



越秀地產股份有限公司

YUEXIU PROPERTY COMPANY LIMITED

Stock Code: 00123

Where Good Living Starts

ANNUAL REPORT 2021





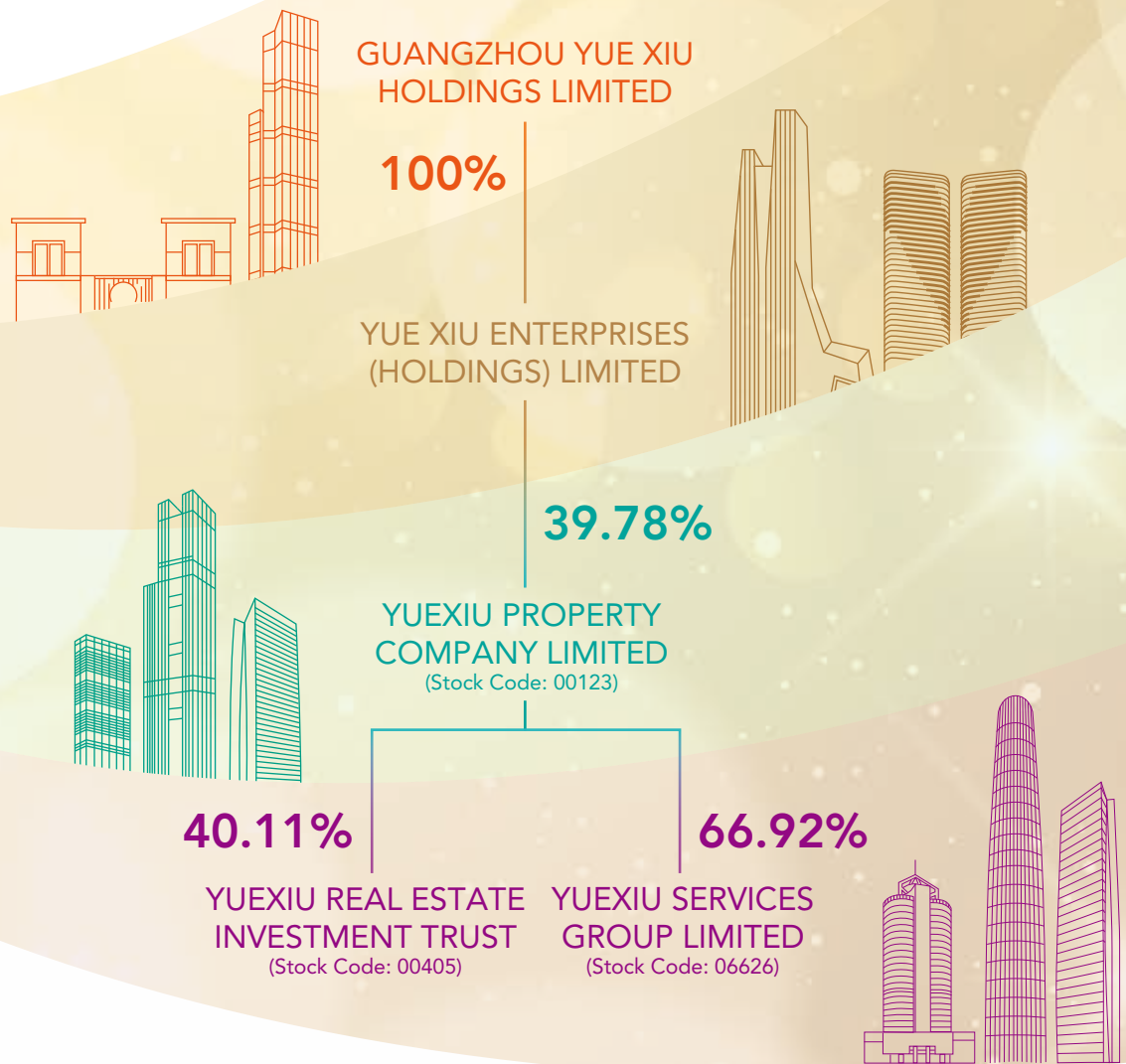
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CORPORATE STRUCTURE

As at 31 December 2021



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr Lin Zhaoyuan (Chairman)
Mr Lin Feng
Mr Li Feng
Ms Chen Jing
Ms Liu Yan

Non-executive director

Mr Zhang Yibing

Independent non-executive directors & audit committee members

Mr Yu Lup Fat Joseph
Mr Lee Ka Lun
Mr Lau Hon Chuen Ambrose

COMPANY SECRETARY

Mr Yu Tat Fung

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Wing Lung Bank Limited
DBS Bank Ltd.
China Construction Bank (Asia) Corporation Limited
Agricultural Bank of China Limited

WEBSITES TO ACCESS COMPANY INFORMATION

<http://www.yuexiuproperty.com>
<http://www.irasia.com/listco/hk/yuexiuproperty>
<http://www.hkexnews.hk>

REGISTERED OFFICE

26th Floor
Yue Xiu Building
160 Lockhart Road
Wanchai, Hong Kong

SHARE REGISTRAR

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

LISTING EXCHANGE

Shares

The Stock Exchange of Hong Kong Limited

Stock codes
The Stock Exchange of Hong Kong Limited - 00123
Reuters - 123.HK
Bloomberg - 123 HK

Notes and Bonds

The Stock Exchange of Hong Kong Limited

U.S.\$500,000,000 4.50 per cent. Notes due 2023 (Code: 4597)
HK\$2,300,000,000 6.10 per cent. Notes due 2029 (Code: 5846)
U.S.\$800,000,000 4.875 per cent. Notes due 2021 (Code: 4467) (repaid in full on 19 April 2021)
U.S.\$400,000,000 5.375 per cent. Notes due 2023 (Code: 4468)
U.S.\$650,000,000 2.80 per cent. Notes due 2026 (Code: 40547)
U.S.\$150,000,000 3.80 per cent. Notes due 2031 (Code: 40548)

Shanghai Stock Exchange

RMB2,500,000,000 3.80 per cent. Corporate Bonds due 2022 (16 穗建 03 Code: 136678)
RMB1,950,000,000 3.85 per cent. Corporate Bonds due 2022 (19 穗建 01 Code: 155436)
RMB550,000,000 3.93 per cent. Corporate Bonds due 2022 (19 穗建 02 Code: 155437)
RMB1,500,000,000 3.60 per cent. Corporate Bonds due 2022 (19 穗建 04 Code: 155760)
RMB1,500,000,000 3.83 per cent. Corporate Bonds due 2022 (19 穗專 01 Code: 155411)
RMB1,500,000,000 3.13 per cent. Corporate Bonds due 2023 (20 穗建 01 Code: 163304)
RMB1,500,000,000 3.20 per cent. Corporate Bonds due 2024 (21 穗建 01 Code: 188438)
RMB1,000,000,000 3.50 per cent. Corporate Bonds due 2026 (21 穗建 02 Code: 188439)
RMB1,500,000,000 3.17 per cent. Corporate Bonds due 2024 (21 穗建 03 Code: 188730)
RMB500,000,000 3.55 per cent. Corporate Bonds due 2026 (21 穗建 04 Code: 188731)
RMB1,500,000,000 3.29 per cent. Corporate Bonds due 2024 (21 穗建 05 Code: 188802)

INVESTOR RELATIONS

For further information about Yuexiu Property Company Limited, please contact:
Mr Michael Jiang
Email: ir@yuexiuproperty.com

FINANCIAL HIGHLIGHTS

INCOME STATEMENT HIGHLIGHTS

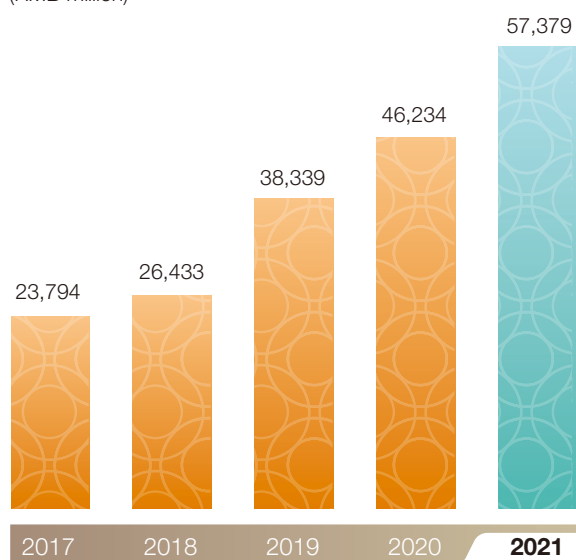
RMB'000	For the year ended 31 December				
	2021	2020	2019	2018	2017
Revenue	57,378,861	46,234,259	38,339,112	26,433,444	23,793,908
Gross profit	12,482,465	11,626,088	13,117,387	8,392,922	6,108,107
Profit attributable to equity holders					
– from continuing operations	3,588,929	4,247,860	3,483,351	2,727,885	2,260,242
Basic earnings per share					
– from continuing operations (RMB)	1.1590	1.3718	0.2410	0.2200	0.1823

BALANCE SHEET HIGHLIGHTS

RMB'000	As of 31 December				
	2021	2020	2019	2018	2017
Total cash (including cash, cash equivalents and charged bank deposits)	40,499,046	37,307,969	30,189,370	27,159,262	20,794,411
Total assets	313,854,885	263,196,000	234,697,255	168,820,498	133,142,511
Total assets less current liabilities	131,234,093	131,610,541	127,779,621	96,191,429	80,945,660
Shareholders' equity	46,236,070	43,747,657	40,723,508	33,826,567	32,385,638
Shareholders' equity per share (RMB)	14.932	14.128	2.630	2.728	2.611

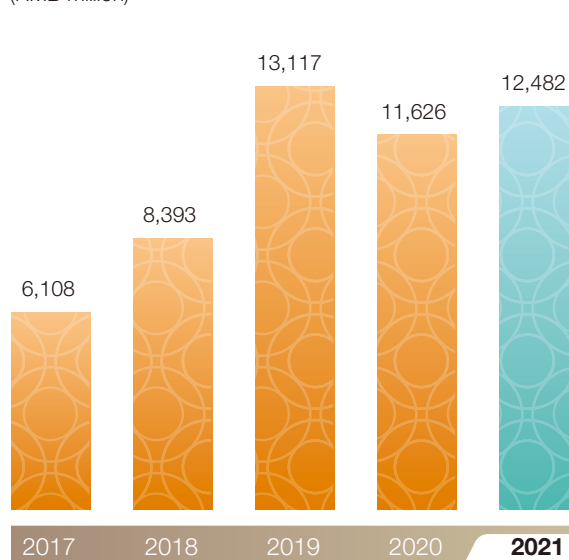
REVENUE

(RMB million)



GROSS PROFIT

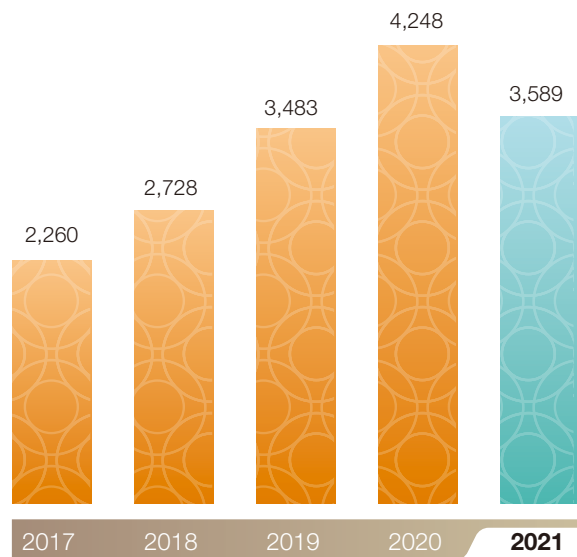
(RMB million)



FINANCIAL HIGHLIGHTS

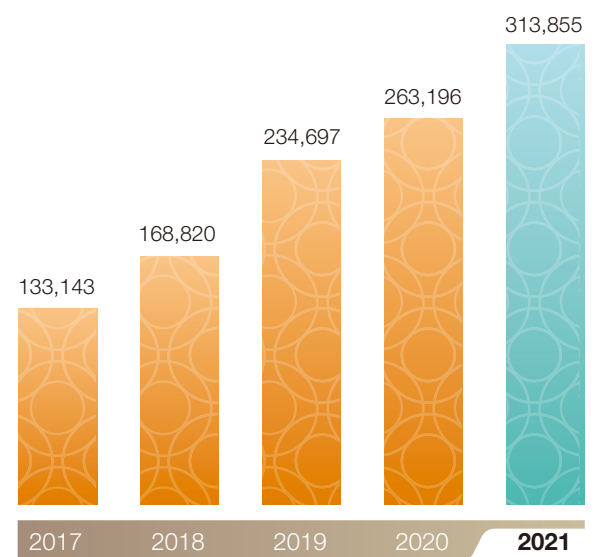
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS FROM CONTINUING OPERATIONS

(RMB million)



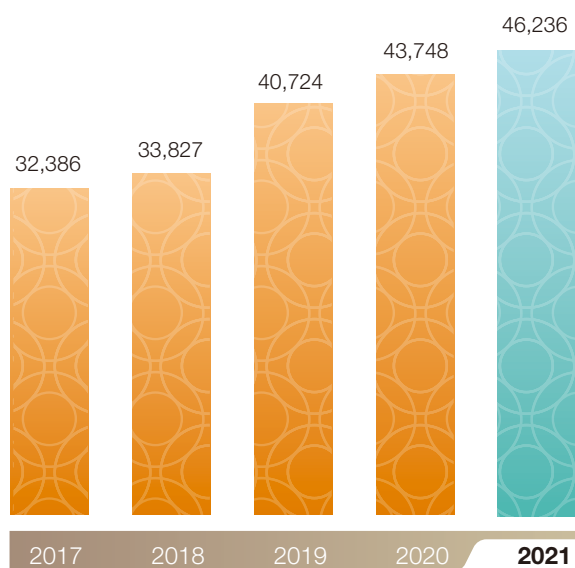
TOTAL ASSETS

(RMB million)



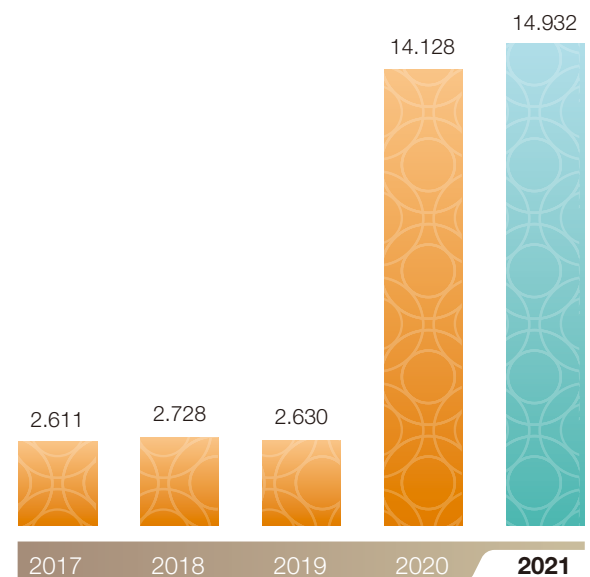
SHAREHOLDERS' EQUITY

(RMB million)



SHAREHOLDERS' EQUITY PER SHARE

(RMB)



KEY EVENTS OF THE YEAR

The Group recorded accumulated contracted sales value of RMB115.15 billion, representing a year-on-year increase of 20.2%, which exceeded the full year target of RMB112.2 billion to reach a record high in contracted sales again. According to the ranking by CRIC (克爾瑞), the Group's total contracted sales value and attributable contracted sales value ranked first in the Guangzhou market.

01

The Group continued to consolidate the land acquisition model of "city operation" and acquired 4 premium residential projects at reasonable costs during the year, with an additional landbank of 2.34 million sq.m.. Meanwhile, it was deeply involved in city co-building and city upgrade.

03

The Group is determined in developing the TOD model. By virtue of an increase of 0.21 million sq.m. of landbank for the TOD projects during the year, the total landbank of TOD projects reached 3.76 million sq.m.. Besides, the Group's TOD Institute actively promoted the research and optimisation of TOD product lines and development model, which made the Group a leading TOD developer in China.

04

02

The Group continued to deepen the implementation of the "1+4" national strategic layout and entered into cities such as Beijing, Shanghai, Ningbo, Dongguan, Nantong, Xi'an, Bijie and Chenzhou during the year, with the number of covered cities increased to 29 nationwide, achieving full coverage of tier-1 cities. It will continue to regard the Guangdong-Hong Kong-Macao Greater Bay Area as its core area, and focus on its business development in Eastern China, Central China, Northern China and Southwestern China.

05

All of the "Three Red Lines" indicators of the Group remained in "green lights", with total liabilities/total assets ratio (excluding unearned revenue), net gearing ratio and cash to short-term debt ratio amounting to 69.1%, 47.1% and 1.36 times, respectively. With smooth financing channels, the Group continued to optimize its debt structure. The Group successfully issued offshore US bonds of USD800 million and onshore corporate bonds of RMB6 billion with an average borrowing interest rate of 4.26%, representing a year-on-year decrease of 36 basis points and indicating a leading position in the industry. The Group will continue to maintain its investment-grade credit ratings of Moody's and Fitch by virtue of its healthy and sound financial performance.

KEY EVENTS OF THE YEAR

The Group's solid operating results and promising development prospects were well recognized. During the year, ABC International and AMTD covered the Group with initial rating of "Buy". Investment banks including CICC, Citibank and CCB International ranked the Group as "Strongly Recommended" and "Top Pick of Industry", which effectively promoted the attention and recognition of capital market to the Group.

06

The Group successfully sold Guangzhou Yuexiu Financial Tower to Yuexiu REIT during the second half of the year as part of normalization of the interaction between the dual platforms of Yuexiu Property and Yuexiu REIT, which effectively optimized the capital structure to help drive the long-term growth of the Group and Yuexiu REIT.

08

The Group has captured the China Property Award of Supreme Excellence organized by The Hong Kong Institute of Financial Analysts and Professional Commentators Limited and the Listed Company Awards of Excellence by Hong Kong Economic Journal for six consecutive years, and was selected as one of the Top 50 China Real Estate Development Enterprises of 2021 in Comprehensive Capability by China Real Estate Industry Association during the year, indicating the capital market's sustained recognition of the Group's operation ability and investment value.

09

07

The successful spin-off and listing of Yuexiu Services, a subsidiary of the Group, on the Hong Kong Stock Exchange on 28 June 2021 raised net proceeds of approximately HKD1.96 billion, made it the first property management enterprise under Guangzhou SASAC that has been listed in Hong Kong, and thereby created a good platform for the development of the Group's property management business and laid the foundation for its rapid development.

10

The Group took multiple measures to coordinate pandemic containment with production and operation, in active response to the government's call to fulfill its mission with determination. The Group set up the first temporary location for COVID-19 vaccinations within commercial buildings in Guangzhou at Guangzhou IFC, deployed 308 real estate and property management employees to undertake anti-pandemic tasks in high-risk areas, and cumulatively donated more than 40 batches of materials to areas in Guangzhou that were subject to severe prevention and control measures, in an effort to help build a tight defence against the pandemic.





Chairman's Statement

CHAIRMAN'S STATEMENT



MR LIN ZHAOYUAN

CHAIRMAN

I. BUSINESS REVIEW

Economic and Market Environment

Benefiting from the gradual alleviation of the global COVID-19 pandemic and the common implementation of quantitative easing stimulus policies, global economic growth recovered rapidly in 2021. Major developed economies experienced rapid growth, and emerging economies also achieved rapid rebounds. China achieved remarkable results in coordinating economic growth and pandemic prevention and control, and its macro-economy continued to recover steadily and maintained a steady upward trend. In 2021, the gross domestic product increased by 8.1% year-on-year, with an average growth rate of 5.1% for the past two years. Major economic indicators such as consumption, investment and exports continued to improve year-on-year. The economic growth rate was ahead among the world's major economies. Despite the impact of the resurgence of the global pandemic and its sporadic outbreaks in many places of China as well as the complex and volatile international environment, China's economic development achieved faster and quality growth under the central government's proactive fiscal policy and prudent and flexible monetary policy, together with the increased support for the macro economy.

CHAIRMAN'S STATEMENT

In 2021, property regulatory policies remained to be based on the general principle of “housing for living instead of speculation” and “region-specific regulatory policies”, and of “stabilising land prices, housing prices, and expectation”, but the overall regulation policy was tightened. In the first half of the year, regulatory policies in those cities with hot markets continued to be intensified, and the model of regulation became increasingly refined and precise, mainly focusing on restrictions on purchases and loans, strengthening guidance and management on housing prices. With the tightened control on the capital side, “Three Red Lines” and the “Concentration” management of loans of financial institutions have been continuously strengthened. In October 2021, the Standing Committee of the National People’s Congress authorised the State Council to launch pilot projects on real estate tax reform in some regions of the country to strengthen the demand-side management of the regulation over real estate sector, so as to stabilise market expectations and ensure the stability of housing prices and the healthy cycle and development of the real estate market through a long-term mechanism.

In 2021, the property market in China witnessed volatility in the first and second half of the year, with the market warming up and then cooling down. In the first half of the year, in light of the rapid recovery of the macro economy and the effective control of the pandemic, the overall performance of the property market was good and the market remained warm, with supply falling short of demand in tier-1 and tier-2 cities and both transaction volume and selling price rising steadily. The markets in tier-3 and tier-4 cities showed differentiation in transaction volume with prices at stable level. Rigid demand and demand for upgrade continued to dominate the market. However, since the second half of the year, the property regulatory policies, especially on the capital and price sides, have been comprehensively tightened and the industry has turned to deleveraging in all aspects. Some real estate enterprises began to suffer from domestic and foreign debt repayment crises and break in their capital supply chains. This, coupled with the fact that the details of the pilot property tax are yet to be released, has led to a strong wait-and-see sentiment in the market and a gradual weakening of demand. As such, monthly transaction volume, and price in the primary and secondary property markets in major cities declined. However, overall sales and investment in the property market continued to grow throughout the year, reaching a new record high, while prices continued to rise modestly. The commodity housing contracted sales value for the year in China was approximately RMB18.2 trillion, representing a year-on-year increase of 4.8%, of which the contracted sales value of residential housing increased by 5.3% year-on-year. The GFA of commodity housing sales was approximately 1.79 billion sq.m., representing a year-on-year increase of 1.9%. The property industry continued to act as a pillar to support the growth of the national economy.

In land market, starting from the year, 22 key cities across the country have piloted the “two centralised” land management for the first time. The aim is to enhance the transparency and predictability of land supply, stabilise market expectation and reduce the premium of land auctions, with the objectives of stabilising land prices, housing prices and expectation. The three batches of centralised land auctions in key cities during the year showed that the effects of centralised land auctions were obviously different in different cities and batches, with a higher degree of enthusiasm and premium rate for the first batch. With the increasing regulation on the property market in the second half of the year and the debt repayment crisis of some property enterprises, deterioration of market sentiment and rapid cool-off of the land market, a certain percentage of tenders was unsuccessful or granted with significantly decreasing premium rate during the second and third batches of land centralised auction.

