived from the several projects with higher gross profit margin in the Pearl River Delta.

Other Income

The Group's other income was HK\$92 million (2020: HK\$496 million), down 81.5% year-on-year, which was attributable primarily to the one-off gain of HK\$272 million arising from the acquisition of real estate development projects from the Group's controlling shareholder and the one-off government subsidy of HK\$136 million received in 2020.

Fair Value Changes on Investment Properties

During the year, the Group's fair value loss on investment properties was HK\$153 million, representing a 2-fold increase from HK\$51 million last year. Office and retail business have been suppressed by the COVID-19 pandemic, with declining rental levels, resulting in fair value loss on investment properties located in Hong Kong and Changsha, China.

Selling and Marketing Expenses

Selling and marketing expenses of the Group for the year ended 31 December 2021 increased by 82.8% year-on-year to HK\$468 million (2020: HK\$256 million), mainly due to the increase in sales commissions and sales related service fees as a result of the rising revenue and contracted sales during the year. The sales commission represented 52.7% of the total selling and marketing expenses for the year.

Administrative and Other Expenses

Administrative and other expenses of the Group for the year ended 31 December 2021 decreased by 13.9% year-on-year to HK\$648 million (2020: HK\$753 million), mainly due to significant asset impairment in 2020 whilst a corresponding reversal of inventory impairment in 2021. Administrative and other expenses mainly comprised of the Group's staff remuneration, which represented 49.9% of the total administrative and other expenses.

Finance Costs

Total finance costs of the Group for the year ended 31 December 2021 was HK\$827 million, representing an increase of 8.8% from HK\$760 million last year, mainly attributable to the increase in loans during the year. Finance costs charged to the profit or loss recorded a significant increase of 136.2% to HK\$163 million (2020: HK\$69 million) due to a decrease in the interest capitalisation ratio for the year. During the year, the weighted average borrowing cost of the Group decreased by 0.1 percentage point to 3.6%.

Share of Results of Associates

The Group's share of loss of associates was HK\$264 million for the year ended 31 December 2021, compared with the share of profits of HK\$4 million last year, mainly as a result of losses recorded by the associates in China (Tianjin and Changsha) due to inventory impairment.

Profit and Core Profit Attributable to Equity Holders of the Company

In view of the above, the Group's net profit for the year increased by 44.6% to HK\$632 million (2020: HK\$437 million). During the year, the profit attributable to equity holders of the Company dropped by 20.5% to HK\$89 million from HK\$112 million in 2020 as some profitable projects recognised during the year were those projects with minority shareholders. Basic earnings per share was HK2.67 cents (2020: HK3.36 cents). However, the core profit attributable to equity holders of the Company⁴ was HK215 million, representing a 23.3% year-on-year growth.

Financial Position

As at 31 December 2021, the Group's total assets increased by 12.8% to HK\$77,173 million (2020: HK\$68,388 million) whilst net assets increased by 3.2% to HK\$23,118 million (2020: HK\$22,410 million). The increase in net assets was mainly attributable to the increase in non-controlling interests by introduction of partners in an individual real estate development project.

The contract liabilities, which mainly represent contracted sales carried forward that will subsequently be recognised as the Group's revenue when presold properties are completed and delivered to buyers. During the year, the Group's contract liabilities increased by 23.9% to HK\$15,849 million (2020: HK\$12,788 million), which was mainly due to the increase in contracted sales of the Group during the year.

Notes:

4. *“Core profit attributable to equity holders of the Company” excludes reversal/allowance for impairment of inventories, exchange gains/losses, fair values changes on investment properties, allowance for impairment of receivables and the one-off bargain purchase gain on acquisitions.*

The financial position of the Group remained healthy with a gearing ratio (total liabilities to total assets) of 70.0% (2020: 67.2%). The rise of 2.8 percentage points in gearing ratio was mainly due to the redemption of US\$200 million senior perpetual bonds by bank loans during the year. The gearing ratio, net of contract liabilities and deferred revenue, was 62.1% (2020: 59.5%). Net gearing ratio (net debt to total equity) was 38.9% (2020: 49.7%).

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group's working capital was mainly derived from cash flows generated from business operations and borrowings.

In terms of offshore financing, the Group issued the 2021 sustainable bonds with a principal amount of US\$300,000,000 bearing interest at the coupon rate of 4.95% per annum, the 2021 sustainable bonds will be matured on 22 July 2026. In the second half of the year, the Group also completed the restructuring of three revolving loans of HK\$4.08 billion in total, which replenished the financial resources of the Group. In terms of onshore financing, the Group secured construction loans for the development of its real estate development projects in the PRC. The Group will continue to give full play to its competitive advantage as a state-owned enterprise, strive to optimise financing costs and broaden financing channels, and provide solid capital support for the Group's steady business development in the future.