In 2021, the Group centered on the annual work theme of “improving structure and starting new beginning, strengthening capability and improving quality”, adhered to the strategy of focusing on operation and pandemic prevention and control, and strived to overcome the challenges brought about by the major market adjustments in the second half of the year in a proactive and progressive manner to achieve steady development in various businesses. The Group’s successful spin-off and listing of Yuexiu Services on the Hong Kong Stock Exchange on 28 June 2021 has created a good platform for the development of the Group’s property management business and laid the foundation for its rapid development.

CHAIRMAN'S STATEMENT

Continuous and Steady Growth in Operating Results

In 2021, the Group realised revenue of approximately RMB57.38 billion, representing a year-on-year increase of 24.1%. Gross profit margin was approximately 21.8%, representing a year-on-year decrease of 3.3 percentage points. Profit attributable to equity holders was approximately RMB3.59 billion, representing a year-on-year decrease of 15.5%. Core net profit was approximately RMB4.15 billion, representing a year-on-year increase of 3.2%. Unrecognised sales value as of 31 December 2021 was RMB150.65 billion, representing an increase of 25.9% comparing with the beginning of the year.

The Board recommended to declare a final dividend for 2021 of HKD0.328 per share (equivalent to RMB0.265 per share), representing a year-on-year increase of 4.1%. Total dividends for the full year was HKD0.654 per share (equivalent to RMB0.536 per share), representing a year-on-year increase of 9.0%.

Contracted Sales Growing Steadily and Hitting Record High

The Group implemented precise marketing strategies, strengthened the integration of online and offline marketing methods, accelerated the pace of development and ensured sales supply. In response to the reoccurrence of the pandemic in Guangzhou in the second quarter and market adjustment in the second half of the year, the Group formulated precise marketing strategy featuring “one city, one policy” and “one project, one policy” in accordance with the regulatory policies and market changes in the cities where those projects were located, and achieved rapid growth in contracted sales for the year, with contracted sales reaching a record high and sales growth rate among the highest in the industry. During the year, the Group recorded contracted sales value (including contracted sales of projects of joint ventures and associates) of approximately RMB115.15 billion, representing a year-on-year increase of 20.2%, and achieved 102.6% of the full year contracted sales target of RMB112.2 billion; the average selling price was approximately RMB27,600 per sq.m., representing a year-on-year increase of 9.5%.

The Group made full use of the policy and market advantages of the Guangdong-Hong Kong-Macao Greater Bay Area and resolutely implemented the strategy of cultivating the Greater Bay Area market, with annual contracted sales in the Greater Bay Area reaching a new high level. The Group achieved contracted sales value of approximately RMB71.37 billion in the Greater Bay Area, representing a year-on-year increase of 12.1%, and accounting for approximately 62.0% of the Group's contracted sales value. The Group achieved contracted sales value of approximately RMB60.60 billion in Guangzhou, representing a year-on-year increase of 8.6%. According to the ranking by CRIC (克爾瑞), the Group's total contracted sales value and attributable contracted sales value ranked first in the Guangzhou market. In Eastern China, the Group achieved continuous sales growth, with contracted sales of RMB25.93 billion for the year, representing a year-on-year increase of 30.1%, covering 7 cities and entering Shanghai for the first time. The Group achieved contracted sales of approximately RMB10.17 billion in Central China, representing a year-on-year increase of 48.6%. The Group also achieved satisfactory sales results in Northern China and Southwestern China.

The Group continued to deepen the implementation of the “1+4” national strategic layout. In addition to deep cultivation of the Greater Bay Area, the Group further expanded its business in Eastern China, Central China, Northern China and Southwestern China. In the year, the Group successfully entered into key cities such as Beijing, Shanghai, Ningbo, Dongguan, Nantong, Xi'an, Bijie and Chenzhou, with the number of covered cities increased to 29, achieving full coverage of tier-1 cities and continuously consolidating and optimising the national layout.

CHAIRMAN'S STATEMENT

Increasing High-Quality Landbank through Diversified Channels

In response to implementation of the centralised land auctions in key cities during the year, the Group actively studied the changes and impacts of the centralised land auction policy, strengthened research on the local markets, and formulated corresponding investment strategies. Through multiple channels and methods, the Group acquired premium land parcels in 18 cities throughout the year, providing resources for the continuous and steady growth of the Group.

The Group acquired 37 new land parcels in 18 cities, namely Guangzhou, Foshan, Dongguan, Zhongshan, Shanghai, Hangzhou, Suzhou, Nantong, Nanjing, Ningbo, Wuhan, Xiangyang, Changsha, Chenzhou, Beijing, Chongqing, Xi'an and Bijie during the year at a reasonable premium and cost, with a total GFA of approximately 9.18 million sq.m. Among those, the Group acquired a total of 12 premium land parcels in Guangzhou, an increase of approximately 3.90 million sq.m., so that it could continue to strengthen its leading position in the Guangzhou market. The Group continued to improve "6+1" unique and diversified land acquisition platform with TOD, "city operation", urban renewal, cooperation with SOEs, mergers and acquisitions, industry-driven acquisitions and open market auction, in order to enhance the Group's land acquisition ability. During the year, the Group acquired 4 premium land parcels under the "city operation" model, with an addition of approximately 2.34 million sq.m., and hence its landbank of city operation reached 3.70 million sq.m. with 8 projects. The channel of cooperation with SOEs continued to be optimised, with land acquisition of approximately 0.85 million sq.m. The land acquisition of the Group during the year through non-open-competition methods accounted for 55.6% by GFA, with 2.3% through TOD, 25.5% through "city operation" and 9.3% through cooperation with SOEs. The Group acquired new lands in a diversified manner and the land costs were effectively controlled.

As of the end of December, the total landbank of the Group amounted to approximately 27.11 million sq.m. located in 29 cities in China, which can meet the Group's continuous development for more than three years. The Group continued to deepen the cultivation in Greater Bay Area and Guangzhou, with a total landbank of approximately 14.91 million sq.m. and 12.91 million sq.m. respectively, accounting for approximately 55.0% and 47.6% of the total landbank respectively.

Deepening of TOD Development Strategy

During the year, the Group successfully acquired a TOD project in Guangzhou with an increase of approximately 0.21 million sq.m. of landbank for the TOD projects. As of the end of the year, the Group had a total of 6 TOD projects under development. The total landbank of TOD projects reached 3.76 million sq.m., accounting for approximately 25.2% of the landbank in the Greater Bay Area and 13.9% of the total landbank of the Group.

The Group's TOD projects in Guangzhou continued to achieve strong sales, with a total contracted sales value of approximately RMB17.87 billion for the full year, representing a year-on-year increase of 5.1%. Among these projects, Yue Infinity achieved a contracted sales value of approximately RMB4.00 billion, Yue Galaxy achieved a contracted sales value of approximately RMB3.50 billion, and TOD Town achieved a contracted sales value of approximately RMB4.59 billion.

The Group's TOD Institute actively promoted the research and optimisation of TOD product lines and development model, aiming to further expand TOD projects outside the Greater Bay Area and capture the huge business opportunities in the national TOD market. The Group has become one of the largest TOD property developers in China, and the TOD business will support the continuous growth for the Group.

CHAIRMAN'S STATEMENT

Deepening the Implementation of the “Coordinated Residential and Commercial Development” Strategy

During the reporting period, with the effective control of the pandemic and the stable recovery of the macro economy in China, the business performance of office buildings, retail shopping malls, hotels and apartments in China also saw gradual recovery. Guangzhou's economy continued to recover steadily during the whole year. Despite the impact of the recurrence of the pandemic in the second quarter, the office building market in Guangzhou continued to pick up and transactions became active. TMT, financial sectors and professional service companies had stable leasing demand. The occupancy rate and rental rates of the Group's office buildings in Guangzhou remained stable.

The Group upheld the strategy of “Coordinated Residential and Commercial Development” and continued to enhance its operation capability for commercial properties, striving to become a leading commercial asset management company in China. The Group actively studied the economic, industrial and consumer momentum of the cities where its commercial projects are located, continuously optimised the operational and tenant acquisition strategies of the relevant business segments according to market changes, strengthened the integration of online and offline marketing, enhanced cooperation with the government and various associations, expanded tenant acquisition channels, optimised customer structures, actively increased income and reduced expenditures, implemented refined management, effectively controlled operating costs and achieved steady growth of revenue from commercial property operation. The Group recorded a rental income from commercial properties directly held by it of RMB0.64 billion, representing a year-on-year increase of 6.6%. During the reporting period, the Group successfully disposed of Guangzhou Yuexiu Financial Tower to Yuexiu REIT, representing another fruitful interaction of the dual platforms of Yuexiu Property and Yuexiu REIT. Yuexiu REIT, in which the Group holds 40.11% interest as of the date of this report, recorded a revenue of approximately RMB1.80 billion for the year, representing a year-on-year increase of 2.2%. The office building segment of Yuexiu REIT continued to perform stably, with a rental income of RMB0.97 billion for the year, demonstrating a strong anti-cyclical and anti-risk ability. The operation of the retail property segment remained stable, and the revenue from hotels and apartments rebounded, up by 10.9% year-on-year.

The “Three Red Lines” Indicators of the Group Remaining in “Green Lights”

In 2021, property regulation was tightened across the board and liquidity in the industry dropped, and some property enterprises experienced debt defaults. Facing the challenges of the external environment, the Group responded proactively and effectively by accelerating sales and cash flow recovery, coordinating capital effectively to achieve sound financial health and liquidity safety. As of the end of December, the Group's cash and cash equivalents and charged bank deposits amounted to approximately RMB40.50 billion, representing an increase of 8.6% comparing with the beginning of the year. With the net gearing ratio of 47.1%, the total liabilities/total assets ratio (excluding unearned revenue) of 69.1%, and the cash to short-term debt ratio of 1.36 times, the “Three Red Lines” indicators of the Group remained in “green lights”. With sufficient liquidity, the Group has a strong solvency capacity as well as a sound capital structure.

The Group continued to strengthen capital management, actively expand financing channels and reduce funding costs. At the beginning of the year, the Group took advantage of the market window and successfully issued offshore five-year US bonds of USD650 million and ten-year US bonds of USD150 million with a coupon rate of 2.8% and 3.8% respectively, for the repayment of existing matured US bonds. The financing costs hit a record low for the Group in its issuance of offshore bonds. During the year, the Group successfully issued onshore corporate bonds of RMB6.0 billion with an average coupon rate of 3.29%. During the year, the Group's average cost of borrowing decreased by 36 basis points year-on-year to 4.26%, leading among the industry in terms of financing costs. The Group continued to maintain its credit ratings of investment grade by Moody's and Fitch with stable outlooks.

CHAIRMAN'S STATEMENT

Optimisation in Operation Management and Control Systems

The Group continued to improve the organisational management and control system in light of the further growth toward a nationwide business presence, and optimized the 3.5-level operational management and control system, refined its headquarters, strengthened regions, and well managed its projects in various regions. The Group continued to enhance development efficiency, shorten development cycles reasonably, increase the concentration and efficiency of strategic procurement, and carry out lean management to improve quality and efficiency. The Group optimised product strategy and design, product standardisation and project management systems, and constructed unique TOD product line and service system, satisfied both rigid demand and demand for upgrade. The Group strengthened the full-cycle operation management of its projects to accelerate their turnover, and optimized the cost management and cost allocation of its projects. The Group continued to improve its organisational structure by establishing an internal management advisory committee during the year to allow frontline business leaders to participate directly in operational decisions, set up a design centre in the Greater Bay Area to pool resources, strengthen product innovation, bring products closer to customers' needs and continuously improve customers' satisfaction with product quality; and establish a new commercial management company in Guangzhou to integrate and enhance commercial resources and operational capabilities. With the objective of fostering a culture of "quality product, quality service, quality brand, and quality team" and guided by both strategy and performance, the Group continued to optimise the human resource management system, strengthen external introduction and internal training for key talents and reinforce the buildup of a team of middle and senior professional managers to support the stable development of the Group. The Group continued to optimise the evaluation and incentive system, and strengthen performance evaluation and employee incentive measures, optimise its implementation of project co-investment mechanism and the share incentive scheme for key employees.

Continuous Improvement in ESG Management Standards

The Group attaches great importance to ESG management and enhancement and makes great effort for meeting the capital market's demand for higher standards of ESG management and is committed to maximize interests of various ESG stakeholders. At the same time, the Group fulfills higher ESG management and disclosure requirements of the Hong Kong Stock Exchange for listed companies. At the business management level, the Group has set up an ESG working team led by the general manager and composed of heads of relevant departments to be responsible for and supervise the progress of ESG management and information disclosure. The Group has released corporate social responsibility reports annually since 2010, and environmental, social and governance reports annually from 2016 to present, covering important issues of concerns to shareholders, investors, tenants, suppliers, employees, government and other stakeholders. The Group's ESG management has achieved significant results, and the Group has been included in the Hang Seng Corporate Sustainability Benchmark Index for three consecutive years since 2019 and its ESG rating remained A level. The MSCI ESG rating was upgraded to BB level in 2021, showing that the Company's performance in terms of green building and corporate governance continued to improve. In 2021, the Company was awarded a three-star rating by GRESB, which is among the higher level in the industry. The Group has also received numerous ESG awards from authoritative organisations onshore and offshore for a number of years.

CHAIRMAN'S STATEMENT

II. BUSINESS OUTLOOK

Looking forward to 2022, the COVID-19 pandemic may resurge even though significant results have been achieved in containing the pandemic throughout the world. The aggravation of global inflation, earlier and faster pace of interest rate hikes, gradual withdrawal of quantitative easing and impact of the pandemic on the global supply chain will result in uncertainty for the global economic growth and the financial market performance. Besides, various geopolitical factors will also pose certain risks to the global economy's growth. Although China led the way in economic recovery during the pandemic and saw a strong rebound in its economy, the possible resurging of the pandemic, weak consumer momentum, instability in the global supply chain and the risk of a downward market in the real estate sector will pose challenges to China's economic growth in 2022. In the year 2022, stabilising economic growth will remain to be the main goal of economic work for the central government. The central government is expected to continue to intensify its efforts to stabilise macroeconomic growth, implement a proactive fiscal policy and a prudent and flexible monetary policy, maintain a reasonable level of adequate liquidity and continue to create a new development pattern that focuses on domestic cycle synergizing with international cycles, so as to consolidate the foundation of economic recovery and promote the steady development of the economy.

In respect of the property policies, the government's regulatory policies will continue to remain consistent and stable, and the keynote of regulatory policies for positioning "housing for living instead of speculation", and stabilising land premium, housing price and expectation will remain unchanged. It is expected that such regulatory policies will be more region-specific, being "one city, one policy" and more precise. Local governments will carry out the main responsibilities of regulation, implement region-specific policies in consideration of local situation with flexibility. That would better support the commercial housing market to meet the reasonable demand of home buyers and promote the benign cycle and healthy development of the real estate industry.

With steady regulatory policies as the main keynote, the development of property market will remain stable in general. As rigid demand and demand for upgrade will still dominate the overall market, and the policies aim to support reasonable demands for self-occupation, it is expected that the market will gradually tend to stabilise and remain steady in 2022 with the introduction of the details of the property tax pilot and the improvement of the overall funding position of the industry. Throughout the year, the total market transaction size and price will remain stable, but the performance of transaction volume and selling price in various regions and cities will show obvious differentiation. The reshuffling of the industry will continue, and the market concentration will keep increasing. Financially sound enterprises with the ability to acquire other enterprises will be in an advantageous position for future development. The demand in megalopolis and metropolitan areas including the Greater Bay Area and the Yangtze River Delta will keep rising, and the market for those areas will continue to outperform other regions. The government will continue to enhance land supply and optimise the mechanism of centralised land transfer, but the overall performance of land market will gradually become rational under tightening control on corporate capital side and the "Three Red Lines". The government will continue to strengthen funding supervision for property developers, and the financial position of different property developers will show clear differentiation. The development of property developers will enter an era of quality competition, and enterprises with high level indebtedness and leverage will be gradually eliminated. Higher standard on the operational capabilities of property developers is expected with refined management and cost control as important competitiveness in the future.

CHAIRMAN'S STATEMENT

Achieving Various Annual Operation Targets

The Group will study market environment and policies change and grasp good opportunities in the market to overcome challenges brought about by the market and the pandemic, and achieve the annual sales and various operating goals it has set. In terms of sales, in response to the regulatory policies and the differentiated characteristics of the market, the Group will seek to achieve full year sales target and cash collection rate by formulating precise sales strategies of “one city, one policy” and “one project, one policy”, ensuring supplies, sales and cash collections, enhancing the level of sell-through rate, integrating online and offline sales channels, and leveraging the digital marketing platform of “Yuexiu Fangbao” (越秀房寶) to strengthen the construction of its own sales channels. In terms of operations, the Group will strengthen the management of the entire project development cycle, optimise the integrated management of products, procurement, costs and construction, accelerate project turnover rate and improve development efficiency to guarantee sufficient supplies in sales and ensure that projects are delivered and completed as scheduled with high quality. The Group will continue to improve product competitiveness, design the products more suitable for rigid, improved and other self-occupation demands, promote the standardisation of products, and continuously upgrade unique TOD product line and service system. The Group will increase resource investment in the research and development of green and low-carbon residential products, establish standard system for its green residential products, facilitate the development of green buildings in its residential and commercial development projects, and actively introduce and utilise the prefabricated construction and energy-saving technologies. The Group will also continue to improve the standard of its refinement management.

Prudent Investment based on cash inflow of sales

In 2022, based on the needs of cash flow management, the Group will make prudent investments according to the market characteristics of various cities and the requirement of “one city, one policy”, by means of adhering to the principle of matching risks and returns. In terms of regional investment layout, the Group will concentrate on advantageous areas for continuous cultivation, select the best among the outstanding ones to seize the optimal investment opportunities. The resources will be preferentially invested to the cities which the Group has already entered and where they enjoy the advantages of economics, industrials and net population inflows. The Group will focus on its investment in the Greater Bay Area, quality provincial capitals and core cities, and strengthen its cultivation and targeted investment in key cities.

The Group will continue to reinforce and optimise the “6+1” diversified and unique land acquisition platform and increase premium landbank, laying a foundation for continuous and stable development. The Group will continue to deepen its strategic cooperation with Guangzhou Metro Group and increase premium TOD projects in the Greater Bay Area. Meanwhile, the Group will explore TOD projects outside the Greater Bay Area, and consolidate the land acquisition model of “city operation”. Through construction of urban public facilities, the Group is able to obtain premium landbank with reasonable cost. The Group will increase its efforts to acquire urban renewal projects, strengthen the research on urban renewal policies, and enhance cooperation with urban renewal platforms of governments at all levels and enterprises which own urban renewal projects, focusing on the redevelopment of old villages. As a state-owned enterprise, the Group will strengthen cooperation with various types of state-owned enterprises to jointly develop their existing landbank. The Group will introduce internal and external industrial resources to strengthen the model of industry-driven land acquisitions. The Group will make full use of favourable market opportunities and government policies to increase its efforts in acquiring quality projects in the market M&As. In terms of obtaining auctioned land, the Group will fully study the trend of policies change, market and industry cycle, so as to strengthen market research, better understand rules and policies, and optimise reserve structure, select the best projects among the outstanding ones for optimizing its landbank portfolio.

CHAIRMAN'S STATEMENT

Deepening the “Coordinated Development of Both Residential and Commercial” Strategy

Upholding the strategy of “Coordinated Development of Both Residential and Commercial Properties”, the Group steadily increased the contribution of commercial properties business performance to its financial results, built a full-cycle asset management platform, increased the scale of commercial assets and enhanced the professional operation capability for commercial properties. With the rapid recovery of the macroeconomy, internal circulation will be strategically speeded up due to constant strengthening of tertiary industries growth momentum and continuous growth of industries including financial industry and technology industry, thus the growth of consumption will become the major impetus of economic growth. The Group will build on its positioning as an asset manager to proactively manage and enhance the operation capability for commercial properties and create unique commercial product lines. The Group will continue to optimize the organizational control capability of its commercial properties, and emphasize on improving both the capacity and efficiency in commercial property operations and elevating operation standard to realize the growth in scale. First, by researching cities, industries, markets, and customers, the Group will optimize project positioning and customer structures, implement effective rental policies. The Group will continue to enhance its operational efficiency and commercial property values by increasing its operational capabilities throughout its commercial properties. Next, the Group will proactively promote an asset management model for commercial properties, and continue to improve the management scale and efficiency of commercial properties.

Ensuring the “Three Red Lines” Indicators being in “Green Lights”

In response to liquidity risks resulting from more stringent control policies and changes in the market, the Group will continue to enhance cash collection rate, debt management and the management of cash flows from operating activities. The Group will strengthen the overall management of onshore and offshore funds to increase efficiency in capital utilization, and keep the “Three Red Lines” indicators staying in “green lights”. Moreover, the Group will fully utilize diversified financing channels at onshore and offshore markets to maintain lower and reasonable financing costs. Meanwhile, the Group will continue to optimize its debt structure, maintain a reasonable level of financing scale and actively control exchange rate fluctuation risks. To identify and prevent risk dynamically, the Group will continue to optimize its operational and financial risk monitoring system. The Group will continue to maintain its investment-grade credit ratings of Moody's and Fitch.

Promoting Quality Development of New Business Segments

The Group will steadily promote sound development of business segments related to real estate value chain. With respect to the services business, through leveraging on the opportunity from the listing of Yuexiu Services on the Hong Kong Stock Exchange, the Group will take the improvement of customer satisfaction as the foundation to accelerate the expansion in business scale and financial performance of property management, with a focus on the development of value-added services to non-property owners and community value-added services, so as to build an industry-leading property management company with a full value chain, a full range of business segments and services. With respect to the healthcare business, the Group will make full use of favorable national policy support for the elderly care sector. By building up an operation and service system of middle to high-end elderly care and medical care complex, with elderly care institutions, apartments and rehabilitation hospitals as the core products, the Group will enhance the planning and deployment of facilities for community elderly care, actively develop community elderly care services, increase the occupancy rate of projects in operation, and cultivate and enhance the operating capacity of healthcare light assets, so as to maintain Yuexiu's position in the healthcare business that ranks No. 1 in Guangzhou and take a leading position in the Greater Bay Area market. With respect to long-term rental apartment business, by taking the opportunity arising from increased supportive policies for long-term rental apartment implemented by the government, the Group will accelerate its apartment rental business through multi-platforms, multi-channels and multi-dimensions, particularly focusing on advancing the asset-light strategy for long-term rental apartments. The Group will continue to strengthen the development of its “Properties+” business and continue to promote new business segments such as “+Education”, “+Industries” and “+Towns”.

CHAIRMAN'S STATEMENT

ACKNOWLEDGEMENTS

2022 is a critical year for implementation of the “14th Five-Year Plan” for the Group. With “sound and efficient management” and “New Capabilities, New Mechanisms and New Culture” as the new development objectives and driving forces, the Group will pursue sustainable and steady development in the new landscape of the industry. Adhering to the high-quality, continuous and steady development, the Group will endeavor to realize sustainable and stable growth in various businesses and operating results. Meanwhile the Group will constantly strive to improve the return on shareholder capital and value. With respect to the Group’s achievements in remarkable results and development in a variety of businesses, I would like to take this opportunity to extend my gratitude to the Board of Directors for their strong leadership and all our staff for their relentless endeavors, as well as to express my deepest appreciation to our shareholders, our customers, and business partners for their full trust and dedicated support.

Mr Lin Zhaoyuan

Chairman

Management Discussion And Analysis





MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE AND GROSS PROFIT

In 2021, the Group realised revenue of approximately RMB57.38 billion (2020: RMB46.23 billion), representing a year-on-year increase of 24.1%. The gross profit was approximately RMB12.48 billion (2020: RMB11.63 billion), representing a year-on-year increase of 7.4%, and the gross profit margin was approximately 21.8%, representing a year-on-year decrease of 3.3 percentage points.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

In 2021, profit attributable to equity holders of the Group was approximately RMB3.59 billion (2020: RMB4.25 billion), representing a year-on-year decrease of 15.5%. The core net profit was approximately RMB4.15 billion (2020: RMB4.02 billion), representing a year-on-year increase of 3.2% and core net profit margin was approximately 7.2%.

CONTRACTED SALES

In 2021, the value of the aggregate contracted sales (including sales of projects of joint ventures and associates) of the Group was approximately RMB115.15 billion, representing a year-on-year increase of 20.1% and accounted for 102.6% of the full year contracted sales target of RMB112.2 billion. The GFA of the aggregate contracted sales (including sales of projects of joint ventures and associates) was approximately 4.18 million sq.m., representing a year-on-year increase of 10.1%. The average selling price was approximately RMB27,600 per sq.m., representing an increase of 9.5% on a year-on-year basis.

In terms of regional composition, with respect to the value of the aggregate contracted sales for 2021, the Greater Bay Area accounted for approximately 62.0%, Eastern China Region accounted for approximately 22.5%, Central China Region accounted for approximately 8.8%, Northern China Region accounted for approximately 4.0%, and Southwestern China Region accounted for approximately 2.6%.

Greater Bay Area

2021 is the first year of the “14th Five-Year Plan”. As one of China’s most opening-up and economically dynamic regions, the Greater Bay Area continued to optimise its construction and upgrade its industrial layout, and continued to make significant contributions to China’s economic growth. Although the property industry entered into a period of adjustment in 2021, the property market in the cities of the Greater Bay Area maintained stable development. The Group insists on taking the Greater Bay Area as the core of development and continues to cultivate the Greater Bay Area. It has established operations in 7 cities including Guangzhou, Shenzhen, Hong Kong, Foshan, Jiangmen, Zhongshan and Dongguan. In 2021, the total contracted sales value of the Group in Greater Bay Area amounted to approximately RMB71.37 billion, representing a year-on-year increase of 12.1% and accounting for approximately 62.0% of the Group’s contracted sales value.

The property market in Guangzhou remained volatile in 2021. The market remained active in the first half of the year, which dropped from the end of the second quarter due to the intensified policy regulation in respect of purchasing properties by qualified talents, second-hand housing guideline price and credit, and the transactions were again boosted by a marginally moderate trend of policy towards the end of the year. The property market transactions in Guangzhou still achieved increase in both volume and selling price. The Group maintained a good performance in contracted sales in Guangzhou, its home base market, with a contracted sales value of approximately RMB60.60 billion, representing a year-on-year increase of 8.6% and accounting for approximately 52.6% of the Group’s contracted sales value. According to the ranking by CRIC, the Group’s total contracted sales value and attributable contracted sales value both ranked first in the Guangzhou market.

MANAGEMENT DISCUSSION AND ANALYSIS

Although the property market in Shenzhen was subject to stringent regulation in 2021, such as strict management of house-purchase qualifications and the introduction of a guideline price mechanism for new and second-hand housing transactions, the market remained relatively active, with both the transaction volume and the selling price increasing year-on-year. The Group recorded contracted sales value in Shenzhen of approximately RMB4.59 billion, representing a year-on-year increase of 40.5%.

In 2021, the stricter requirements for purchasing properties by qualified talents led to a reducing house-purchase demand in Foshan and a slight decline in market transaction volume. The property markets in Zhongshan and Jiangmen remained stable. In 2021, the contracted sales value of the Group in the foresaid 3 cities amounted to approximately RMB6.18 billion, representing a year-on-year increase of 34.3%.

Eastern China

The Group entered 3 new cities including Shanghai, Ningbo and Nantong in 2021 and has established operations in 7 cities including Shanghai, Hangzhou, Suzhou, Jiaxing, Nanjing, Ningbo and Nantong within Eastern China, and has generated sales results in Hangzhou, Suzhou, Jiaxing, Nanjing and Nantong. The property market in Hangzhou remained tightly regulated in 2021, with the implementation of policies such as stricter requirements on house-purchase, restrictions on household registration and tighter credit. The market remained volatile, but the overall transaction volume still increased year-on-year. The property policies in Suzhou, Jiaxing and Nanjing continued to be based on the principle of “housing for living instead of speculation”, with increasing price limitation and purchase restriction. The market remained stable and the transaction volume remained increased throughout the year. The property policy environment in Nantong was relatively stable and the property market developed steadily. In 2021, the contracted sales value of the Group in Eastern China was approximately RMB25.93 billion, representing a year-on-year increase of 30.1%.

Central China

The Group has entered 5 cities including Wuhan, Xiangyang, Zhengzhou, Changsha and Chenzhou within Central China, and has generated sales results in Wuhan, Xiangyang and Changsha. In 2021, with pre-sale standards and stricter price limitation in Wuhan, the property market however continued to grow in both volume and selling price due to the moderate trend of household registration policy and the continually released house-purchase demand after the epidemic. The property market in Xiangyang continued to develop steadily under active regulation, while Changsha continued to deepen its regulation for property market, with an overall solid performance and a rise in both volume and selling price, but with a more obvious regional differentiation. In 2021, the Group’s contracted sales value in Central China exceeded 10 billion, reaching approximately RMB10.17 billion, representing a year-on-year increase of 48.6%.

Northern China

In 2021, the Group entered Beijing for the first time, and has established operations in 5 cities including Beijing, Shenyang, Qingdao, Ji’nan and Yantai within Northern China. The property market in Shenyang maintained a rise in both volume and selling price in 2021 under the positive guidance of policies. Qingdao entered a new round of urban planning with a lower threshold for household registration and the property market developed steadily. The property markets in Ji’nan and Yantai maintained a certain level of activity. In 2021, the contracted sales value of the Group in Northern China amounted to approximately RMB4.66 billion, representing a year-on-year increase of 9.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

Southwestern China

In 2021, the Group entered Xi'an for the first time, and has already established operations in 4 cities including Chongqing, Chengdu, Xi'an and Bijie within Southwestern China, among which sales results have been generated in Chongqing and Chengdu. In 2021, Chongqing implemented precise measures to strengthen the regulation of pre-sale funds and optimize withdrawal of the provident fund loans as appropriate. As a result, the property market remains at the stably rising trend. With increased restrictions on house-purchase and the introduction of a guideline price system for second-hand housing, as well as improved regulations on the withdrawal of provident funds to ease the pressure of house-purchase repayments, the property market in Chengdu as a whole maintained steady growth in transaction volume, although there was an obvious differentiation in performance by region. In 2021, the Group recorded contracted sales value of approximately RMB3.02 billion in Southwestern China, representing a year-on-year increase of 184.9%.

Contracted sales are summarised as follows:

City	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
Guangzhou	1,700,900	60,598	35,600
Shenzhen	48,100	4,590	95,400
Foshan	162,400	4,133	25,400
Jiangmen	130,100	1,085	8,300
Zhongshan	54,500	964	17,700
Subtotal (Greater Bay Area)	2,096,000	71,370	34,100
Hangzhou	534,100	19,460	36,400
Suzhou	238,200	4,654	19,500
Jiaxing	73,700	1,057	14,300
Nantong	500	12	24,000
Nanjing	32,200	745	23,100
Subtotal (Eastern China Region)	878,700	25,928	29,500
Wuhan	306,000	6,261	20,500
Changsha	293,300	3,492	11,900
Xiangyang	52,300	415	7,900
Subtotal (Central China Region)	651,600	10,168	15,600
Beijing	2,200	72	32,700
Shenyang	29,700	347	11,700
Qingdao	178,100	1,955	11,000
Yantai	16,500	153	9,300
Ji'nan	151,000	2,135	14,100
Subtotal (Northern China Region)	377,500	4,661	12,300
Chongqing	54,300	906	16,700
Chengdu	118,600	2,117	17,800
Subtotal (Southwestern China Region)	172,900	3,023	17,500
Total	4,176,700	115,150	27,600

MANAGEMENT DISCUSSION AND ANALYSIS

RECOGNISED SALES

In 2021, the value of the recognised sales (including the sales of investment property) was approximately RMB54.71 billion, representing a year-on-year increase of 23.5%. GFA of the recognised sales was 2.26 million sq.m., and the average selling price was approximately RMB24,200 per sq.m., representing a year-on-year increase of 33.0%.

Recognised sales are summarised as follows:

City	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
Guangzhou	1,152,800	34,190	29,700
Foshan	122,300	2,993	24,500
Jiangmen	47,700	307	6,400
Zhongshan	65,900	1,034	15,700
Subtotal (Greater Bay Area)	1,388,700	38,524	27,700
Hangzhou	289,700	8,946	30,900
Suzhou	14,600	85	5,800
Jiaxing	157,400	1,976	12,600
Subtotal (Eastern China Region)	461,700	11,007	23,800
Wuhan	135,200	1,494	11,100
Changsha	48,300	574	11,900
Subtotal (Central China Region)	183,500	2,068	11,300
Shenyang	72,300	1,251	17,300
Qingdao	106,600	1,470	13,800
Yantai	2,000	10	5,000
Subtotal (Northern China Region)	180,900	2,731	15,100
Chengdu	44,000	381	8,700
Subtotal (Southwestern China Region)	44,000	381	8,700
Total	2,258,800	54,711	24,200

UNRECOGNISED SALES

As of 31 December 2021, the unrecognised sales value amounted to approximately RMB150.65 billion, representing an increase of 25.9% as compared to that as of the beginning of the year, and the unrecognised sales GFA was approximately 5.70 million sq.m., representing an increase of 10.3% as compared to that as of the beginning of the year. The average selling price was approximately RMB26,400 per sq.m., representing an increase of 13.8% as compared to that as of the beginning of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

LANDBANK

In 2021, the Group has newly acquired 37 land parcels located in Guangzhou, Foshan, Dongguan, Zhongshan, Shanghai, Hangzhou, Suzhou, Nantong, Nanjing, Ningbo, Wuhan, Xiangyang, Changsha, Chenzhou, Beijing, Chongqing, Xi'an and Bijie, with total GFA of approximately 9.18 million sq.m..

In 2021, the land parcels newly acquired are summarised as follows:

No.	Project	Equity Holding	Total GFA (sq.m.)
1	Guangzhou Galaxy Bay	93.57%	539,800
2	Guangzhou Joy Cloud (previous name: Guangzhou Baiyun Baiyun Avenue Land)	48.69%	192,800
3	Guangzhou Baiyun Guanglong Land	95.48%	1,041,000
4	Guangzhou Liwan Haizhong Village Land	53.20%	165,200
5	Guangzhou Star Wave (previous name: Guangzhou Panyu Guangzhou South Railway Station Land)	95.48%	234,300
6	Guangzhou Starry Wenjing (previous name: Guangzhou Panyu Jinan University Land I)	95.48%	325,400
7	Guangzhou Panyu Jinan University Land II	95.48%	329,700
8	Guangzhou Panyu Guangzhou International Innovative City Land	9.55%	319,500
9	Guangzhou Yue Voyage	62.06%	208,400
10	Guangzhou Mountain Living (previous name: Guangzhou Huangpu Knowledge City Land)	62.06%	137,100
11	Nansha Hengli Island Land	42.96%	214,800
12	Nansha Golden Bay	2.42%	188,500
13	Nanhai River Mansion	47.41%	74,000
14	Dongguan Cloud Lake (previous name: Dongguan Liaobu Land)	32.46%	89,500
15	Dongguan Joy Bay (previous name: Dongguan Shatian Land)	48.69%	199,300
16	Zhongshan Yuexiu Emptyreal (previous name: Zhongshan Xiaolan Land)	57.29%	157,400

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	Equity Holding	Total GFA (sq.m.)
17	Shanghai Minhang Land	52.25%	168,400
18	Hangzhou Gongshu Land	95.00%	142,100
19	Hangzhou Enjoy Mansion (previous name: Hangzhou Xiacheng Land)	32.14%	421,900
20	Suzhou Joy Years (previous name: Suzhou Wuzhong Xukou Land II)	44.53%	164,000
21	Suzhou Eastern Cloud (previous name: Suzhou Wuzhong Luzhi Land)	42.75%	104,100
22	Nantong Luminous Mansion (previous name: Nantong Zhongchuang Land)	46.78%	168,100
23	Nanjing Art Times (previous name: Nanjing Pukou Qiaolin Land II)	31.35%	133,700
24	Nanjing Treasure (previous name: Nanjing Yuhuatai Land)	51.00%	237,700
25	Nanjing Jade Mansion (previous name: Nanjing Jiangning Zhengfang New Town Land)	30.88%	130,600
26	Ningbo Joy Cloud (previous name: Ningbo Yinzhou Jiangshan Land)	56.53%	119,800
27	Wuhan Starry Garden (previous name: Wuhan Jiang'an Land)	48.45%	71,500
28	Wuhan Yuexiu Garden	46.55%	215,800
29	Xiangyang Dongjin Land	38.00%	148,200
30	Changsha Smart Science City (previous name: Changsha Yuhua Yatang Land)	50.00%	259,500
31	Changsha Joy Star	46.55%	517,400
32	Chenzhou Starry City (previous name: Chenzhou Xicheng Land)	100.00%	848,300
33	Beijing Hill Mansion (previous name: Beijing Huai'rou Land)	46.55%	329,200
34	Chongqing Avant Garde (previous name: Chongqing Yubei Huixing Land I)	34.33%	147,400
35	Chongqing Avant Jade (previous name: Chongqing Yubei Huixing Land II)	95.48%	39,300
36	Xi'an Xixian Land	46.55%	374,800
37	Bijie Baili Land	95.00%	23,800
	Total		9,182,300

MANAGEMENT DISCUSSION AND ANALYSIS

As of 31 December 2021, the landbank of the Group reached approximately 27.11 million sq.m. with a total of 102 projects in 29 cities in China and the regional layout continued to improve. Geographically, Greater Bay Area, Eastern China Region, Central China Region, Northern China Region and Southwestern China Region accounted for approximately 55.0%, 12.5%, 17.5%, 10.6%, and 4.4%, respectively.

The landbank is summarised as follows:

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
1	Guangzhou Starry Haizhu Bay	366,400	366,400	—
2	Guangzhou Galaxy Bay	539,800	238,400	301,400
3	Guangzhou Joy Bay	105,700	105,700	—
4	Guangzhou Joy Cloud (previous name: Guangzhou Baiyun Baiyun Avenue Land)	192,800	115,700	77,100
5	Guangzhou Joy Lake	445,700	286,200	159,500
6	Guangzhou Joy Golden Sands	332,000	332,000	—
7	Guangzhou Baiyun Guanglong Land	1,041,000	—	1,041,000
8	Guangzhou Skyline Mansion (previous name: Guangzhou Liwan Fangcun Avenue Land)	154,400	154,400	—
9	Guangzhou Liwan Haizhong Village Land	165,200	99,100	66,100
10	Guangzhou Yue Infinity	806,000	806,000	—
11	Guangzhou Star Wave (previous name: Guangzhou Panyu Guangzhou South Railway Station Land)	234,300	234,300	—
12	Guangzhou Grand Mansion	412,500	412,500	—
13	Guangzhou Grand Mansion II	402,800	243,200	159,600
14	Guangzhou Starry Wenxi	175,000	175,000	—
15	Guangzhou Starry Wenjing (previous name: Guangzhou Panyu Jinan University Land I)	325,400	—	325,400
16	Guangzhou Panyu Jinan University Land II	329,700	—	329,700
17	Guangzhou Panyu Guangzhou International Innovative City Land	319,500	—	319,500
18	Guangzhou Talent Garden	705,200	705,200	—
19	Guangzhou Southern Intelligent Media Center	159,800	159,800	—
20	Guangzhou Yue Voyage	208,400	208,400	—
21	Guangzhou Yue Melody	651,400	651,400	—
22	Guangzhou Yue Fantasy	330,200	330,200	—

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
23	Guangzhou TOD Town	703,400	449,800	253,600
24	Guangzhou Mountain Living (previous name: Guangzhou Huangpu Knowledge City Land)	137,100	82,700	54,400
25	Nansha Southern Le Sand	648,700	231,600	417,100
26	Nansha Binhai New Town	6,100	6,100	—
27	Nansha Tianyu Square	134,500	134,500	—
28	Nansha International Financial Center	220,800	220,800	—
29	Nansha Joy Bay	250,000	250,000	—
30	Nansha Jinmao Bay	130,200	130,200	—
31	Nansha China Resources Yuxiu Mansion	102,000	102,000	—
32	Nansha Hengli Island Land	214,800	214,800	—
33	Nansha Golden Bay	188,500	113,100	75,400
34	Nansha Joy Bay	149,700	149,700	—
35	Huadu Elegant Mansion	70,600	70,600	—
36	Huadu Magnificent Mansion	125,600	125,600	—
37	Huadu Royal Mansion	76,100	76,100	—
38	Guangzhou Yue Galaxy	1,056,600	635,300	421,300
39	Zengcheng Joy Mountain	85,000	85,000	—
40	Conghua Glade Village	161,900	138,200	23,700
41	Shenzhen Majestic Mansion	169,400	169,400	—
42	Nanhai Starry Mansion	274,000	274,000	—
43	Nanhai Lake View Mansion	237,100	237,100	—
44	Nanhai River Mansion	74,000	74,000	—
45	Dongguan Cloud Lake (previous name: Dongguan Liaobu Land)	89,500	81,100	8,400
46	Dongguan Joy Bay (previous name: Dongguan Shatian Land)	199,300	—	199,300
47	Jiangmen Yuxiu Binjiang Glorious City	3,500	3,500	—
48	Jiangmen Yuxiu Binjiang Enjoy City	25,300	25,300	—
49	Jiangmen Yuxiu Binjiang Grand City	164,500	164,500	—
50	Jiangmen Starry Guanlan (previous name: Jiangmen Binjiang New District Land)	403,800	176,700	227,100
51	Zhongshan Emypreal Bay	134,200	134,200	—
52	Zhongshan Yuxiu Emypreal (previous name: Zhongshan Xiaolan Land)	157,400	—	157,400
53	Hong Kong Yau Tong Project	72,100	—	72,100
	Other projects	41,200	—	41,200
	Subtotal (Greater Bay Area)	14,910,100	10,179,800	4,730,300

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
54	Shanghai Minhang Land	168,400	—	168,400
55	Hangzhou Starry City	470,600	274,500	196,100
56	Hangzhou Gongshu Land	142,100	—	142,100
57	Hangzhou Enjoy Mansion (previous name: Hangzhou Xiacheng Land)	421,900	421,900	—
58	Hangzhou Joy Lane	163,000	163,000	—
59	Suzhou Cloud Mansion	31,900	31,900	—
60	Suzhou Joy Years (previous name: Suzhou Wuzhong Xukou Land II)	164,000	164,000	—
61	Suzhou Eastern Cloud (previous name: Suzhou Wuzhong Luzhi Land)	104,100	104,100	—
62	Suzhou Joy Cloud	129,500	129,500	—
63	Suzhou Taicang Never Land	626,200	312,000	314,200
64	Suzhou Impressive Mansion	61,100	61,100	—
65	Nantong Luminous Mansion (previous name: Nantong Zhongchuang Land)	168,100	100,900	67,200
66	Nanjing Art Cloud (previous name: Nanjing Pukou Qiaolin Land I)	103,400	103,400	—
67	Nanjing Art Times (previous name: Nanjing Pukou Qiaolin Land II)	133,700	133,700	—
68	Nanjing Treasure (previous name: Nanjing Yuhuatai Land)	237,700	237,700	—
69	Nanjing Jade Mansion (previous name: Nanjing Jiangning Zhengfang New Town Land)	130,600	130,600	—
70	Ningbo Joy Cloud (previous name: Ningbo Yinzhou Jiangshan Land)	119,800	119,800	—
Subtotal (Eastern China Region)		3,376,100	2,488,100	888,000

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
71	Wuhan International Financial City	222,300	222,300	—
72	Wuhan Hanyang Starry Winking	786,800	509,700	277,100
73	Wuhan Starry Garden (previous name: Wuhan Jiang'an Land)	71,500	71,500	—
74	Wuhan Mansion	70,800	70,800	—
75	Wuhan Yuexiu Garden	215,800	215,800	—
76	Xiangyang Starry City	572,400	562,100	10,300
77	Xiangyang Dongjin Land	148,200	—	148,200
78	Zhengzhou Elegant Mansion	137,900	137,900	—
79	Changsha Yue Lake Stage	107,000	107,000	—
80	Changsha Smart Science City (previous name: Changsha Yuhua Yatang Land)	259,500	121,000	138,500
81	Changsha Qin'ai Lane	75,600	75,600	—
82	Changsha Starry City	709,300	573,600	135,700
83	Changsha Joy Star	517,400	291,000	226,400
84	Chenzhou Starry City (previous name: Chenzhou Xicheng Land)	848,300	120,300	728,000
	Subtotal (Central China Region)	4,742,800	3,078,600	1,664,200
85	Beijing Hill Mansion (previous name: Beijing Huai'rou Land)	329,200	177,700	151,500
86	Shenyang Starry Winking	16,500	16,500	—
87	Shenyang Hill Lake	270,300	70,700	199,600
88	Qingdao Magnificent Bay	37,400	—	37,400
89	Qingdao Licang Qingyin Highway East Land	666,300	63,000	603,300
90	Qingdao Starry City	480,100	290,900	189,200
91	Qingdao Yuexiu Starry City	157,200	157,200	—
92	Qingdao Pingdu Southern New Town Land II	268,200	—	268,200
93	Yantai Joy Mansion	146,700	146,700	—
94	Ji'nan Hillside Mansion	237,800	137,900	99,900
95	Ji'nan Baimai Delighted Mansion	273,800	273,800	—
	Subtotal (Northern China Region)	2,883,500	1,334,400	1,549,100

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
96	Chongqing Impressive Lake (previous name: Chongqing Yubei Central Park Land)	206,300	206,300	—
97	Chongqing Avant Garde (previous name: Chongqing Yubei Huixing Land I)	147,400	147,400	—
98	Chongqing Avant Jade (previous name: Chongqing Yubei Huixing Land II)	39,300	39,300	—
99	Chengdu Grand Wood	300,800	300,800	—
100	Xi'an Xixian Land	374,800	100,800	274,000
101	Bijie Baili Land	23,800	23,800	—
102	Haikou Simapo Island Project	100,500	—	100,500
	Subtotal (Southwestern China Region)	1,192,900	818,400	374,500
	Total	27,105,400	17,899,300	9,206,100

CONSTRUCTION PROGRESS

The Group strived to accelerate development efficiency and turnover rate. During the year, project development was in line with the Group's schedule. New commencement of construction and completion projects are summarized as follows:

Construction progress	2021 Actual GFA (sq.m.)	2022 Planned GFA (sq.m.)
New commencement of construction	7,358,400	7,746,200
Completion	6,617,700	6,734,100

OTHER GAINS, NET

In 2021, the Group's other gains, net amounted to approximately RMB1,500 million, mainly including gains related to the disposal of Yuexiu Financial Tower before tax of approximately RMB2,439 million and the net fair value losses on revaluation of investment properties held at the end of year of approximately RMB904 million. Other gains, net for 2020 amounted to approximately RMB668 million, mainly including miscellaneous income of penalty of approximately RMB27 million and net fair value gains on revaluation of investment properties of approximately RMB641 million.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER GAINS, NET – INVESTMENT PROPERTIES

As at 31 December 2021, the Group owned investment properties under lease of approximately 664,000 sq.m. in total, of which offices, commercial properties, car parks and others accounted for approximately 38.4%, 39.7% and 21.9%, respectively. The Group recorded rental revenue of approximately RMB642 million in 2021, representing an increase of 6.6% year-on-year.