Total borrowings of the Group stood at HK\$21,017 million as at 31 December 2021 (2020: HK\$19,571 million), which mainly comprised borrowings from banks and bond issuance. The increase in total borrowings was mainly due to the replacement of US\$200 million senior perpetual bonds with bank loans. The weighted average borrowing cost of the Group remained at a low level of approximately 3.6% (2020: 3.7%).

The maturity profile of the Group's borrowings was listed as below:

	31 December 2021		31 December 2020	
	HK\$ million	Percentage share of borrowings	HK\$ million	Percentage share of borrowings
Within one year	6,547	31.2%	4,555	23.3%
In the second year	4,179	19.9%	6,307	32.2%
In the third to fifth year	9,395	44.7%	8,003	40.9%
More than five years	896	4.2%	706	3.6%
Total	<u>21,017</u>	<u>100%</u>	<u>19,571</u>	<u>100%</u>

The currency profile of the Group's borrowings was listed as below:

	31 December 2021		31 December 2020	
	HK\$ million	Percentage share of borrowings	HK\$ million	Percentage share of borrowings
Renminbi	2,227	10.6%	2,083	10.6%
Hong Kong Dollar	15,487	73.7%	14,201	72.6%
United States Dollar	3,303	15.7%	3,287	16.8%
Total	<u>21,017</u>	<u>100%</u>	<u>19,571</u>	<u>100%</u>

The finance costs charged to the profit or loss for 2021 amounted to HK\$163 million (2020: HK\$69 million) after capitalisation of HK\$664 million (2020: HK\$690 million) into properties under development.

As at 31 December 2021, the Group had cash and bank deposits (excluding restricted cash and bank deposits) of HK\$10,956 million (2020: HK\$8,239 million), of which 97.5%, 2.1%, 0.3% and 0.1% (2020: 95.6%, 4.2%, 0.1% and 0.1%) were denominated in Renminbi, Hong Kong dollar, United States dollar and Macau Pataca respectively. The unused banking facilities of the Group as at 31 December 2021 amounted to HK\$4,360 million (2020: HK\$8,045 million).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND INTEREST RATES

Exchange Rate Risk

The Group's principal business is located in Mainland China where most of the external financing is denominated in Hong Kong dollar and revenue is denominated in Renminbi primarily. The Group is exposed to exchange rate risk on transactions that are denominated in a currency other than Hong Kong dollar, the reporting and functional currency of the Company. The Group has been closely monitoring the fluctuation in Renminbi exchange rate and has considered necessary measures to minimise the impact arising from adverse currency fluctuation including adjustment to the proportion of borrowings in foreign currencies and utilisation of foreign exchange hedging instruments such as forward foreign exchange contracts or capped forward contracts.

Interest Rate Risk

The Group is also exposed to interest rate risk resulting from fluctuation in interest rates. Most of the borrowings of the Group was on a floating rate basis and therefore, an increase in interest rate would raise the Group's finance cost. In order to mitigate the interest rate risk, the Group entered into interest rate swap contracts in which the Group would receive interest of one-month HIBOR and pay monthly interest at a fixed rate based on the notional amount of HK\$2.0 billion. As at 31 December 2021, approximately 25.2% (2020: 28.4%) of the Group's borrowings was on a fixed rate basis after hedging with the remainder on a floating rate basis.

As at 31 December 2021, save as disclosed above, the Group did not possessed any kind of financial instruments for hedging or speculative purposes.

CHARGES ON ASSETS

As at 31 December 2021, certain assets of the Group were pledged to secure certain banking facilities granted to the Group and mortgage loan facilities to the purchasers of the Group's properties, and these pledged assets of the Group included:

- i. inventories with carrying amounts of approximately HK\$6,472 million (2020: HK\$7,149 million); and
- ii. 100% equity interest in a subsidiary.

FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2021, guarantees given to banks for mortgage facilities granted to certain purchasers of the Group's properties amounted to HK\$11,189 million (2020: HK\$6,805 million). Such guarantees will terminate upon the earlier of (i) the issuance of the property ownership certificate which will generally be available within one year after the purchasers take the possession of the relevant properties; or (ii) the repayment of mortgage loans by the purchasers. After taking into account the net realisable value of the related properties and the low default rate, the Directors consider that the fair values of the financial guarantee contracts at initial recognition and subsequently at the end of each reporting period are not significant.

EMPLOYEES

The total number of staff of the Group, including the Directors, increased 5.1% to 1,250 (2020: 1,189) as at 31 December 2021. The Group will continue to adopt a remuneration policy in line with local market practice and standards. The total remuneration and benefits for the Directors and staff of the Group for the year ended 31 December 2021 were approximately HK\$548 million (2020: HK\$402 million).

SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 7 June 2013 (the “Share Option Scheme”) to recognise and acknowledge eligible persons for their contribution or potential contribution to the Group. The Share Option Scheme shall remain in force for 10 years from its adoption date. Details of the Share Option Scheme will be set out in the 2021 annual report of the Company.

As at 31 December 2021, no share options has been granted by the Company pursuant to the Share Option Scheme.

FINAL AND SPECIAL DIVIDENDS

The Directors recommend the payment of a final dividend of HK1.0 cent per share and a special dividend of HK1.0 cent per share, totaling HK2.0 cents per share (2020: final dividend of HK1.0 cent per share and a special dividend of HK1.0 cent per share, totaling HK2.0 cents per share) payable in cash to shareholders whose names appearing on the register of members of the Company on Friday, 10 June 2022.

Subject to shareholders’ approval of the said dividends at the annual general meeting, the dividend cheques will be distributed to shareholders on or about Friday, 8 July 2022.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL AND SPECIAL DIVIDENDS

The register of members of the Company will be closed from Wednesday, 8 June 2022 to Friday, 10 June 2022 (both days inclusive), for the purpose of determining shareholders’ entitlement to the proposed final dividend and the special dividend.

In order to qualify for the proposed final dividend and the special dividend, all share certificates with completed transfer forms must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 7 June 2022.

ANNUAL GENERAL MEETING

An annual general meeting of the shareholders of the Company is convened to be held on Thursday, 26 May 2022 (the “2022 AGM”). The notice of the 2022 AGM which forms part of the circular to shareholders of the Company will be despatched together with the 2021 annual report.

CLOSURE OF REGISTER OF MEMBERS FOR 2022 AGM

The register of members of the Company will be closed from Monday, 23 May 2022 to Thursday, 26 May 2022 (both days inclusive), during which period no transfer of shares will be registered for the purpose of determining shareholders’ entitlement to attend and vote at the 2022 AGM.

In order to qualify to attend and vote at the 2022 AGM, all share certificates with completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 20 May 2022.

CORPORATE GOVERNANCE

Corporate Governance Code

In the opinion of the Directors, throughout the year ended 31 December 2021, the Company has complied with the code provisions of the Corporate Governance Code (version up to 31 December 2021) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except deviations from code provision A.2.1 and A.4.2.

Directors (save for the Chairman and the Managing Director) appointed by the Company to fill a casual vacancy are subject to election at the first annual general meeting after their appointment instead of having elected at the first general meeting as set out in code provision A.4.2. Besides, every Directors, including those appointed for a specific term, are subject to retirement by rotation in the manner as set out in the said code provision save for the Chairman and the Managing Director of the Company where they are not required to do so pursuant to the Private Company Act 1981 of Bermuda by which the Company was incorporated.

As a variation from code provision A.2.1, Mr. He Jianbo, an executive Director of the Company, serves as the Chairman of the board of Directors. He is responsible for the overall strategic direction of the Group, management of the board of Directors as well as organising the management of the Company for strategic planning and business operations thereby enabling more effective execution of long-term strategies. It is believed that the balance of power and authority is adequately ensured as major decisions have been made in consultation with the board of Directors which comprises three independent non-executive Directors and two non-executive Directors offering their experience, expertise, independent advice and views from different perspective.

Code for Securities Transactions by Directors

The Company has established a set of guidelines as its own "Rules and Procedures for Directors and Relevant Employees of the Company in respect of Dealings in Securities of the Company" (the "Rules for Securities Transactions") on terms no less exacting than those contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries of all the Directors, they had confirmed in writing that they had complied with the Rules for Securities Transactions throughout the year ended 31 December 2021.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has discussed with the management of the Company and the Group's auditor, Messrs. Ernst & Young, on the consolidated financial statements of the Group for the year ended 31 December 2021 and also reviewed accounting principles and practices adopted by the Group, internal control and other financial reporting matters. The consolidated financial statements of the Group for the year ended 31 December 2021 have been recommended by the audit committee of the Company to the board of Directors for approval.

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditor, Messrs. Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Ernst & Young on this announcement.

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

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

By order of the Board
Minmetals Land Limited
He Jianbo
Chairman

Hong Kong, 24 March 2022

* *For identification purpose only*

The Company's 2021 annual report containing, inter alia, the corporate governance report, the report of the directors and the consolidated financial statements for the year ended 31 December 2021 will be published on the Company's website at www.minmetalsland.com and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk in due course.

As at the date of this announcement, the board of Directors of the Company comprises nine Directors, namely Mr. He Jianbo as the Chairman and an executive Director, Mr. Liu Bo, Mr. Chen Xingwu and Mr. Yang Shangping as executive Directors, Ms. He Xiaoli and Mr. Huang Guoping as non-executive Directors, and Mr. Selwyn Mar, Mr. Lam Chung Lun, Billy and Ms. Law Fan Chiu Fun, Fanny as independent non-executive Directors.