In 2021, the Group recorded net fair value losses on revaluation of investment properties held at the end of year of approximately RMB904 million, mainly including Guangzhou ICC recording fair value gains of approximately RMB380 million for the year; Wuhan International Financial City Phase III and Phase V Business recorded fair value losses of approximately RMB1,250 million for the year due to the effect of pandemic and market environment.

SELLING AND MARKETING COSTS

In 2021, the Group's selling and marketing costs were approximately RMB1,590 million, representing an increase of 31.4% year-on-year, mainly due to the increase of the revenue carried forward during the year. Selling and marketing costs accounted for 2.8% of the revenue for the year, up by 0.2 percentage point as compared with last year.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses amounted to approximately RMB1,623 million, representing an increase of 20.8% year-on-year. The administrative expenses accounted for 2.8% of the revenue for the year, down by 0.1 percentage point from 2.9% for last year. The Group continued to strengthen control over expenses and strictly followed the annual expenses budget.

FINANCE COSTS

The finance costs of the Group amounted to approximately RMB1,080 million, representing an increase of 15.5% from RMB935 million for 2020. The increase was mainly due to a year-on-year decrease of interest expense on capitalization as most of the land parcels acquired during the year were developed in phases.

SHARE OF PROFIT FROM ASSOCIATES

In 2021, the overall net contribution from associates attributable to the Group was approximately RMB297 million, representing a decrease of 41.2% on a year-on-year basis, mainly because share of profit from associates for the year was mainly derived from profit contribution from Yuexiu Real Estate Investment Trust ("Yuexiu REIT"), while that for last year was mainly derived from profit contribution from three associated projects in the Greater Bay Area and Yuexiu REIT.

In 2021, the total distributable amount of Yuexiu REIT amounted to approximately RMB798 million, representing an increase of 23.0% on a year-on-year basis, and the cash distribution attributable to the Group amounted to approximately RMB320 million.

MANAGEMENT DISCUSSION AND ANALYSIS

BASIC EARNINGS PER SHARE

In 2021, basic earnings per share attributable to the equity holders of the Company (based on the weighted average number of ordinary shares in issue) were RMB1.1590 (2020: RMB1.3718).

FINAL DIVIDEND

The Board has proposed the payment of a final dividend for 2021 of HKD0.328 per share, which is equivalent to RMB0.265 per share (2020: HKD0.315 per share which was equivalent to RMB0.265 per share (after Share Consolidation)/HKD0.063 per share which was equivalent to RMB0.053 per share (before Share Consolidation)) payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 10 June 2022. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid on or about 8 July 2022. Together with the interim dividend of HKD0.326 per share which was equivalent to approximately RMB0.271 per share, total dividends for the year ended 31 December 2021 amounted to HKD0.654 per share which was equivalent to approximately RMB0.536 per share.

Dividends payable to shareholders will be paid in Hong Kong dollars. The exchange rate adopted by the Company for its dividend payable is the average middle exchange rate of HKD against RMB announced by the People's Bank of China in the five business days preceding the date of dividend declaration.

LIQUIDITY AND FINANCIAL RESOURCES

Cash receipts from operating activities and committed banking facilities are the Group's main sources of liquidity. The Group has always adhered to prudent financial management principles, emphasised on funding management and risk control, established an ongoing monitoring system to respond to market changes, ensured healthy and adequate liquidity and secured the business development. While continuing to maintain a good relationship with commercial banks in Mainland China and Hong Kong, the Group also explores other funding channels, optimises the capital structure and lowers the funding costs, enhances the ability to protect its resources, and enhances its risk resistance capabilities.

In 2021, the Group obtained new borrowings of approximately RMB43.83 billion, including onshore borrowings of approximately RMB28.94 billion and offshore borrowings of approximately RMB14.89 billion. As at 31 December 2021, total borrowings amounted to approximately RMB75.53 billion (31 December 2020: RMB67.84 billion), cash and cash equivalents and charged bank deposits amounted to approximately RMB40.50 billion, and the net gearing ratio was 47.1%. Borrowings due within one year accounted for approximately 39% of the total borrowings (31 December 2020: 24%); fixed-rate borrowings accounted for approximately 57.6% of the total borrowings (31 December 2020: 57.4%). The Group's average effective borrowing interest rate for the year decreased by 36 bpts to 4.26% per annum from 4.62% per annum for 2020.

As at 31 December 2021, among the Group's total borrowings, approximately 49% was RMB denominated bank borrowings and other borrowings (31 December 2020: 46%), 12% was Hong Kong dollar denominated bank borrowings (31 December 2020: 9%), 16% was Hong Kong dollar and US dollar denominated medium to long term notes (31 December 2020: 19%), 23% was RMB denominated medium to long term notes (31 December 2020: 26%).

MANAGEMENT DISCUSSION AND ANALYSIS

WORKING CAPITAL

As at 31 December 2021, the Group's working capital (current assets less current liabilities) amounted to approximately RMB80.18 billion (31 December 2020: approximately RMB80.04 billion). The Group's current ratio (current assets divided by current liabilities) was 1.4 times (31 December 2020: 1.6 times). Cash and cash equivalents amounted to approximately RMB32.77 billion (31 December 2020: RMB28.21 billion). Charged bank deposits amounted to approximately RMB7.73 billion (31 December 2020: RMB9.09 billion). Undrawn committed bank facilities amounted to approximately RMB25.67 billion.

CAPITAL AND FINANCIAL STRUCTURE ANALYSIS

Set out below is a summary of the Group's debts:

	As at	
	31 December 2021 RMB'000	31 December 2020 RMB'000
Bank borrowings and notes		
Denominated in RMB	54,058,411	48,576,306
Denominated in HKD	10,661,131	8,191,311
Denominated in USD	10,814,592	11,071,711
Total bank borrowings and notes	75,534,134	67,839,328
Bank overdrafts	30	32
Total debts	75,534,164	67,839,360
Ageing analysis:		
Within one year	29,801,844	16,576,244
In the second year	15,711,742	18,802,668
In the third to fifth year	25,900,724	27,557,816
Beyond five years	4,119,854	4,902,632
Total borrowings	75,534,164	67,839,360
Lease liabilities	871,203	717,686
Less: Cash and cash equivalents	(32,766,455)	(28,213,701)
Net borrowings	43,638,912	40,343,345
Total equity	74,366,749	64,276,115
Total capitalisation	118,005,661	104,619,460
Gearing ratio	37.0%	38.6%

MANAGEMENT DISCUSSION AND ANALYSIS

INTEREST RATE EXPOSURE

The Group's interest rate exposure is mainly derived from relevant loans and deposits denominated in Renminbi, Hong Kong dollars and US dollars. As of 31 December 2021, among the total borrowings of the Group, approximately 31% was floating rate bank loans denominated in Renminbi, approximately 12% was floating rate bank loans denominated in Hong Kong dollars, approximately 18% was fixed rate bank loans denominated in Renminbi, approximately 23% was medium-to-long term fixed rate bonds denominated in Renminbi, approximately 16% was medium-to-long term fixed rate notes denominated in US dollars/Hong Kong dollars.

At present, the interest rate in both China and Hong Kong is relatively low and it is expected that Hong Kong dollar interest rates will rise gradually this year with the expectation of interest rate hike by the United States to control high inflation. However, the market estimated that the pace of interest rate hike would be slow. The ratio of fixed rate financing against the total financing is approximately 57.6% with controllable interest rate risk. The Group did not arrange interest-rate hedging instruments during the reporting year. The average borrowings interest rate during the year was approximately 4.26% per annum, decreased by 36 basis points from 4.62% per annum for the year of 2020.

With respect to Renminbi interest rates, it is expected that the PBOC will introduce relatively loose monetary policies, including cutting the reserve requirement ratio and interest rate, under the considerable downward pressures faced by China's economy. As the United States has started to tighten monetary policies to kick off interest rate hike cycle, it is estimated that onshore Renminbi interest rates will not decline significantly, so as to maintain exchange rates and capital inflows and outflows at a reasonable level.

With respect to US dollar interest rates, the inflation rate of the United States reached a new high for almost 40 years, as such, the Federal Reserve has taken inflation control as an important duty. It is expected that bond purchases will be phased out in March this year and interest rate hikes will be coming in the next three months with three to four times of interest rate hikes at 0.25% each during the year. The market currently responds positively to the interest hikes without too much panic.

With respect to Hong Kong dollar interest rates, Hong Kong dollar interest rate currently keeps low and is expected to follow the path of US dollar interest rate. Currently, the liquidity of Hong Kong Dollar is sufficient on the market. Interest rate of Hong Kong Dollar still stays at a relatively low level in spite of a rebound in the past six months. However, interest rate of Hong Kong Dollar may be subject to short-term upward fluctuation due to fundraising activities of companies by initial public offering and China-US conflicts. Over the medium to long term, Hong Kong dollar interest rate is expected to follow the uptrend of US dollar interest rate.

The Group will continue to pay close attention to changes in domestic and foreign interest rate market and continuously manage its debt structure and interest rate risks.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK

Since the main business operations of the Group are conducted in Mainland China, its income and assets are denominated primarily in Renminbi. The Group has foreign currency denominated financing and is thus exposed to foreign exchange risk. Since 2016, the Group has actively adopted various measures to enhance the management of the foreign exchange exposure. As at 31 December 2021, among the borrowings denominated in foreign currencies, approximately HKD10.76 billion (equivalent to approximately RMB8.79 billion) was bank borrowings denominated in Hong Kong dollar, approximately USD1.70 billion (equivalent to approximately RMB10.81 billion) was medium-to-long term notes denominated in US dollars, and approximately HKD2.28 billion (equivalent to approximately RMB1.87 billion) was notes denominated in Hong Kong dollars. Approximately 28% (28% at the beginning of the year) of the total borrowings of the Group was borrowings denominated in foreign currencies, among which, hedging products were purchased to manage part of foreign exchange exposures with respect to offshore borrowings (equivalent to RMB7.91 billion).

As the COVID-19 pandemic repeated resurgence in China, there was a downward pressure on China's economy in the second half of 2021. Although import and export data remained satisfactory, China is still expected to be under a considerable downward pressure on economy in 2022 given challenges ahead, including uncertainty over the stabilization of the real estate market, the preservation of export growth, the upgrade of domestic consumption and etc. Presently, the coverage of COVID-19 vaccination gradually expands around the world. It is expected that the world economy will recover. Due to the ongoing China-US conflict and asynchronous monetary policy of China and the US, the interest rate of Renminbi is still expected to fluctuate in 2022. The Group will continue to keep track of developments in the foreign exchange market, strike a balance between hedging cost and foreign exchange risk, manage its debt structure and control its foreign exchange exposure. The Group has used financial instruments to manage its foreign exchange exposure and will continue to arrange for appropriate products to manage its foreign exchange exposure.

COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2021, the Group did not have capital commitments in respect of purchases of property, plant and equipment (31 December 2020: RMB61 million).

CONTINGENT LIABILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates. As of 31 December 2021, the total contingent liabilities relating to these guarantees amounted to approximately RMB29.52 billion (31 December 2020: RMB32.04 billion).

As at 31 December 2021, certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB8,366 million (31 December 2020: RMB3,407 million) in respect of loans borrowed by joint ventures and associates of the Group, among which, guarantee of approximately RMB3,953 million was utilised and guarantee of approximately RMB4,413 million was not utilised yet.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE CONSOLIDATION

On 10 June 2021, every five issued shares of the Company were consolidated into one share of the Company (each a “Consolidated Share”) and the number of Consolidated Shares was rounded down to the nearest whole number by disregarding each and every fractional Consolidated Share which would otherwise arise (the “Share Consolidation”). Since then, all of the Consolidated Shares rank pari passu in all respects with each other. For details, please refer to the announcements of the Company dated 19 April 2021 and 1 June 2021, and the circular of the Company dated 30 April 2021. The board lot size for trading on the Stock Exchange was changed from 2,000 issued shares of the Company before the Share Consolidation becoming effective to 1,000 Consolidated Shares with effect from 10 June 2021.

As at 31 December 2021, the total number of shares of the Company in issue was 3,096,456,087.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had approximately 16,320 employees (30 June 2021: 15,720 employees). The Group offers its employees reasonable remuneration in accordance with industry practice. Salary increment and promotion of employees are based on performance and achievements. In the meantime, the Group provides employees with other benefits, such as mandatory provident funds, medical insurance, educational allowances and professional training. The Group adopted the Share Incentive Scheme on 2 December 2016 and the Share Award Scheme on 17 March 2017. Both schemes will (i) provide the selected participants (including senior management, middle management and other employees) with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain such individuals to work with the Company and the Group; and (iii) provide additional incentive for them to achieve performance goals and promote the pursuit of long-term interests of the Group, the Company and its shareholders, with a view to achieving the objective of aligning the interests of the selected participants with those of the shareholders of the Company. Details of the Share Incentive Scheme and Share Award Scheme have been respectively disclosed in the announcements dated 2 December 2016 and 17 March 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) POLICY

The Board of the Group attaches great importance to sustainability management. In accordance with the requirements of the Environmental, Social and Governance Reporting Guide of the Stock Exchange of Hong Kong, Yuexiu Property has established an effective sustainability management system, improved the Group’s sustainability governance structure and strengthened the supervision and participation of the Board in the Group’s environmental, social and governance affairs. The Board, as the highest governing body of the Group, takes the full responsibility for ESG affairs of Yuexiu Property. In March 2022, the ESG Committee chaired by the Chairman of the Company and staffed by the general manager and independent directors of the Company was established and the responsibility of the ESG Committee is listed in Corporate Governance Report. In addition, an ESG Leading Group is formed under the committee, with the general manager as the leader and the relevant functional lines or regional leaders as the group members, and is responsible for coordinating and supervising the implementation of ESG management, and periodically reporting ESG performance to the ESG Committee.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

Certain loan agreements of the Company and its subsidiary (“Loan Agreements”) respectively include a condition that imposes one or more of the following specific performance obligations on Yue Xiu Enterprises (Holdings) Limited, the controlling shareholder of the Company, or (as the case may be) Guangzhou Yue Xiu Holdings Limited, the ultimate controlling shareholder of the Company:

- (i) the controlling shareholder remains to be the single largest beneficial shareholder of the Company;
- (ii) the controlling shareholder maintains a shareholding interest of not less than 35% or 30% in the issued voting shares of the Company;
- (iii) the controlling shareholder maintains effective management control over the Company.

As at 31 December 2021, the aggregate balance of the loans provided was HKD10,812,000,000. Such Loan Agreements will expire from 2 June 2022 to 29 November 2024.

Breach of the above specific performance obligations will constitute an event of default. Upon the occurrence of such event of default, the relevant bank may declare the relevant facility to be terminated and all the indebtedness under the relevant facility would become due and payable.

On 24 January 2013, the Company issued USD350 million 3.25 per cent. notes due 2018 (the “2018 Notes”) and USD500 million 4.50 per cent. notes due 2023 (the “2023 Notes”) to investors under a USD2,000 million medium term note programme established on 11 January 2013. The Company has completed the redemption and cancellation of all the 2018 Notes. Since 17 August 2016, there are no outstanding 2018 Notes in issue. With effect from 29 December 2016, (i) the Company has substituted in its place Leading Affluence Limited, a wholly-owned subsidiary of the Company, as the issuer and the principal debtor in respect of the 2023 Notes; and (ii) the 2023 Notes are unconditionally and irrevocably guaranteed by the Company. Pursuant to the terms and conditions of the programme, Guangzhou Yue Xiu Holding Limited is required to maintain control (as defined in the announcement dated 17 January 2013) of the Company. Breach of the above obligation will cause a default under the terms and conditions whereby the noteholders are entitled to exercise their change of control put options.

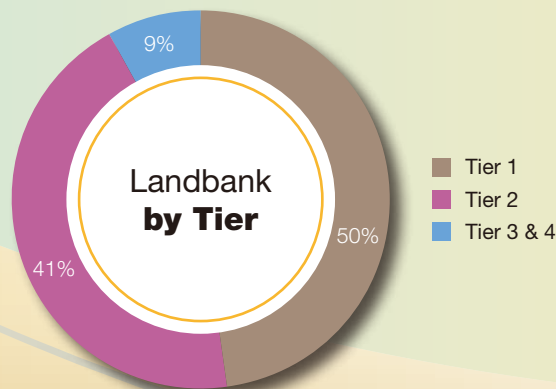
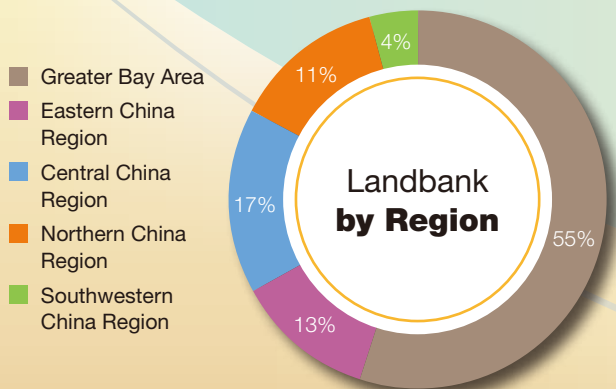
On 19 April 2018, Westwood Group Holdings Limited (“Westwood”), an indirect wholly-owned subsidiary of the Company issued USD800 million 4.875 per cent. guaranteed notes due 2021 (repaid in full on 19 April 2021) and USD400 million 5.375 per cent. guaranteed notes due 2023 to investors under a USD3,000 million guaranteed medium term note programme established on 4 April 2018 (“USD3,000 million Guaranteed MTN Programme”). Pursuant to the terms and conditions of the programme, Guangzhou Yue Xiu Holdings Limited is required to maintain control (as defined in the announcement dated 13 April 2018) of the Company. Breach of the above obligation will cause a default under the terms and conditions whereby the noteholders are entitled to exercise their change of control put options.

On 20 January 2021, Westwood issued USD600 million 2.80 per cent. guaranteed notes due 2026 (the “2026 Notes”) and USD150 million 3.80 per cent. guaranteed notes due 2031 to investors under the USD3,000 million Guaranteed MTN Programme (updated on 11 January 2021). On 26 January 2021, Westwood issued USD50 million 2.80 per cent. guaranteed notes due 2026 to investors (to be consolidated and form a single series with the 2026 Notes). Pursuant to the terms and conditions of the programme, Guangzhou Yue Xiu Holdings Limited is required to maintain control (as defined in the announcements dated 13 January 2021 and 21 January 2021) of the Company. Breach of the above obligation will cause a default under the terms and conditions whereby the noteholders are entitled to exercise their change of control put options.

These obligations have been duly complied with for the year ended 31 December 2021.

PROPERTY DEVELOPMENT

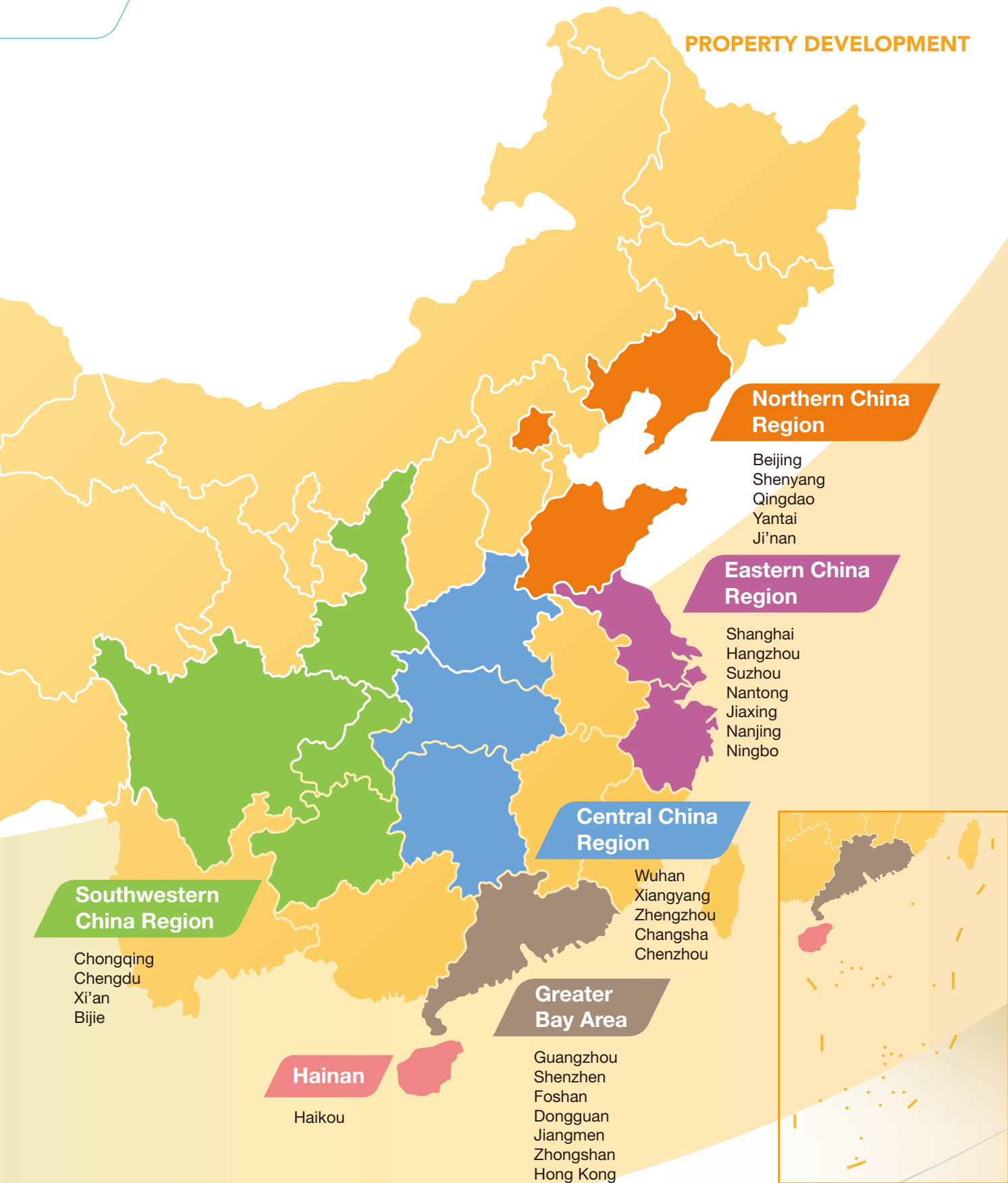
REGION	GFA (sq.m.)
Greater Bay Area	14,910,100
Guangzhou	12,906,000
Shenzhen	169,400
Foshan	585,100
Dongguan	288,800
Jiangmen	597,100
Zhongshan	291,600
Hong Kong	72,100
Eastern China Region	3,376,100
Shanghai	168,400
Hangzhou	1,197,600
Suzhou	1,116,800
Nantong	168,100
Nanjing	605,400
Ningbo	119,800
Central China Region	4,742,800
Wuhan	1,367,200
Xiangyang	720,600
Zhengzhou	137,900
Changsha	1,668,800
Chenzhou	848,300
Northern China Region	2,883,500
Beijing	329,200
Shenyang	286,800
Qingdao	1,609,200
Yantai	146,700
Ji'nan	511,600
Southwestern China Region	1,092,400
Chongqing	393,000
Chengdu	300,800
Xi'an	374,800
Bijie	23,800
Hainan	100,500
Haikou	100,500
Total	27,105,400



- Greater Bay Area
- Eastern China Region
- Central China Region
- Northern China Region
- Southwestern China Region

- Tier 1
- Tier 2
- Tier 3 & 4

PROPERTY DEVELOPMENT



PROPERTY DEVELOPMENT

GREATER BAY AREA



GUANGZHOU GALAXY BAY

LANDBANK GFA: 539,800 sq.m.



GUANGZHOU JOY LAKE

LANDBANK GFA: 445,700 sq.m.



GUANGZHOU JOY GOLDEN SANDS

LANDBANK GFA: 332,000 sq.m.

PROPERTY DEVELOPMENT

**GUANGZHOU GRAND MANSION**

LANDBANK GFA: 412,500 sq.m.

**GUANGZHOU STAR WAVE
(PREVIOUS NAME:
GUANGZHOU PANYU
GUANGZHOU SOUTH
RAILWAY STATION LAND)**

LANDBANK GFA: 234,300 sq.m.

**GUANGZHOU YUE VOYAGE**

LANDBANK GFA: 208,400 sq.m.



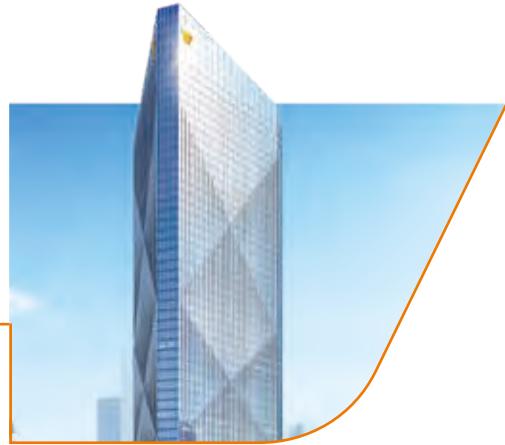
PROPERTY DEVELOPMENT

GREATER BAY AREA



NANSHA INTERNATIONAL FINANCIAL CENTER

LANDBANK GFA: 220,800 sq.m.



GUANGZHOU ICC

LANDBANK GFA: 228,600 sq.m.



SHENZHEN MAJESTIC MANSION

LANDBANK GFA: 169,400 sq.m.

PROPERTY DEVELOPMENT

**NANHAI STARRY MANSION**

LANDBANK GFA: 274,000 sq.m.

**HESHAN STARRY
REGAL COURT**

LANDBANK GFA: 264,900 sq.m.

**ZHONGSHAN EMPYREAL BAY**

LANDBANK GFA: 134,200 sq.m.



PROPERTY DEVELOPMENT

EASTERN CHINA REGION



HANGZHOU IMPRESSIVE CITY

LANDBANK GFA: 317,700 sq.m.



HANGZHOU JOY LANE

LANDBANK GFA: 163,000 sq.m.



SUZHOU TAICANG NEVER LAND

LANDBANK GFA: 626,200 sq.m.

PROPERTY DEVELOPMENT

**JIAXING JOY LANE**

LANDBANK GFA: 218,000 sq.m.

**NANTONG LUMINOUS
MANSION
(PREVIOUS NAME:
NANTONG
ZHONGCHUANG LAND)**

LANDBANK GFA: 168,100 sq.m.

**NANJING ART TIMES
(PREVIOUS NAME:
NANJING PUKOU
QIAOLIN LAND II)**

LANDBANK GFA: 133,700 sq.m.



PROPERTY DEVELOPMENT

CENTRAL CHINA REGION



WUHAN HANYANG STARRY WINKING

LANDBANK GFA: 786,800 sq.m.

**WUHAN STARRY GARDEN
(PREVIOUS NAME:
WUHAN JIANG'AN LAND)**

LANDBANK GFA: 71,500 sq.m.



WUHAN YUEXIU GARDEN

LANDBANK GFA: 215,800 sq.m.

PROPERTY DEVELOPMENT**XIANGYANG STARRY CITY**

LANDBANK GFA: 572,400 sq.m.

**CHANGSHA QIN'AI LANE**

LANDBANK GFA: 75,600 sq.m.

**CHANGSHA STARRY CITY**

LANDBANK GFA: 709,300 sq.m.



PROPERTY DEVELOPMENT

NORTHERN AND SOUTHWESTERN CHINA REGION



**BEIJING HILL MANSION
(PREVIOUS NAME:
BEIJING HUAI'ROU LAND)**

LANDBANK GFA: 329,200 sq.m.



QINGDAO MAGNIFICENT BAY

LANDBANK GFA: 37,400 sq.m.



JI'NAN HILLSIDE MANSION

LANDBANK GFA: 237,800 sq.m.

PROPERTY DEVELOPMENT



**CHONGQING IMPRESSIVE LAKE
(PREVIOUS NAME:
CHONGQING YUBEI
CENTRAL PARK LAND**

LANDBANK GFA: 206,300 sq.m.



CHENGDU GRAND WOOD

LANDBANK GFA: 300,800 sq.m.



XI'AN XIXIAN LAND

LANDBANK GFA: 374,800 sq.m.



INVESTOR RELATIONS REPORT



The Group attaches great importance to an effective two-way communication with investors, and believes that maintaining a good relationship with investors and improving the transparency of the company's information will help build and enhance confidence from the market in the Group. The Group has set up an investor relations management team to act as an important communication role between the Group on one side and shareholders, investors and analysts on the other side. In 2021, the Group maintained good interaction with investors on the premise of following the laws and regulations for listed companies and ensuring that investors have equal access to information:

An appropriate transparency has been maintained in information disclosure. In particular, the Group constantly optimized the contents of its interim and annual report, announcement, results presentation, press release, etc., and proactively published announcement on unaudited monthly sales and land acquisition, so as to update the capital market with the company's latest business developments in a timely manner.

An efficient and quality communication has been maintained with investors. In response to the recurrence of the pandemic, which still had certain impact on investor relations activities, the Group responded to the impact flexibly with complying with the pandemic prevention policies, continued to hold a series of important investor relations activities online, to maintain a smooth communication with investors around the world, such as simultaneous results analyst briefing via "live broadcast + telephone conference", holding general meetings, roadshows, conferences by brokers and one-on-one meetings by using telephone and third-party conference software, through which, investors were empowered by convenient and effective communication channels and enabled to comprehensively understand the Group's operations and development strategies in a timely manner, thus improving the effect of these activities.

The Group is committed to promoting the quality of investor communication. Capitalized on opportunities presented by the stable control of the pandemic, management of the Group actively participated in multiple offline roadshows and reverse roadshows while maintaining the smooth running of online investor relations activities, which enabled investors to directly understand the Group's business development and future strategies. Besides, the Group has set up investor relations emails, hotlines and other channels to maintain smooth daily communication and exchanges with investors and facilitate updating investors with latest developments of the Group.

While communicating the Group's business information to the outside world, the Group also pays attention to feedbacks from the capital market, so as to convey investor feedbacks to management of the Group timely and accurately with conducting relevant research and analysis, thereby promoting the Group to improve its corporate governance level and facilitate good interaction between investors and the management, and eventually create greater value for shareholders.

AWARDS AND RECOGNITIONS



Listed Company Awards of Excellence 2021

Hong Kong Economic Journal

China Property Award of Supreme Excellence 2021

Organizing Committee of China Property Award of Supreme Excellence

Top 50 China Real Estate Development Enterprises of 2021 in Comprehensive Capability

China Real Estate Association, Shanghai E-house Real Estate Research Institute, China Real Estate Appraisal Centre

TOP 30 China Real Estate (Commercial) Development Enterprises of 2021 in Comprehensive Capability

China Real Estate Association, Shanghai E-house Real Estate Research Institute, China Real Estate Appraisal Centre

2021 Top 30 Among Top 100 Most Valuable Brand of China Real Estate

China Real Estate Newspapers

2021 Most Stable Real Estate Company in China

The Time Weekly

2021 Top 30 Listed Real Estate Companies in China

Guandian Index Academy

2021 China TOD Benchmark Company

China Times

2021 ESG Leading Model Enterprise in Real Estate

Hexun.com

Top 20 Guangdong Property Enterprises with High Credit

Four Major State-owned Banks, China Interchange Association of Top Credit-rating Property Enterprises Association

The Group's Annual Report for the Year of 2020 Was Awarded:

2021 International ARC Awards – Honors – Traditional Annual Report: Property Development: Commercial

2021 International ARC Awards – Bronze Winner – Interior Design: Property Development: Commercial

DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

Mr Lin Zhaoyuan, aged 52, was appointed Chairman of the Company in August 2018. Mr Lin has been an executive director of the Company since November 2015. He had been Vice Chairman and General Manager of the Company. He is also chairman of the board of Guangzhou City Construction & Development Co. Ltd. ("GCCD"). Mr Lin holds a bachelor degree of economics and a master of business administration degree of the Sun Yat-sen University and the qualification of mechanical engineer. He had been chairman of the board of Guangzhou Paper Group Limited ("Guangzhou Paper Group"), an assistant to general manager and a deputy general manager of Guangzhou Yue Xiu Holdings Limited ("Guangzhou Yue Xiu"), the ultimate holding company of the Company, and Yue Xiu Enterprises (Holdings) Limited ("YXE"), and chairman and a non-executive director of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust, which is listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") (Stock Code: 405)). Mr Lin has extensive experience in corporate management, sound and efficient management, cost control and corporate restructuring and development and is more forward-looking and innovative in corporate operations and management.

Mr Lin Feng, aged 51, was appointed Vice Chairman, executive director and General Manager of the Company in August 2018. Mr Lin is also a director and general manager of GCCD, director of Guangzhou Yuexiu Commercial Real Estate Investment & Management Co., Limited, chairman and a non-executive director of Yuexiu Services Group Limited (Stock Code: 6626). Mr Lin graduated from Guangdong University of Finance & Economics (formerly known as Guangdong Commercial College) in accounting with a Bachelor's degree in economics. Mr Lin holds a Master's degree in business administration from the University of Western Sydney and the qualification of accountant awarded by the Ministry of Finance of the People's Republic of China. Since 1994, Mr Lin has joined Guangzhou City Construction Development Holding Co., Limited. He served as deputy general manager of finance department and corporate management department, general manager of finance department of GCCD, assistant to general manager of the Company and the general manager of urban renewal group (i.e., the Company's urban renewal sector). He has served as a deputy general manager of the Company since 2014 and has been in charge of investment sector, customer resource management and synergy, and business operation of urban renewal group, Bay West and Hainan companies. He has also participated in various major capital operation and financing projects of the Company with extensive experience in enterprise investment decision making and financing management.

Mr Li Feng, aged 53, was appointed executive director of the Company in March 2014. Mr Li is the chief capital officer of Guangzhou Yue Xiu and YXE. He is mainly responsible for formulating and implementing major capital management plans, organizing industrial development and financing coordination, optimizing and deepening the customer resources management, promoting the update of digital transformation, etc. of the Yue Xiu Group. Mr Li is the press spokesperson of the Yue Xiu Group. Mr Li is also a director of GCCD, chairman and a non-executive director of Yuexiu Financial Holdings Limited ("YFHL") and a non-executive director of Chong Hing Bank Limited ("Chong Hing Bank") (which shares were delisted from the Stock Exchange on 30 September 2021); a non-executive director of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)), Chairman and an executive director of Yuexiu Transport Infrastructure Limited ("Yuexiu Transport") (Stock Code: 1052), the shares of the companies mentioned above are listed on the Stock Exchange; a director of Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司) ("GZYFHL"), a company listed on the Shenzhen Stock Exchange (Stock Code: 987) and the chairman of the board of directors of Yue Xiu Securities Holdings Company Limited. Mr Li graduated from South China University of Technology and obtained a Bachelor's degree in architecture, and subsequently he obtained a master of business administration degree from Jinan University. He is also a president of Association of Guangzhou Belt and Road Investment Enterprises, member of Guangzhou Housing Provident Fund Management Committee, director of Guangzhou People's Association for Friendship with Foreign Countries and vice-president of The Listed Companies Council, Hong Kong Chinese Enterprises Association and a member of Risk Management Committee of China Evergrande Group (stock code: 3333). Mr Li joined YXE in December 2001, he is familiar with business of listed companies and the operations of capital markets and has extensive practical experience in capital operations.

DIRECTORS' PROFILES

Ms Chen Jing, aged 50, was appointed executive director of the Company in July 2017. Ms Chen is the chief financial officer of the Company. She is also the chief financial officer and general manager of the finance department of Guangzhou Yue Xiu and YXE, a director of GCCD, a non-executive director of YFHL and Chong Hing Bank and an executive director of Yuexiu Transport. Ms Chen graduated from Xi'an Jiaotong University in audit studies, and holds a master of business administration degree of the School of Management and Economics of the Beijing Institute of Technology and the qualification of auditor and certified internal auditor. Ms Chen joined Guangzhou Yue Xiu in July 2004 and was the deputy general manager of the supervisory (audit) office, the general manager of the audit department and the chairman of the board of directors of Yue Xiu Securities Holdings Company Limited. Ms Chen has participated in building systems to monitor the major risks and finance of Guangzhou Yue Xiu. Ms Chen is well versed in risk and internal control management, financial management of listed companies and has extensive experience in establishing a sound system for risk management and internal control, financial management for enterprises. Prior to joining Guangzhou Yue Xiu, Ms Chen worked in school of business of the Hubei University and Hisense Kelon Electrical Holdings Company Limited.

Ms Liu Yan, aged 43, was appointed executive director of the Company in August 2018. Ms Liu is the chief human resources officer and general manager of management department of Guangzhou Yue Xiu and YXE, general manager of the human resources (organization) department of Guangzhou Yue Xiu and human resources department of YXE. She is also a director of GCCD and Guangzhou Paper Group. Ms Liu graduated from Nankai University with a Bachelor's degree in sociology and a Master's degree in sociology and from Shanghai Jiao Tong University with an Executive Master of business administration degree. She obtained the qualification of Intermediate Economics(Human Resources Management). Ms Liu joined Guangzhou Yue Xiu in July 2002 and was a director of GZYFHL, Guangzhou Yuexiu Jinrong Holdings Group Co., Limited, Guangzhou Yuexiu Financial Leasing Co., Limited and Shanghai Yuexiu Finance Leasing Co., Limited, the head of human resources of Guangzhou Yue Xiu and YXE. She has led the implementation of several major projects for Guangzhou Yue Xiu on mobilization and optimization of human resources, development of appraisal system and sound and efficient management. Ms Liu has extensive work experience in human resources management, operation management, organisational management and control in large business enterprises.

NON-EXECUTIVE DIRECTOR

Mr Zhang Yibing, aged 55, was appointed non-executive director of the Company in March 2022. Mr Zhang is currently the deputy general manager of Guangzhou Metro Group Co., Ltd.* (廣州地鐵集團有限公司). Mr Zhang holds a postgraduate qualification in Economics (Economic Management) of the Graduate School of the Party School of the Central Committee of the Communist Party of China. Mr Zhang has held various positions, including the deputy director of the Social Development Department of Guangzhou Municipal Development and Reform Commission, the director of the Personnel Department of Guangzhou Municipal Development and Reform Commission, the director of the Urban Development Department of Guangzhou Municipal Development and Reform Commission (also the director of the Municipal Metro Capital Office), the director of the Rail Transportation Department of Guangzhou Municipal Development and Reform Commission (also the director of the Municipal Metro Capital Office), and the deputy general manager and director of Guangzhou Railways Investment Construction Group Co., Ltd.* (廣州鐵路投資建設集團有限公司). Mr Zhang has excellent communication, co-ordination and business development capabilities as well as expertise in administration and capital management. He also has extensive experience in business management. Mr Zhang is involved in the management of metro property business, with a focus on land resumption, project development and commercial property operation, and has strong overall co-ordination capability in real estate project development and management.

DIRECTORS' PROFILES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Yu Lup Fat Joseph, aged 74, has been an independent non-executive director of the Company since 1992. He is also an independent non-executive director of YFHL and Chong Hing Bank. Mr Yu holds a master's degree in applied finance from Macquarie University in Australia and a diploma of management studies from the University of Hong Kong. Mr Yu has over 40 years of experience in investment, banking and finance.

Mr Lee Ka Lun, aged 67, has been an independent non-executive director of the Company since 2000. He is also an independent non-executive director of YFHL and Chong Hing Bank. He is an accountant by profession. Mr Lee is a Fellow of the Association of Chartered Certified Accountants in UK and has over 20 years of experience in banking and auditing. He is an independent non-executive director of Chow Sang Sang Holdings International Limited (Stock Code: 116), Medicskin Holdings Limited (Stock Code: 8307), Ever Harvest Group Holdings Limited (Stock Code: 1549) and Best Mart 360 Holdings Limited (Stock Code: 2360) (effective 18 December 2018). The shares of the companies mentioned above are listed on the Stock Exchange.

Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 74, has been an independent non-executive director of the Company since 2004. He obtained a bachelor of laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries. Mr Lau is currently an independent non-executive director of Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Transport and Joy City Property Limited (Stock Code: 207). The shares of the companies mentioned above are listed on the Stock Exchange. He is also a Director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, OCBC Wing Hang Bank (China) Limited, Nanyang Commercial Bank, Limited, OCBC Wing Hang Bank Limited, Sun Hon Investment & Finance Limited, Wydoff Limited, Wytex Limited, Trillions Profit Nominees & Secretarial Services Limited, Helicoil Limited, Wyman Investments Limited and Cinda Financial Holdings Co., Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). He has served as a Standing Committee Member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference.

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the conduct and growth of its business.

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of The Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

Throughout the year ended 31 December 2021, the Company has complied with the Code Provisions.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

The Board of Directors ("Board") of the Company plays a crucial role in sustaining high standards of corporate governance, transparency and accountability of the Company's operations.

The key corporate governance principles and practices of the Company are summarised below:

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs in the interests of the Company.

The Board has delegated the supervision of the day-to-day management of the Company's business to the executive directorate, and focuses its attention on matters affecting the Company's overall strategic policies and finances, including: the approval and monitoring of all policy matters, overall business strategies and budgets, corporate governance, internal control and risk management systems, financial statements, dividend policy, major financial arrangements and major investments, treasury policies, appointment of directors and other significant financial and operational matters.

The Board attaches great importance to sustainability management, undertakes overall responsibility for the ESG of the Company and oversees the ESG direction and strategies of the Company. It regularly discusses and reviews the Company's ESG development risks and opportunities. The ESG Committee is responsible for managing and supervising the ESG impact of the Company, and reports the ESG-related performance to the Board on a regular basis. It updates the Company's ESG issues every year and conducts materiality assessment of the ESG issues through stakeholders study, questionnaire survey, expert assessment, discussion within the Board, etc. The Board has established, reviewed and discussed the relevant targets for greenhouse gas emissions, waste disposal, energy use and water resource utilization, and will continue to evaluate and pay attention to their progress.

All directors have full and timely access to all relevant information as well as the advice and services of the company secretary or external legal advisors, where appropriate, with a view to ensuring compliance of all Board procedures, applicable rules and regulations.

Each director may seek independent professional advice in appropriate circumstances at the Company's expense, upon request to the Board.

CORPORATE GOVERNANCE REPORT

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercise of independent judgment. The Board comprised five executive directors, one non-executive director and three independent non-executive directors during the year ended 31 December 2021.

For a list of directors during the year ended 31 December 2021 and up to the date of this annual report, please refer to page 70 of the Report of the Directors. The updated list of directors is also available on the Company's website (www.yuexiuproperty.com) and the Stock Exchange's website.

Selection of Board members is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision is based on merit and contribution that the selected Board members could bring to the Board, with due regard for the benefits of diversity on the Board. The Board diversity policy is available on the website of the Company. The Board will review and monitor from time to time the implementation of the policy to ensure its effectiveness and application.

None of the members of the Board is related to one another.

During the year ended 31 December 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive directors on the Board meets one-third requirement under the Listing Rules throughout the year.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considered all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors made valuable contributions to the effective direction of the Company.

Shareholders may propose a candidate for election as director in accordance with the Articles of Association of the Company. The procedures for such proposal are available on the websites of the Company and the Stock Exchange.

Training for Directors

On appointment to the Board, each director receives a comprehensive induction package covering business operations, policies and procedures of the Company as well as the general, statutory and regulatory obligations of being a director to ensure that he is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements.

The directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, all directors and senior executives are encouraged to participate in continuous professional development relating to the Listing Rules, Companies Ordinance and corporate governance practices to continuously update and further improve their relevant knowledge and skills. From time to time, directors are provided with written training materials to develop and refresh their professional knowledge and skills.

CORPORATE GOVERNANCE REPORT

During the year, the Company arranged training programmes and provided training materials to the Directors with an emphasis on investments as well as prospects of Hong Kong as an International Financial Center, case study on disciplinary sanctions of the Hong Kong Stock Exchange in relation to discloseable transactions and connected transactions. According to the records maintained by the Company, the Directors received trainings in the following areas:

Directors	Corporate Governance/Updates on Laws, Rules & Regulations	
	Read Materials	Attended Seminars/Briefings
<i>Executive Directors</i>		
Lin Zhaoyuan	√	√
Lin Feng	√	√
Li Feng	√	√
Chen Jing	√	√
Liu Yan	√	√
<i>Non-Executive Director</i>		
Ouyang Changcheng	√	√
<i>Independent Non-Executive Directors</i>		
Yu Lup Fat Joseph	√	√
Lee Ka Lun	√	√
Lau Hon Chuen Ambrose	√	√

CORPORATE GOVERNANCE REPORT

Board Meetings

Number of Meetings and Directors' Attendance

In year 2021, the Board held 4 meetings. The attendance record of each member of the Board is set out below:

Directors	Attendance/ Number of Meetings	
	Board Meetings	Annual General Meeting & General Meeting
<i>Executive Directors</i>		
Lin Zhaoyuan	4/4	3/3
Lin Feng	4/4	3/3
Li Feng	4/4	3/3
Chen Jing	4/4	2/3
Liu Yan	4/4	3/3
<i>Non-Executive Director</i>		
Ouyang Changcheng	4/4	3/3
<i>Independent Non-Executive Directors</i>		
Yu Lup Fat Joseph	4/4	3/3
Lee Ka Lun	4/4	3/3
Lau Hon Chuen Ambrose	4/4	3/3

Practices and Conduct of Meetings

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

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

Minutes of all Board meetings and committee meetings are kept by the company secretary. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to the current Board practice, any material transaction will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles of Association also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

The Company has arranged director and officer liability insurances for its directors and officers.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the chairman is held by Mr Lin Zhaoyuan while the position of General Manager is held by Mr Lin Feng.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practices. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The General Manager focuses on implementing objectives, policies and strategies approved and delegated by the Board.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Environmental, Social and Governance Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The full terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the Company's website (www.yuexiuproperty.com) and the Stock Exchange's website.

Audit Committee

The Audit Committee comprises three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr Yu Lup Fat Joseph is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

- (a) To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.
- (b) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditor before submission to the Board.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems, the internal audit function and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2021 to review the financial results and reports, financial reporting and compliance procedures, internal control system and risk management system and the re-appointment of the external auditors. The composition of the Audit Committee and attendance record of each Audit Committee member are set out below:

Members	Meetings Attended
<i>Independent Non-Executive Directors</i>	
Yu Lup Fat Joseph	2/2
Lee Ka Lun	2/2
Lau Hon Chuen Ambrose	2/2

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee comprises 3 independent non-executive directors, namely Mr Yu Lup Fat Joseph, Mr Lee Ka Lun and Mr Lau Hon Chuen Ambrose, and one executive director, namely Mr Lin Zhaoyuan. The chairman of the committee is Mr Yu Lup Fat Joseph.

The primary objectives of the Remuneration Committee include making recommendations on the remuneration policy and structure, and recommendations on the remuneration packages of the executive directors and the senior management, including benefits in kind, pension rights and compensation payments such as compensation payable for loss or termination of their office or appointment. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The composition of the Remuneration Committee and attendance record of each Remuneration Committee member are set out below:

Members	Meeting Attended
<i>Independent Non-Executive Directors</i>	
Yu Lup Fat Joseph	1/1
Lee Ka Lun	1/1
Lau Hon Chuen Ambrose	1/1
<i>Executive Director</i>	
Lin Zhaoyuan	1/1

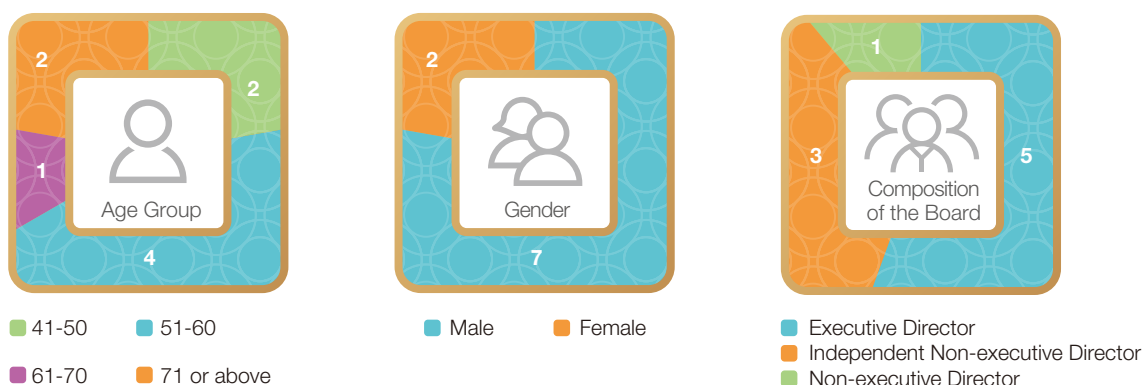
One meeting was held in 2021 to review and make recommendations on the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Board established the Nomination Committee on 1 March 2012. The Nomination Committee comprises 2 executive directors and 3 independent non-executive directors. The committee is chaired by the Chairman of the Board.

The role and function of the Nomination Committee includes reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive directors and making recommendations on the selection of individuals nominated for directorship, the appointment or re-appointment of directors and succession planning for directors. In assessing the Board composition and the candidate proposed to the Nomination Committee for consideration, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Board members' appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Board is currently comprised of diversified members, including 9 directors, two of whom are females. Five executive directors are experienced in finance, accounting, capital operations, real estate development, human resource management and operation management, one non-executive director and the other three directors, being the independent non-executive directors, contribute extensive experiences in the legal and compliance, acquisition and mergers, capital operations as well as financial businesses to the Board. In order to ensure that the Board possesses experiences and skills relevant to its strategy and the ability and mindset to manage changes from time to time in new generation, the Nomination Committee formulates the following measurable objectives: gender, age, length of tenure, professional experience and knowledge (e.g. legal, accounting, finance, real estate development and capital management, etc.), reviews the diversity of the Board and makes proposal to the Board if necessary.



Procedures of Appointment of Directors

In accordance with the strategic needs of the Board, suitable candidates are identified for consideration by the Nomination Committee. The Nomination Committee would consider such candidates based on various factors such as the gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service set out in the Board Diversity Policy. Recommendation will be made to the Board based on meritocracy and objective criteria, having due regard for the benefits of diversity on the Board. The Board will ultimately decide on the merits of the candidate and their potential contributions to the Board. New directors so appointed shall be re-elected at the Company's general meeting as required by the Articles of Association.

CORPORATE GOVERNANCE REPORT

The composition of the Nomination Committee and the attendance record of each Nomination Committee member are set out below:

Members	Meeting Attended
<i>Executive Directors</i>	
Lin Zhaoyuan	1/1
Li Feng	1/1
<i>Independent Non-Executive Directors</i>	
Yu Lup Fat Joseph	1/1
Lee Ka Lun	1/1
Lau Hon Chuen Ambrose	1/1

The Nomination Committee held one meeting during the year ended 31 December 2021 to review the structure, size and composition of the Board.

Environmental, Social and Governance Committee

The Environmental, Social and Governance Committee (“ESG Committee”) was established on 10 March 2022. It comprises two executive directors, namely Mr Lin Zhaoyuan and Mr Lin Feng and three independent non-executive directors, namely Mr Yu Lup Fat Joseph, Mr Lee Ka Lun and Mr Lau Hon Chuen Ambrose. The committee is chaired by Mr Lin Zhaoyuan, the Chairman of the Board.

The main duties of the ESG Committee include the following:

- (a) To review, formulate and approve the Group’s vision, goals, strategies and management policies regarding ESG issues, and make recommendations to the Board on the relevant ESG matters;
- (b) To review and evaluate the adequacy and effectiveness of the management framework for ESG matters at the Group level;
- (c) To review and monitor the Group’s policies on ESG to ensure compliance with legal and regulatory requirement; and
- (d) To review and report to the Board on major international trends in legislation, regulation of corporate ESG, identify and assess the ESG related risks and opportunities that have an impact on the Group’s operation;

The ESG Committee shall report to the Board on their decisions or recommendations not less than once a year.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made to all the directors concerning their compliance with the Model Code and all the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2021.

Specific employees who are likely to be in possession of unpublished price sensitive information have been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.

COMPANY SECRETARY

Mr Yu Tat Fung has been the company secretary of the Company since 2004. He is the Group General Counsel of YXE, and also the company secretary of YXE, Yuexiu Transport Infrastructure Limited (Stock Code: 1052), Yuexiu Services Group Limited (Stock Code: 6626) and Yuexiu REIT Asset Management Limited, the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405). Mr Yu obtained a bachelor’s degree in Social Sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining the Company in 1997, he was engaged in private practice with an emphasis on corporate and commercial law. Mr Yu is responsible for advising the Board on governance matters. During 2021, Mr Yu has taken no less than 15 hours of relevant professional training.

ACCOUNTABILITY AND AUDIT

Responsibilities in respect of the financial statements and auditor’s remuneration

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

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

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the “Independent Auditor’s Report”.

The remuneration paid or payable to PricewaterhouseCoopers, the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2021 amounted to approximately RMB6,000,000 and RMB2,000,000 respectively.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' interests and Company's assets and for review, through its Audit Committee, of the effectiveness of the system. The internal auditor shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks. The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group against material errors, losses or fraud. However, any internal control system can provide only reasonable but not absolute assurance of full protection against material errors, losses, fraud or failure to meet its business objectives.

In meeting its responsibility, the Board seeks to increase risk awareness of its business operations and puts in place policies and procedures, including the parameters of delegated authority, to provide for the identification and management of business risk. The Board assumes overall responsibility in monitoring the operation of the businesses within the Group. Executive directors are appointed to the Boards of all significant material operating subsidiaries to attend their board meetings and to oversee the operations of those companies. Monitoring activities include the review and approval of business strategies, budgets and plans, and the setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies and similarly the management of each business is accountable for its conduct and performance.

Business plans and budgets are prepared annually by the management of individual businesses which are subject to review and approval by both the executive management teams and the executive directors as part of the Group's corporate planning. The executive directors hold monthly meetings to review management reports on the business results and key operating statuses of each core business.

The Group has established procedures and guidelines for the approval and control of expenditure. Operating expenditure is subject to overall budget control and is controlled within each business with the approval levels for such expenditure being set by reference to the level of responsibility of each executive and officer.

For the year ended 31 December 2021, the Board has conducted a review of the effectiveness of the internal control system of the Company. The Board believes that the internal control system is adequate and effective and does not note any material deviation.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make informed investment decisions.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the board committees are available to answer questions at the general meetings. Separate resolutions are proposed at general meetings on each substantial issue.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

CORPORATE GOVERNANCE REPORT

To promote effective communication, the Company also maintains a website at www.yuexiuproperty.com, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Company and the Stock Exchange respectively on the same day as the poll.

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to Sections 566 to 568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company, may request the directors to call a general meeting of the Company. The requisition must state the general nature of the business to be dealt with at the meeting; and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The requisition may consist of several documents in like form. The requisition may be sent to the Company in hard copy form or in electronic form; and must be authenticated by the person or persons making it. If the directors of the Company do not within 21 days after the date on which they become subject to the requirement to call a general meeting for a date not more than 28 days after the date of notice convening the meeting, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a general meeting, and the meeting must be called for a date not more than 3 months after the date on which the directors become subject to the requirement to call a meeting. Pursuant to Sections 615 and 616 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholder(s) representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at an annual general meeting to which the request (mentioned below) relates, or at least 50 shareholders having a right to vote on the resolution at an annual general meeting to which the request relates, may submit a written request to put forward a resolution which may properly be moved at an annual general meeting.

The Company is committed to maintaining a relatively stable and sustainable dividend policy. The dividend policy is based on the principle of balancing shareholders' expectations and maintaining the Company's sustainable development, with consideration of various factors, such as the current business position, future operations and income, and the financial position of the Company, current and future macroeconomic environment and development, capital needs and capital reserves, future major investment or acquisition plans, external financing environment, adjustment to relevant tax rates, adjustments to industry policies, all relevant legal and regulatory restrictions, continuity of past dividend policies and other factors as considered relevant by the Board. Generally speaking, the total dividend of the Company for a year represents approximately 30% to 40% of the core net profit attributable to equity holders. Core net profit represents profit attributable to equity holders excluding net foreign exchange gains/(losses) recognised in the consolidated statement of profit or loss and net fair value gains/(losses) on revaluation of investment properties held on a continuing basis (excluding investment properties disposed during the year) and the related tax effect. The Board will review and monitor the implementation of said policy from time to time to ensure its effectiveness and application.

CONSTITUTIONAL DOCUMENTS

During 2021, there is no change in the Company's Articles of Association. The Company's Articles of Association are available on the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The Directors are pleased to submit their report together with the audited financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of development, selling and management of properties, and holding of investment properties. The principal activities of its principal subsidiaries, joint ventures, associated entities are set out in the section headed “Group Structure” on pages 210 to 228.

An analysis of the Group’s performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 95.

The Directors have declared an interim dividend and have recommended the payment of a final dividend in respect of the year ended 31 December 2021. They are summarised as follows:

	RMB’000
Interim dividend of HKD0.326 equivalent to RMB0.271 per ordinary share paid on 18 November 2021	829,400
Proposed final dividend of HKD0.328 equivalent to RMB0.265 per ordinary share	820,561
	1,649,961

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders’ eligibility to participate in the forthcoming annual general meeting of the Company to be held on 2 June 2022, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 p.m. on Friday, 27 May 2022.

In addition, the register of members of the Company will be closed from Thursday, 9 June 2022 to Friday, 10 June 2022, both days inclusive, for the purpose of ascertaining the shareholders’ entitlement to the final dividend. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Tricor Abacus Limited, no later than 4:30 p.m. on Wednesday, 8 June 2022.

DONATIONS

The Group did not make any charitable donations during the year.

REPORT OF THE DIRECTORS

BUSINESS REVIEW

The business review of the Group's business, including the important events affecting the Group that have occurred since the end of 2021 and the possible future developments in the Group's business, is set out in the "Chairman's Statement", and "Management Discussion and Analysis" sections of this Annual Report. Principal risks and uncertainties facing the Group are set out in the Risk Management Report. Details about the Group's financial risk management are set out in note 3 to the Consolidated Financial Statements.

In addition, discussions on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Chairman's Statement, Management Discussion and Analysis, the Corporate Governance Report, this Report of the Directors and Investor Relations Report. The environmental, social and governance report to be issued by the Company will also contain the Group's environmental policies and performance.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the Hong Kong Companies Ordinance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

INTEREST AND NET FOREIGN EXCHANGE LOSS CAPITALISED

During the year, interest and net foreign exchange loss capitalised as development cost in respect of investment properties, properties under development and property, plant and equipment amounted to approximately RMB3,022 million (2020: RMB3,520 million).

DISTRIBUTABLE RESERVES

As at 31 December 2021, the distributable reserves, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap.622), of the Company available for distribution amounted to RMB1,327 million (2020: RMB606 million).

REPORT OF THE DIRECTORS

DIRECTORS

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

Mr Lin Zhaoyuan
Mr Lin Feng
Mr Li Feng
Ms Chen Jing
Ms Liu Yan
Mr Zhang Yibing¹ (appointed with effect from 10 March 2022)
Mr Ouyang Changcheng¹ (resigned with effect from 10 March 2022)
Mr Yu Lup Fat Joseph²
Mr Lee Ka Lun²
Mr Lau Hon Chuen Ambrose²

¹ *Non-executive Director*

² *Independent non-executive Directors*

The Directors' Profiles are set out on pages 54 to 56.

ROTATION AND RE-ELECTION OF DIRECTORS

Mr Lin Feng, Mr Yu Lup Fat Joseph and Mr Lau Hon Chuen Ambrose will retire by rotation in accordance with Article 91 of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, all offer themselves for re-election. Mr Zhang Yibing will retire in accordance with Article 98 of the Company's Articles of Association at the next following general meeting and, being eligible, offer himself for re-appointment.

The Board recommends the re-appointment of all directors standing for re-election at the forthcoming general meeting of the Company.

DIRECTOR'S SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

The names of all the directors who have served on the boards of the Company's subsidiaries during the year and up to the date of this report are available on the Company's website (www.yuexiuproperty.com).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance to which the Company's subsidiaries, its holding companies or its fellow subsidiaries was a party and in which any Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company have arranged and maintained directors' liability insurance throughout the year, which provides appropriate cover for the Directors.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

During the reporting year, the following continuing connected transactions were entered into on normal and commercial terms:

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
29 October 2014	Chong Hing Bank Limited ("Chong Hing Bank")	A fellow subsidiary	<p>On 29 October 2014, the Company entered into a master agreement with Chong Hing Bank setting out the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed HKD300 million on any given day for the period ended 31 December 2014 and the two years ending 31 December 2015 and 31 December 2016, respectively</p> <p>The Company entered into another bank deposits master agreement with Chong Hing Bank on 29 November 2016 to renew the term of the bank deposits agreement expiring on 31 December 2016, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed RMB580 million on any given day during the period from 1 January 2017 to 31 December 2019</p>	<p>The aggregate balance of bank deposits amounted to RMB3,028,158,812 as at 31 December 2021</p> <p>The highest daily aggregate amount of bank deposits during the year ended 31 December 2021 amounted to RMB9,602,034,194</p>

REPORT OF THE DIRECTORS

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
			<p>The Company entered into another bank deposits master agreement with Chong Hing Bank on 16 May 2017 (“2017 Bank Deposits Agreement”) to increase the annual caps in relation to the bank deposits, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank on any given day would not exceed RMB4,000 million, RMB5,500 million and RMB7,000 million for the years ending 31 December 2017, 2018 and 2019, respectively</p>	
			<p>The Company entered into another bank deposits master agreement with Chong Hing Bank on 23 September 2019 (“2020 Bank Deposits Agreement”) to renew the term of the 2017 Bank Deposits Agreement, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank on any given day would not exceed RMB8,500 million, RMB10,000 million and RMB12,000 million for the years ending 31 December 2020, 2021 and 2022, respectively</p>	

REPORT OF THE DIRECTORS

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
30 November 2015	廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited) ("Guangzhou Yue Xiu")	The ultimate holding company of the Company	<p>A subsidiary of the Company entered into a framework lease agreement with Guangzhou Yue Xiu on 30 November 2015 ("2015 Framework Lease Agreement") for a term of three years commencing from 1 January 2016 to govern the leasing of the lease properties in relation to Yuexiu Financial Tower to Guangzhou Yue Xiu and its subsidiaries and associates (excluding the Company and its subsidiaries), and pursuant to which the aggregate annual rental payable by the aforesaid connected parties under specific lease agreements are subject to the annual caps of RMB49,000,000, RMB72,000,000 and RMB75,000,000 for the years ending 31 December 2016, 2017 and 2018 respectively</p> <p>The subsidiary of the Company entered into a new framework lease agreement with Guangzhou Yue Xiu on 17 January 2019 for a term of three years commencing with retrospective effect from 1 January 2019, and pursuant to which the aggregate annual rental payable by the aforesaid connected parties under specific lease agreements are subject to the annual caps of RMB75,000,000 for each of the years ending 31 December 2019, 2020 and 2021</p>	RMB47,832,800

REPORT OF THE DIRECTORS

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
21 August 2019	Chong Hing Bank	A fellow subsidiary	<p>The Company entered into a foreign exchange framework agreement with Chong Hing Bank, pursuant to which the Group may enter into spot contracts and forward contracts with the Chong Hing Bank group during the term of 3 years commencing from 1 January 2019. With respect to the spot contracts for the years ending 31 December 2019, 2020 and 2021, the aggregate amount of the Spread of those spot contracts are subject to the annual caps of HKD12,000,000, HKD14,300,000 and HKD17,200,000, respectively. With respect to the forward contracts for the years ending 31 December 2019, 2020 and 2021, the aggregate amount of hedging cost of those forward contracts are subject to the annual caps of HKD51,000,000, HKD61,000,000 and HKD74,000,000 for the years ending 31 December 2019, 2020 and 2021, respectively</p>	<p>Total Spread of Spot Contract: HKD1,475,000</p> <p>Total Hedging Cost of Forward Contract: HKD70,350,000</p>

REPORT OF THE DIRECTORS

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
23 November 2020	廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.) ("Guangzhou Metro")	The substantial shareholder of the Company	<p>On 23 November 2020, a subsidiary of the Company and Guangzhou Metro enter into the equity transfer agreement, to acquire 67.0% of the equity interest in Guangzhou Metro Environmental Engineering Co., Ltd.* (廣州地鐵環境工程有限公司) ("GZMEE") and 67.0% of the indirect effective equity interest in Guangzhou Metro Property Management Co., Ltd.* (廣州地鐵物業管理有限責任公司) ("GZMPM"). Following completion of the equity transfer agreement, the GZMEE and GZMPM become subsidiaries of the Company and continue to provide property management and other ancillary services to Guangzhou Metro and its associates. The abovementioned transactions constitute continuing connected transactions of the Company. As such, on 23 November 2020, GZMEE, GZMPM and Guangzhou Metro entered into the framework property management Services agreement to govern the transactions contemplated thereunder. The term of the framework property management services agreement commences on 30 November 2020 up to and including 31 December 2022.</p> <p>The annual caps for the transactions contemplated under the framework property management services agreement will be RMB22.0 million, RMB264.0 million and RMB316.8 million from 30 November 2020 up to 31 December 2020 and for the years ending 31 December 2021 and 2022, respectively.</p>	RMB220,151,000

REPORT OF THE DIRECTORS

The aforesaid continuing connected transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive Directors confirmed that the aforesaid continuing connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or better; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged the auditor of the Company to report on the aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions: (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iii) have exceeded the annual cap in respect of the disclosed continuing connected transactions.

On 8 February 2021, the Company, Guangzhou Construction & Development Holdings (China) Limited (a wholly-owned subsidiary of the Company), Yuexiu Services Group Limited (“Yuexiu Services”) and Guangzhou Metro Investment Finance (HK) Limited (the “Subscriber”) entered into an investment agreement, pursuant to which the Subscriber agreed to subscribe, and Yuexiu Services agreed to issue and allot, 90,359,677 ordinary shares in Yuexiu Services at a subscription amount of RMB330.0 million. Upon completion of the investment, Yuexiu Services will be directly owned as to approximately 91.85% by Guangzhou Construction & Development Holdings (China) Limited, and approximately 8.15% by the Subscriber. The investment constitutes a deemed disposal of the interest in a subsidiary of the Company. The Subscriber is a substantial shareholder of the Company and is a connected person of the Company. As such, the investment constitutes a connected transaction of the Company.

On 20 April 2021, the Company entered into the foreign exchange forward contract with YXE to purchase USD in the amount of US\$300 million with RMB on the terms stated therein, with a view to managing the Group’s foreign exchange exposure in relation to the US\$650 million 2.80% guaranteed notes due 2026. As YXE is the controlling shareholder of the Company, it is a connected person of the Company. As such, the entering into of the foreign exchange forward contract constitutes a connected transaction of the Company.

On 1 December 2020, the Company and Yue Xiu Capital Limited (“Yue Xiu Capital”) entered into the sponsor agreement in respect of the proposed spin-off and the global offering of Yuexiu Services, pursuant to which Yue Xiu Capital agreed to act as one of the joint sponsors in respect to the proposed spin-off and the global offering. The sponsor fee payable to Yue Xiu Capital under the transactions contemplated under the sponsor agreement will be HK\$0.3 million. On 14 June 2021 and 22 June 2021, the Company, Yuexiu Services, Yue Xiu Capital and Yue Xiu Securities Company Limited (“Yue Xiu Securities”) entered into the Hong Kong underwriting agreement in respect of the Hong Kong public offering and entered into the international underwriting agreement in respect of the international offering, respectively. Both Yue Xiu Capital and Yue Xiu Securities are indirectly wholly-owned subsidiaries of YXE, which is a wholly-owned subsidiary of GZYG, being the ultimate controlling shareholder of the Company. Accordingly, Yue Xiu Capital and Yue Xiu Securities are connected persons of the Company. As such, the transactions contemplated under the sponsor agreement and the underwriting agreements (including the payment of the sponsor fee to Yue Xiu Capital, any underwriting commission and incentive fees (if any) to Yue Xiu Securities, and its underwriting commitments of the offer shares under the underwriting agreements) constitute connected transactions of the Company.

REPORT OF THE DIRECTORS

On 23 July 2021, 廣州越秀華城房地產開發有限公司 (Guangzhou Yuexiu Huacheng Real Estate Development Co., Ltd.*) (the “Purchaser”), which is a subsidiary of the Company, has entered into the Equity Transfer Agreement with 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited*) (the “Seller”), which is a controlling shareholder of the Company, pursuant to which the Seller agreed to sell, and the Purchaser agreed to purchase, 98% of the equity interest in 廣州市佰城投資發展有限公司 (Guangzhou Bai Cheng Investment Development Co. Ltd.*) (“Target Company”), which owns the Project Land, for the total consideration of approximately RMB2,292,785,883.14, of which approximately RMB1,873,596,000 represents the equity transfer consideration and approximately RMB419,189,883.14 represents the repayment amount to the Target Company, which shall be used for the payment of the amount payable to the Seller. The Seller is the controlling shareholder of the Company and hence a connected person of the Company. As such, the acquisition constitutes a connected transaction of the Company.

On 31 December 2021, 廣州越秀海樾蒼健康養老服務有限公司 (Guangzhou Yuexiu Haiyuehui Health Elderly Services Co., Ltd.*) a subsidiary of the Company, entered into the lease agreement with 廣州水泥股份有限公司 (Guangzhou Cement Co., Ltd.*) (the “Landlord”) in relation to the leasing of the properties located in Liwan District of Guangzhou for a term of 12 years for the development of elderly-care business of the Group. The Landlord is a connected person of the Company as it is a subsidiary of 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited*), the controlling shareholder of the Company. As such, the transactions contemplated under the Lease Agreement and the Fixed Lease Payment constitute a connected transaction of the Company.

Announcements in respect of the transactions were published in accordance with the Listing Rules.

* For identification purpose only

INTERESTS OF DIRECTORS/CHIEF EXECUTIVE

As at 31 December 2021, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) were as follows:

REPORT OF THE DIRECTORS

The Company

Long positions in shares of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Lin Zhaoyuan (Note 1)	Beneficial owner/ Beneficiary of a trust	2,226,199	0.072
Mr Lin Feng (Note 2)	Beneficial owner/ Beneficiary of a trust/ Spouse interest	2,557,626	0.083
Mr Li Feng	Beneficial owner	34,580	0.001
Ms Liu Yan	Beneficial owner	3,400	0.00011
Mr Yu Lup Fat Joseph	Beneficial owner	800,000	0.026
Mr Lee Ka Lun	Beneficial owner	640,000	0.021
Mr Lau Hon Chuen Ambrose	Beneficial owner	968,240	0.031

Note 1: Mr Lin Zhaoyuan is interested in 2,226,199 Shares, out of which 948,480 Shares are owned by him as beneficial owner, 1,277,719 Shares are held for him as a beneficiary of the Yuexiu Property Company Limited Share Incentive Scheme Trust For Directors and Senior Management.

Note 2: Mr Lin Feng is interested in 2,557,626 Shares, out of which 1,308,520 Shares are owned by him as beneficial owner, 1,229,106 Shares are held for him as a beneficiary of the Yuexiu Property Company Limited Share Incentive Scheme Trust For Directors and Senior Management and 20,000 Shares are held by his spouse.

Yuexiu Transport Infrastructure Limited

Long positions in shares of Yuexiu Transport Infrastructure Limited:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Lin Zhaoyuan	Beneficial owner	120	0.00001
Ms Liu Yan	Beneficial owner	485	0.00003
Mr Lau Hon Chuen Ambrose	Beneficial owner	195,720	0.012

Save as disclosed herein, as at 31 December 2021, none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its other associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed herein, at no time during the year was the Company or a subsidiary a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

REPORT OF THE DIRECTORS

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2021, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Number of shares held	Approximate % of interest
廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited) (Note 1)	Interests of controlled corporations	1,231,889,530 (Long position)	39.78
Yue Xiu Enterprises (Holdings) Limited ("YXE")	Interests of controlled corporations	1,231,889,530 (Long position)	39.78
廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.) (Note 2)	Interests of controlled corporations	616,194,761 (Long position)	19.90

Note 1:

Pursuant to the SFO as at 31 December 2021, 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited) was deemed to be interested in 1,231,889,530 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

Name	Long positions in shares
YXE	1,231,889,530
Superb Master Ltd. ("Superb")	80,397,924
Bosworth International Limited ("Bosworth") (Note i)	840,586,830
Novena Pacific Limited ("Novena") (Note i)	195,613,181
Morrison Pacific Limited ("Morrison") (Note i)	54,653,344
Greenwood Pacific Limited ("Greenwood") (Note i)	46,937,854
Goldstock International Limited ("Goldstock") (Note i)	12,183,626
Yue Xiu Finance Company Limited ("Yue Xiu Finance") (Note i)	1,516,771

(i) Superb, Bosworth, Novena, Morrison, Greenwood, Goldstock and Yue Xiu Finance are wholly-owned by YXE.

Note 2:

Pursuant to the SFO as at 31 December 2021, 廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.) was deemed to be interested in 616,194,761 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiary, details of which was as follows:

Name	Long positions in shares
Guangzhou Metro Investment Finance (HK) Limited (Note i)	616,194,761

(i) 616,194,761 shares were held by Guangzhou Metro Investment Finance (HK) Limited, which was wholly-owned by 廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.)

REPORT OF THE DIRECTORS

Save as disclosed herein, as at 31 December 2021, the Company had not been notified of any other persons who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register of interests of the Company required to be kept under Section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report and within the knowledge of the directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

No disclosures with regard to the Group's major customers and suppliers are made since the aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are less than 30 per cent. of the Group's total sales and purchases respectively.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lin Zhaoyuan

Chairman

Hong Kong, 10 March 2022

RISK MANAGEMENT REPORT

I. RISK MANAGEMENT CONCEPT

Risks of the Group refer to any factors that may affect the realization of its strategic goals by the Group, including positive or negative incidents, accidents or acts that have a substantial impact on the success potential (e.g. reputation), assets, capital, profitability or liquidity (cash) of the Group. In the process of formulating and realizing strategic goals, the Board, management and employees of the Group jointly participate in the cultural integration, capacity building and various practices of risk management, using risk management to create, maintain and realize value for the Group. Risk management infiltrates all operation and management of the Group. Through risk management, we identify the potential items that may affect the Group and manages risks within the range of risk appetite so as to provide reasonable assurance for achieving the goals of the Group.

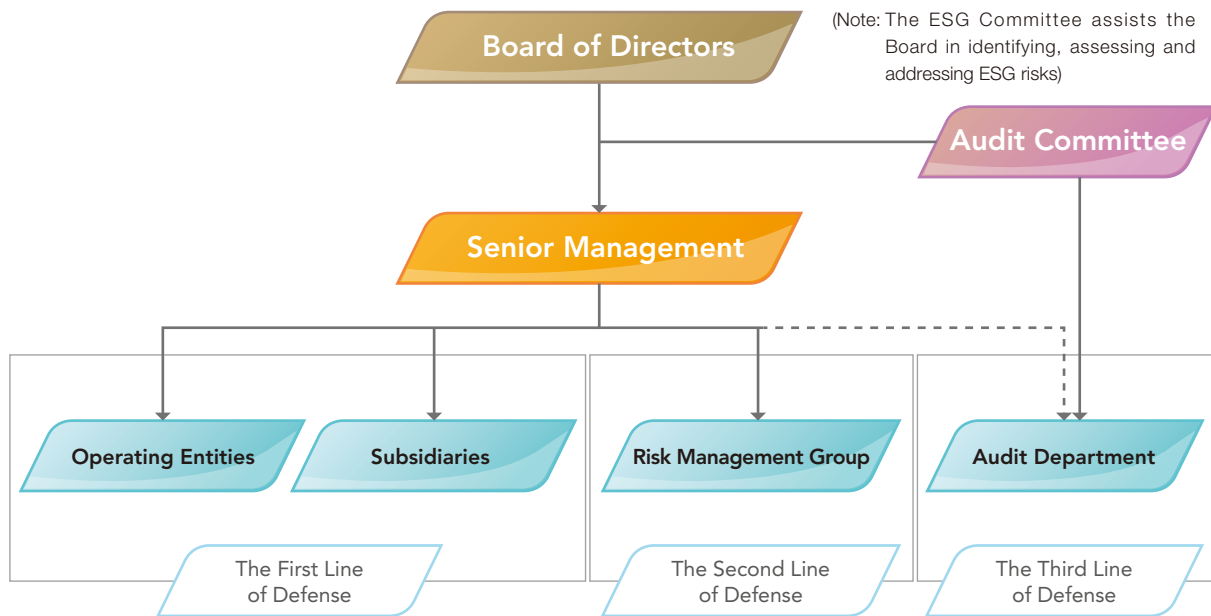
II. RISK APPETITE

The Group will implement the “strive for progress with balance” overall risk appetite policy, maintain a stable capital and liabilities structure and maintain sufficient capital to resist various kinds of risks that might be faced through striking a balance between risks and income return:

1. Strategy risk refers to the risk that the strategic objectives do not fully consider changes in the market environment or the implementation of the strategic objectives is not in place, resulting in damage to corporate value. The Group manages strategy risks through review of effect of strategy implementation;
2. Financial and liquidity risk refer to inadequate financial management and unreasonable liquidity arrangements, resulting in obstruction to the Group’s operations, or resulting in idle funds or reduced use efficiency. The Group manages financial and liquidity risks through indicators including gearing ratio, the ratio of funds return to signed contracts, cash ratio in total assets and cash flow gap;
3. Market risk refers to the drastic changes in the capital market and capital market and has a significant impact on the capital cost and capital cost of the enterprise, resulting in damage to the Group’s enterprise value. The Group manages market risk through indicators such as financing cost and price-to-book ratio;
4. Operation risk refers to the risk of unexpected losses caused by the Group’s internal control system defects. The Group manages operation risks by improving its internal control system, coordinating risk incident management and enhancing the accountability of risk incidents;
5. Reputation risk refers to the risk of negative public opinion, a certain amount of customer complaints, and the internal response of the group to failure, which ultimately damages the value of the group and causes negative effects. The Group manages reputational risks through customer satisfaction and other indicators;
6. Environmental, Social and Governance (ESG) risk refers to risk arising from environmental protection and sustainable development, people-oriented concepts and assumption of social responsibilities, and corporate governance in the process of operation and management of an enterprise. The Group manages ESG risks by establishing the ESG Committee, improving relevant risk identification, assessment and response mechanisms, and strengthening fulfillment of corporate social responsibility as well as internal governance.

RISK MANAGEMENT REPORT

III. RISK MANAGEMENT ORGANISATIONAL STRUCTURE



The risk management organisational structure of the Group comprises: the Board of Directors (and its Audit Committee), the senior management, functional departments in head office and the subsidiaries, the Risk Management Group and the Audit Department.

1. The Board of Directors (and its Audit Committee) is the governing body for comprehensive risk management tasks of the Group and is ultimately responsible for the overall risk management and internal control systems. It is responsible for designing and implementing of the risk control and internal control system and reviewing the effectiveness of their operation on a regular basis. Its purpose is to manage rather than to eliminate risks of failure to meet business objectives, and to strive to ensure that no major misrepresentation or loss will occur. Its major responsibilities include reviewing and approving the overall organization structure and their terms of reference of risk management, formulating the overall objectives and requirements of risk management, reviewing and approving annual risk appetite policy and various risk management reports, supervising the investment of risk management resources, supervising the implementation and continuous operation of the risk management system, and monitoring the construction of the Company's risk management culture. There is an ESG Committee established under the Board, which assists the Board in identifying, assessing and addressing ESG risks.
2. The senior management is responsible for organizing daily risk management and deciding on risk management matters subject to the authorisation of the Board of Directors. Its main responsibility is to implement and promote the task to establish a comprehensive risk management system of the Company, to establish and improve the organisation and responsibility system of the three lines of defense of the Group, continue to operate the risk management process and mechanism, to review the effective of risk management structure, and confirm with the Board and (and committee under the Group), and to construct the enterprise risk management culture.

RISK MANAGEMENT REPORT

3. All functional departments in the head office and the subsidiaries are the first lines of defense in risk management, discharging their respective duties of risk management during business management. They are the risk bearer and the chief risk supervisor, monitoring the core capabilities and resources of various departments, establishing and improving the risk management and control mechanism of the department, being responsible for identification and assessing the main risks within the responsible scope, making effective risk management strategy, and implementing risk mitigation measures.
4. The Risk Management Group represents the second line of defense of risk management, responsible for the collaboration, summarizing and reporting of overall risk management, coordinating formulation of risk appetite, risk management systems and policies of the Group, summarizing and monitoring the risk exposure and management of all business areas and regularly reporting to the senior management, all as organised by the senior management. In addition, it is responsible for pushing the first line of defense to continuously improve risk management and control measures, constantly promoting the enhancement of the Group's risk management level, researching on advanced risk management concepts and tools, and giving professional advice for major risk decision-making matters.
5. The Audit Department is the third line of defense with independence and objectiveness. It is responsible for carrying out independent tests, verification and evaluation on the integrity and effectiveness of the risk management framework and the internal control system and providing independent and objective assessments of the effectiveness of the risk management system that has been established, and constantly monitoring the compliance of handling and dissemination of inside information. It is also responsible for reporting severe internal errors to the senior management and Board of Directors, and enforcing the relevant organizations to rectify and improve in time.

IV. RISK MANAGEMENT PROCEDURE

The Group carries out risk identification, evaluation and management in respect of the impact on operation efficiency, sustainable development capability and reputation by reference to the ERM framework of COSO and in accordance with the frequency of the occurrence of various kinds of risks and the degree of attention of the management of the Group and taking into account possible financial losses. On this basis, risk management strategies and response plans are designed in respect of major risks so as to raise the management and control standard and such strategy and monitoring model and plans are implemented in the ordinary course of business.

1. Collection of Initial Risk Management Information

All functional departments in the head office (such as the strategic investment centre, the finance (banking) department, the marketing centre, ESG-related functional departments, etc.) and the subsidiaries continue to collect in their daily operation risk-related internal and external information, including historical data, future forecasts and risk loss cases occurred in relevant enterprises within and outside China, with focus on monitoring risks and risk performance that affect achievement of objectives of the Company; conduct dynamic management of risk information; identify risks associated with the functions or business of their own units based on risk information collected for business and submit the same to the Risk Management Group in the head office as required; the Risk Management Group carries out professional analysis, screening, refinement and aggregation of risk information identified and reported by all units, set up the risk library of the Company and reports risk identification results to the senior management; for key risks in key areas, the Risk Management Group collected first-hand key risk information on its own, and submitted the same to the senior management on a regular basis.

2. Risk Evaluation

The Risk Management Group formulates risk assessment standards and carries out assessment of all kinds of risks identified based on the risk types and the actual needs of risk management with reference to risk assessment criteria and in dimensions such as possibilities of risk occurrence and the degree of impact of risk occurrence. Assessment methods include qualitative and quantitative methods: qualitative methods can be in forms of questionnaires, consultation with experts and interviews with the management, while quantitative methods can be in forms of statistical inference, computer simulation and machine learning.

Implementation of risk assessment is in the form of a combination of periodic assessments and routine assessments. Under normal circumstances, risk assessment is carried out on an annual basis. In cases of significant changes such as restructure of organization structure, change in business model and change in management model, or significant change in external environment and economic policies, risk assessment of particular areas or topics can be carried out in light of the circumstance.

RISK MANAGEMENT REPORT

3. Formulation of Risk Management Strategies

The Risk Management Group prepares an annual risk appetite policy every year and reports the same to the senior management for their review and submits to the Board of Directors for its approval. The policy is eventually communicated to various departments and business lines for implementation through setting different levels of risk appetite indicators. Quantitative indicators that accurately reflect risk factors and appropriate management strategies are developed for various risks. For risks causing possible losses within the enterprise's sustainable scope and having a minimal impact on the overall objective of the Group, strategies such as risk taking and risk control can be adopted. For other risks that might have more significant impact, prudent risk management strategies such as risk avoidance and risk transfer are adopted to reduce or prevent losses arising from risks.

4. Improvement of Risk Management Measures

The Group has sound procedures and mechanisms for monitoring implementation of the annual risk appetite policy. The Board of Directors approves an annual risk appetite policy on annual basis and determines overall targets and requirements for the risk management. The senior management are responsible for organising the implementation of the risk appetite policy by various divisions of the head office and the subsidiaries, setting up various risk appetite indicators for departments in charge and their management duties on the operation of indicators; The Risk Management Group collects data about risk appetite on a regular basis, conducts in-depth analysis for indicators not operating normally, and makes improvements through corresponding management measures. All functional departments of the head office and the subsidiaries are responsible for monitoring various specific risks and working out risk management measures in respect of major risks.

5. Supervision and Improvement

The Audit Department is responsible for monitoring effectiveness of risk management and internal control systems. On one hand, risk management and evaluation of internal control are conducted on a regular basis, and whether the risks borne by the Company deviates from the Company's risk appetite is objectively determined through analysis of the types and characteristics of risks encountered by the Company and the Company's business operation activities. On the other hand, auditing and supervision are conducted on the performance of risk management functions and work, and operation of internal system. The results will be reported to the senior management and the Board to improve the effectiveness of internal control.

V. PROCEDURES AND INTERNAL CONTROL MEASURES FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong), the Group has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly, disseminating information to specified persons on a need-to-know basis and strictly complying with the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

RISK MANAGEMENT REPORT

VI. MAJOR RISK MANAGEMENT INITIATIVES IN 2021

In terms of optimizing the risk management system, the Group made continuous improvement on the basis of the established system to manage its risk appetite and formulated annual risk appetite policy and supporting management mechanism. Closed-loop management was formed through monitoring, feedback and assessment to ensure the achievement of overall business objectives of the Company. Through enhancement of the identification and evaluation of major risks and deepening of the audit of core business processes such as marketing management, investment management, progress management, etc., the Group achieved integration and interaction of risk management functions and internal audit functions, which strengthened the support of the risk management system.

For strategic risks, the Group set clear strategic direction and targets, strengthened internal, external and special studies to improve risk sensitivity, enhanced the analysis of response speed of the major macro strategies, policies and regional planning released by central and local government, broke down strategic objectives, further developed breakdown strategies for regional companies and business units, and maintained the projects and business scale in the key strategic region to ensure that the Group's strategies were fully implemented. The maintenance of strict investment standards and investment resilience effectively supported the Company's strategic development.

For financial and liquidity risks, financial resources were integrated through the optimised fund management processes while receivables management were further strengthened. The Group raised awareness of financial risk, optimized financial management and money management, and put in place measures such as financial indicator analysis and early warning in order to ensure the stability of income and cash flows and reduce uncertainty and losses. The debt ratio was under reasonable control, thus maintaining a reasonable and stable debt structure. The Group ensured that the "three red lines" were in the green grade and the relevant indicators were controlled at a better level.

For operation risks, the Group reduced risk exposures in business execution and operation through the continuous establishment of sound systems, processes and the power and responsibility system, rectification of deficiencies, introduction of supplemental and improved measures of risk control and prevention, revision and improvement of management rules in terms of strategic investment, new business development, marketing management, engineering management, etc. as well as regular internal assessment. It strengthened lean management capabilities and focused on improving the "internal power" of production and operation.

For market risk, the Group reduced the impact of exchange rate fluctuations on profit and loss by reasonably matching foreign currency assets and foreign currency liabilities, examining the foreign exchange exposure on a regular basis, and conducting stress measurement and evaluation; the Group reduced the impact of uncertainty in money markets and capital markets on the value of the Group by establishing close ties with capital markets and investment institutions, and managing and following up on the credit ratings of listed companies of the Group.

For reputational risk, the Group established relationships with various media organizations to manage the Group's brand value; conducted monitoring of online public opinion to prevent its damage to the Group's brand value; and improved the customer service system to effectively respond to customer complaints, to reduce reputational risk.

For ESG risk, the Group improves the ESG issues database every year by combining ESG risk identification, macro policies and trends and benchmarking against leading peer companies, and conducts materiality assessments on ESG issues through stakeholder surveys and expert evaluations to determine the priority. The Board has participated in the materiality assessment of ESG issues and held regular discussions on material ESG risks and opportunities, and reviewed and confirmed the Group's annual materiality analysis results.

RISK MANAGEMENT REPORT

VII. 2022 OUTLOOK AND MAJOR MEASURES

1. The Group continued to comply with the Listing Rules and the best practices of the industry to enhance the risk management system:

Focus on the positioning of “strategic protection”, adhere to the strategic goals and business plans of the Group and continue to implement the system to manage the risk appetite. Through risk identification, evaluation, response, and monitoring the reported risk and the process of continued improvement, foundation for healthy development of the Group was laid to facilitate the realisation of its strategic goals.

Persist with the concept of integrating risk management with business management, vigorously push forward the combination of risk management and daily operations, combine the enhancement of system establishment with the improvement of business processes, and embody the ideas and requirements of risk management in various specific management and business activities.

Enhance the function of the “Three Lines of Defense” and refine the risk management system. Reinforce the duty of “managing risks” of the “First Line of Defense” of functional departments and responsible units through regulating business processes and internal control; reinforce the duty of the “Second Line of Defense” of the risk management functional departments through strengthening the risk assessment and accountability mechanism, enhancing the binding force of risk management, and developing the culture of risk management; fully capitalize on the “Third Line of Defense” function of internal audit and supervision.

2. For management of specific risks, after the process of risk identification and assessment, the Group considers that the following risks should be attended to (there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future):

Risk	Risk Description	Risk Management and Control Measures Intended to be optimized
Risk of global repeated outbreaks of the COVID-19	Systemic risk. Affected by the global repeated outbreaks of the COVID-19, there may be uncertainties and imbalances in the economic recovery in 2022, posing challenges to the recovery of demand and confidence and having a greater impact on the real estate industry	<ol style="list-style-type: none"> 1. Continue to follow up on the progress of pandemic prevention and control, and collect, analyze, study and report on national policy information to improve risk sensitivity. 2. Improve sales capabilities, develop online sales business, promote the integration of online and offline businesses, and speed up sell-through and payment collection. 3. Well proceed with capital management and cash flow management, and proactively and steadily go through the risk cycle

RISK MANAGEMENT REPORT

Risk	Risk Description	Risk Management and Control Measures Intended to be optimized
Market supply and demand and policy risk	Systematic risk, such as the impact of market demand and supply relationship, macroeconomic policy and fiscal, tax and financial policies, other black swan events, etc. on the business development of the Group	<ol style="list-style-type: none"> 1. Establish a rapid response and adjustment mechanism for major macro-strategies, policies and regional plans announced by the central and local governments. 2. Coordinate and manage external database of the Company on an ongoing basis, contact the research institutes of big data strategy, monitor and evaluate market supply and demand and situation, and formulate effective response policies in a timely manner. 3. Reasonably match product types to reduce the impact of other black swan events.
Investment feasibility study and decision making risk	The risk of making wrong judgment and jeopardizing the interest of the Group due to lack of completeness and accuracy of the feasibility study of investment projects or failure to implement comprehensive risk identification.	<ol style="list-style-type: none"> 1. Strengthen urban research and urban survey, classify and rank cities from four indicators including urban development, population, market and risk, and establish a negative impact list of cities. 2. Apply the investment risk assessment model to comprehensively describe the risk profile of land parcels at the more microscopic level of segments. 3. Maintain strict investment standards and income requirements, maintain high investment quality and a reasonable investment rhythm, and implement a resource coordination mechanism. 4. Monitor the return and risk of investment projects in a dynamic manner.

RISK MANAGEMENT REPORT

Risk	Risk Description	Risk Management and Control Measures Intended to be optimized
Exchange rate risk	<p>Affected by risk events such as the withdrawal of stimulus policies by developed countries during the pandemic and the intensification of international conflicts in certain regions, exchange rate volatility may increase significantly.</p> <p>When the companies which the Group held shares have foreign currency assets or liabilities, exchange rate fluctuation may result in loss that may indirectly affect the Group's financial performance</p>	<ol style="list-style-type: none"> <li data-bbox="978 465 1361 627">1. The Group arranges a reasonable match of assets and liabilities denominated in foreign currency to control foreign exchange exposure. <li data-bbox="978 659 1361 944">2. To pay close attention to information about foreign exchange market, and exchange experience in changes of the foreign exchange market and risk management with experienced experts in the foreign exchange industry.
Product positioning risk	<p>The risk of the Group's dull sale or business results being hurt as a result of deviation from the market demand in respect of product design, product functions and quality, time of launch and product positioning in the market</p>	<ol style="list-style-type: none"> <li data-bbox="978 998 1361 1246">1. Continue to carry out competitive products analysis, collect the popular house design from market, and maintain a high degree of sensitivity to changes in market, competitive products and customer sentiments. <li data-bbox="978 1278 1361 1563">2. According to customers' needs, analyze their deep concerns, carry out standardization research on house type, community supporting facilities, landscape, functional space and other modules, create product innovation highlights and update product standards. <li data-bbox="978 1595 1361 1720">3. Strengthen the whole process management of the project aiming at "improving quality control". <li data-bbox="978 1752 1361 1914">4. Position the project more accurately according to the consumption atmosphere in the vicinity of the project and the driving force of the segment.

RISK MANAGEMENT REPORT

Risk	Risk Description	Risk Management and Control Measures Intended to be optimized
Business operation risk	Inadequate business management model and positioning of commercial properties which affect the realization of the business objectives of the commercial properties of the Group	<ol style="list-style-type: none"> <li data-bbox="1054 470 1442 655">1. The Group will strengthen the ability of project planning and design, promotes customization of product planning and promotes added value of products. <li data-bbox="1054 692 1442 849">2. Accurately position the commercial projects, actively expand investment pipelines, and improve business operation capacity and profitability. <li data-bbox="1054 886 1442 1037">3. Through external data, analyze the impact of the enterprise composition and enterprise aggregation effect of the trade area on business operations.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Members of Yuexiu Property Company Limited

(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Yuexiu Property Company Limited (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 95 to 209, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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 identified in our audit are summarised as follows:

- Valuation of investment properties held by the Group and its associate
- Net realisable value of properties under development and properties held for sale held by the Group

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties held by the Group and its associate</p> <p>Refer to notes 3.3(b), 4(a), 18 and 23 to the consolidated financial statements</p> <p>The Group transferred certain properties under development amounting to RMB2,363 million to investment properties due to a change in use. Management has estimated the fair value of the Group's investment properties to be RMB10,982 million at 31 December 2021, with a revaluation gain for the year ended 31 December 2021 recorded in the consolidated statement of profit or loss of RMB299 million. The fair value of investment properties held by Yuexiu Real Estate Investment Trust, an associate, amounted to RMB37,657 million (attributable to the Group amounted to RMB15,104 million) at 31 December 2021, with a revaluation gain for the year ended 31 December 2021 recorded in the consolidated statement of profit or loss of RMB79 million (attributable to the Group amounted to RMB32 million).</p> <p>Management has engaged independent external valuers to perform valuation of all the investment properties in order to support management's estimates. The valuations of completed investment properties are dependent on certain key assumptions that require significant management judgement, including market rents and capitalisation rate.</p> <p>Specific audit focus was placed on this area because the estimation of fair value is subject to high degree of estimation uncertainty. The inherent risk in relation to the valuations of investment properties is considered relatively higher due to the significant judgement and estimates involved in determination of fair value.</p>	<p>Our procedures in relation to management's valuation of investment properties included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the management's internal control and assessment process of the valuation of investment properties and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • Evaluating the independent external valuers' qualifications, expertise, competence, capabilities and objectivity; • Obtaining the valuation reports for all investment properties and assessing whether the valuation approach adopted was suitable for use in determining the fair value for the purpose of the financial statements; • Assessing the appropriateness of the key assumptions based on our knowledge of the property industry and the assistance from our in-house valuation experts; • Checking, on a sample basis, the input data used by the independent external valuers for the accuracy and relevance of the published external market data; and • Checking relevant facts include but not limited to the Group's business plan and financial resources. <p>We found that the assumptions and estimates made by the management in relation to the valuation and substantive evidences of a change in use were supported by the available audit evidence.</p>

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Net realisable value of properties under development and properties held for sale held by the Group</p> <p>Refer to notes 4(b), 26 and 27 to the consolidated financial statements</p> <p>The Group had properties under development and properties held for sale of RMB158,906 million and RMB26,640 million, respectively, as at 31 December 2021. Management assessed the carrying amounts according to the recoverable amount of these properties, taking into account the estimated costs to completion and estimated net sales value at prevailing market conditions. Write down to net realisation value is made when the carrying amounts may not be realisable.</p> <p>The assessment requires management judgement and estimates. The inherent risk in relation to assessment of net realisable value of properties under development and properties held for sale is considered relatively higher due to high degree of estimation uncertainty.</p>	<p>Our procedures in relation to management's assessment on net realisable value of properties under development and properties held for sale included:</p> <ul style="list-style-type: none"> • Understanding, evaluating and testing the internal controls over the assessment of net realisable of properties under development and properties held for sale and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors; • Evaluating management's assessment by comparing, on a sample basis, the estimated selling price less selling expenses and the estimated costs to completion used in the assessment with the price and cost data from recent transactions or available market information; • Obtaining understanding from management and performing assessment on the latest status and development plans of the underlying property projects, such as budgeted estimated costs to completion approved by management; and • Checking management's adjustments to recoverable amounts of the underlying property projects if their carrying amounts are below net realisable value. <p>We found the net realisable value of properties under development and properties held for sale were supported by the available evidence.</p>

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment 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.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ho Kwok Fai, Timothy.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 RMB'000	2020 RMB'000
Revenue	5	57,378,861	46,234,259
Cost of sales	6	(44,896,396)	(34,608,171)
Gross profit		12,482,465	11,626,088
Sales of investment properties		18,865	34,333
Carrying amounts of investment properties sold		(11,666)	(30,877)
Gain on sales of investment properties	21	7,199	3,456
Other gains, net	7	1,500,448	667,911
Selling and marketing costs	6	(1,589,675)	(1,210,136)
Administrative expenses	6	(1,623,478)	(1,343,638)
Operating profit		10,776,959	9,743,681
Finance income	8	729,597	458,874
Finance costs	9	(1,079,526)	(934,624)
Share of profit of			
– joint ventures	22	117,932	426,557
– associates	23	297,475	505,754
Profit before taxation		10,842,437	10,200,242
Taxation	10	(5,568,798)	(5,517,342)
Profit for the year		5,273,639	4,682,900
Attributable to:			
– Equity holders of the Company		3,588,929	4,247,860
– Non-controlling interests		1,684,710	435,040
		5,273,639	4,682,900
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	11	1.1590	1.3718

The notes on pages 104 to 209 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 RMB'000	2020 RMB'000
Profit for the year		5,273,639	4,682,900
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(73,275)	199,832
Losses on cash flow hedges	37	(115,980)	(604,395)
Costs of hedging	37	(130,421)	58,974
Hedging losses reclassified to profit or loss	37	190,226	657,397
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax		(147,484)	(31,274)
Other comprehensive (loss)/income for the year, net of tax		(276,934)	280,534
Total comprehensive income for the year		4,996,705	4,963,434
Attributable to:			
– Equity holders of the Company		3,320,017	4,530,095
– Non-controlling interests		1,676,688	433,339
		4,996,705	4,963,434

The notes on pages 104 to 209 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2021

	Note	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	3,896,133	3,201,114
Right-of-use assets	17	4,026,733	3,927,325
Investment properties	18	10,982,210	16,076,236
Intangible assets	25	428,829	386,945
Properties under development	26	5,185,027	6,330,244
Interests in joint ventures	22	6,597,248	5,673,259
Interests in associates	23	16,951,174	13,554,213
Financial assets at fair value through other comprehensive income	24	1,033,583	1,247,902
Deferred tax assets	41	1,950,402	1,169,981
		<u>51,051,339</u>	<u>51,567,219</u>
Current assets			
Properties under development	26	153,720,888	126,110,685
Properties held for sale	27	26,639,579	24,896,445
Contract costs	28	1,201,153	597,440
Prepayments for land use rights		10,381,810	4,142,147
Trade receivables	29	125,785	161,837
Other receivables, prepayments and deposits	30	25,309,247	15,104,853
Prepaid taxation		4,926,038	3,307,405
Charged bank deposits	31	7,732,591	9,094,268
Cash and cash equivalents	32	32,766,455	28,213,701
		<u>262,803,546</u>	<u>211,628,781</u>
LIABILITIES			
Current liabilities			
Trade and note payables	33	1,612,842	2,255,706
Contract liabilities	34	73,177,086	54,201,054
Other payables and accrued charges	35	67,173,384	49,235,822
Borrowings	36	29,801,844	16,576,244
Lease liabilities	17	177,195	151,209
Derivative financial instruments	37	—	358,703
Taxation payable		10,678,441	8,806,721
		<u>182,620,792</u>	<u>131,585,459</u>
Net current assets		<u>80,182,754</u>	<u>80,043,322</u>
Total assets less current liabilities		<u>131,234,093</u>	<u>131,610,541</u>

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2021

	Note	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Borrowings	36	45,732,320	51,263,116
Lease liabilities	17	694,008	566,477
Deferred tax liabilities	41	5,955,143	7,134,042
Deferred revenue		50,241	52,035
Derivative financial instruments	37	411,599	161,524
Other payables	35	4,024,033	8,157,232
		<u>56,867,344</u>	<u>67,334,426</u>
Net assets		<u>74,366,749</u>	<u>64,276,115</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	38	18,035,015	18,035,015
Shares held under share award scheme	39	(193,282)	(121,282)
Other reserves	40	2,557,363	1,225,639
Retained earnings	40	25,836,974	24,608,285
		<u>46,236,070</u>	<u>43,747,657</u>
Non-controlling interests		<u>28,130,679</u>	<u>20,528,458</u>
Total equity		<u>74,366,749</u>	<u>64,276,115</u>

On behalf of the Board

Lin Zhaoyuan
Director

Lin Feng
Director

The notes on pages 104 to 209 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 RMB'000	2020 RMB'000
Operating profit		10,776,959	9,743,681
Adjustments for:			
Depreciation and amortisation	6	345,507	321,458
Amortisation of deferred revenue		(1,794)	(1,794)
Fair value gain on revaluation of investment properties, net	18	(298,568)	(641,106)
Fair value gain on derivative financial instrument		–	(1,347)
Support expenses on support arrangement		–	22,947
Provision for impairment of properties under development and properties held for sale	6	1,647,789	870,591
Loss/(gain) on disposal of property, plant and equipment		183	(520)
Gain on sales of investment properties	21	(7,199)	(3,456)
Gain on disposal of subsidiaries		(1,220,136)	–
Gain on disposal of a joint venture		(15,812)	–
Remeasurement gains on interests in an associates		(5,626)	–
Gain on disposal of deferred units		–	(8,928)
Operating cash flows before movements in working capital		11,221,303	10,301,526
(Increase)/decrease in properties under development, properties held for sale and prepayments for land use rights		(30,822,970)	4,266,189
Increase in contract costs		(578,516)	(116,120)
Decrease/(increase) in trade receivables, other receivables, prepayments and deposits		156,687	(3,215,723)
Increase in trade and note payables, contract liabilities, other payables and accrued charges		23,874,892	13,632,669
Net exchange difference for working capital		(77,731)	199,829
Net cash generated from operations		3,773,665	25,068,370
Interest received		337,364	194,621
Interest paid		(3,221,758)	(3,825,859)
Hong Kong profits tax paid		(1,227)	(12,196)
China taxation paid		(5,563,751)	(5,468,622)
Net cash (used in)/generated from operating activities		(4,675,707)	15,956,314

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 RMB'000	2020 RMB'000
Investing activities			
Purchases of property, plant and equipment, investment properties and intangible assets		(1,272,395)	(661,055)
Proceeds from sales of property, plant and equipment		987	12,739
Proceeds from sale of investment properties		18,865	34,333
Decrease/(increase) in charged bank deposits		1,092,069	(3,010,439)
Proceeds from sales of deferred units		–	196,111
Payment for acquisition of subsidiaries, net of cash acquired		–	(5,494,177)
Proceeds from disposal of subsidiaries, net of cash disposed		3,756,143	–
Capital injection in joint ventures		(425,284)	(191,158)
Capital injection in associates		(2,827,410)	(2,283,875)
Payment of amounts due from joint ventures and associates		(5,682,223)	(1,118,545)
Repayment of amounts due from joint ventures and associates		1,939,133	3,355,732
Dividends received from joint ventures and associates		370,509	460,758
Proceeds from disposal of a joint venture		49,759	–
Decrease in amounts due from related companies		1,929	7,435
Increase in amounts due from entities with significant influence over subsidiaries		(3,072,300)	–
Increase in amounts due from non-controlling interests and related parties of non-controlling interests		(469,274)	(1,104,796)
Net cash used in investing activities		(6,519,492)	(9,796,937)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 RMB'000	2020 RMB'000
Financing activities			
Proceeds from the initial public offering of a subsidiary	1	1,676,702	–
Payments of listing expenses deducted against equity		(44,365)	–
Capital contribution from non-controlling interests		5,878,922	4,221,186
Dividends paid to equity holders of the Company		(1,640,758)	(1,466,241)
Dividends paid to non-controlling interests		(554,405)	–
Increase in amounts due to joint ventures and associates		3,092,966	1,157,409
Decrease in amounts due to shareholders		(3,854,918)	(3,019,765)
Increase in amounts due to related companies		12,836	5,488
Decrease in amounts due to fellow subsidiaries		(21,875)	227,771
Decrease in amounts due to ultimate holding company		(796,268)	(176,261)
Increase in amounts due to immediate holding company		1,864,427	1,701,803
Increase/(decrease) in amounts due to non-controlling interests and related parties of non-controlling interests		3,724,798	(2,623,755)
Proceeds from bank borrowings		28,474,354	16,167,251
Repayment of bank borrowings		(21,148,249)	(16,743,982)
Proceeds from other borrowings		15,143,329	1,536,819
Repayment of other borrowings		(14,250,490)	(2,723,804)
Payables under supplier settlement scheme		(1,150,691)	–
Payment for derivative financial instruments		(385,397)	–
Repayment for lease liabilities		(227,502)	(227,802)
Decrease in bank overdraft		(2)	(9)
Net cash generated from/(used in) financing activities		15,793,414	(1,963,892)
Increase in cash and cash equivalents		4,598,215	4,195,485
Cash and cash equivalents at the beginning of year		28,213,669	24,105,500
Exchange loss on cash and cash equivalents		(45,459)	(87,316)
Cash and cash equivalents at the end of year		32,766,425	28,213,669
Analysis of balances of cash and cash equivalents			
Bank balances and cash	32	32,766,455	28,213,701
Bank overdrafts	36	(30)	(32)
		32,766,425	28,213,669

The notes on pages 104 to 209 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to equity holders of the Company				Total RMB'000
	Share capital RMB'000	Shares held under share award scheme RMB'000	Reserves RMB'000	Non- controlling interests RMB'000	
Balance at 1 January 2021	18,035,015	(121,282)	25,833,924	20,528,458	64,276,115
Comprehensive income					
Profit for the year	-	-	3,588,929	1,684,710	5,273,639
Other comprehensive income					
Currency translation differences	-	-	(73,275)	-	(73,275)
Change in the fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	(139,462)	(8,022)	(147,484)
Losses on cash flow hedges	-	-	(115,980)	-	(115,980)
Costs of hedging	-	-	(130,421)	-	(130,421)
Hedging losses reclassified to profit or loss	-	-	190,226	-	190,226
Total other comprehensive loss	-	-	(268,912)	(8,022)	(276,934)
Total comprehensive income	-	-	3,320,017	1,676,688	4,996,705
Transactions with owners					
Dividends	-	-	(1,647,758)	(693,964)	(2,341,722)
Capital injection to subsidiaries	-	-	888,154	6,623,105	7,511,259
Disposal of a subsidiary	-	-	-	(41,844)	(41,844)
Non-controlling interests arising on acquisition of a subsidiary (note 19)	-	-	-	38,236	38,236
Acquisition of shares under share award scheme (note 39)	-	(121,528)	-	-	(121,528)
Shares granted to employees (note 39)	-	49,528	-	-	49,528
Total transactions with owners	-	(72,000)	(759,604)	5,925,533	5,093,929
At 31 December 2021	18,035,015	(193,282)	28,394,337	28,130,679	74,366,749

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to equity holders of the Company				
	Share capital RMB'000	Shares held under share award scheme RMB'000	Reserves RMB'000	Non- controlling interests RMB'000	Total RMB'000
Balance at 1 January 2020	18,035,015	(81,577)	22,770,070	14,468,308	55,191,816
Comprehensive income					
Profit for the year	–	–	4,247,860	435,040	4,682,900
Other comprehensive income					
Currency translation differences	–	–	199,832	–	199,832
Change in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	(29,573)	(1,701)	(31,274)
Losses on cash flow hedges	–	–	(604,395)	–	(604,395)
Costs of hedging	–	–	58,974	–	58,974
Hedging losses reclassified to profit or loss	–	–	657,397	–	657,397
Total other comprehensive income	–	–	282,235	(1,701)	280,534
Total comprehensive income	–	–	4,530,095	433,339	4,963,434
Transactions with owners					
Dividends	–	–	(1,466,241)	(50,182)	(1,516,423)
Capital injection to subsidiaries	–	–	–	4,221,186	4,221,186
Non-controlling interests arising on acquisition of subsidiaries	–	–	–	1,455,807	1,455,807
Acquisition of shares under share award scheme (note 39)	–	(72,366)	–	–	(72,366)
Shares granted to employees (note 39)	–	32,661	–	–	32,661
Total transactions with owners	–	(39,705)	(1,466,241)	5,626,811	4,120,865
At 31 December 2020	18,035,015	(121,282)	25,833,924	20,528,458	64,276,115

The notes on pages 104 to 209 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Yuexiu Property Company Limited (the “Company”) and its subsidiaries (together, the “Group”) is principally engaged in development, selling and management of properties and holding of investment properties. The Group’s operations are primarily conducted in Mainland China (“China”) and Hong Kong.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 10 March 2022.

Yuexiu Services Group Limited (“Yuexiu Services”), a subsidiary of the Company, was spun off and listed on the Main Board of the Hong Kong Stock Exchange on 28 June 2021. The initial public offering gross proceeds amounted to HKD2,016 million, equivalent to RMB1,677 million and the net proceeds (after deduction of the capitalised listing expenses) amounted to HKD1,961 million, equivalent to RMB1,632 million. After the listing of Yuexiu Services, the shareholding of the Company was diluted from 91.85% to 66.92%. The Company still has control over Yuexiu Services. Yuexiu Services and its subsidiaries are principally engaged in the provision of non-commercial property management and value-added services and commercial property management and operational services.

The outbreak of the 2019 Novel Coronavirus (“COVID-19”) has brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of real estate including the construction and delivery of properties, rental revenue and occupancy rate of investment properties, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. Since the outbreak of COVID-19, the Group has been keeping continuous attention to the situation of COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the consolidated financial statements are authorised for issuance, COVID-19 does not have any material adverse impact on the financial position and operating results of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Company and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Companies Ordinance Cap. 622 (“HKCO”)

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs and requirements of the HKCO.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) and investment properties which are measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

- (iii) **The Group has applied the following, amendments to existing standards for the first time for their annual reporting period commencing 1 January 2021:**

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
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The Group has assessed the impact of the adoption of these abovementioned amendments that are effective for the first time for this year. The adoption of these amendments did not result in any significant impact on the results and financial position of the Group.

- (iv) **New standards and amendments to existing standards and interpretation have been issued but are not effective and have not been early adopted by the Group:**

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 4 (Amendments)	Extension of the Temporary Exemption from Applying HKFRS 9	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
Annual improvements to HKFRS standards 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1 January 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023

The above new standards and amendments to existing standards and interpretation are effective for annual periods beginning on or after 1 January 2022 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) Joint arrangements

Under HKFRS 11 “Joint Arrangements” investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(iv) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.10.

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations

The Group shall determine whether a transaction or other event is a business combination or an asset acquisition. The Group adopt a simplified assessment of whether an acquired set of activities and assets is not a business. The Group may elect to apply, or not apply, the test and make such an election separately for each transaction or other event. The concentration test has the following consequences:

- (a) if the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.
- (b) if the concentration test is not met, or if the Group elects not to apply the test, the Group shall then perform the assessment related to elements of business and whether an acquired process is substantive.

The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the assets acquired are not a business, the Group shall account for the transaction or other event as an asset acquisition.

For the asset acquisition, the acquirer shall identify and recognise the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for intangible assets) and liabilities assumed. The cost of the Group shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill.

For the business combinations, the acquisition method of accounting is used, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations (Continued)

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

For the acquisition of an asset or a group of assets that does not constitute a business, the acquirer shall identify and recognise the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for intangible assets) and liabilities assumed. The cost of the Group shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company (the "executive directors") that makes strategic decisions.

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss ("FVPL") are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income ("FVOCI") are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint ventures that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Buildings	18-40 years
Leasehold improvements, furniture, fixtures and office equipment	3-5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are included in profit or loss.

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields, and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

An entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. Examples of evidence of a change in use include:

- commencement of owner-occupation, or of development with a view to owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; and
- inception of an operating lease to another party, for a transfer from inventories to investment property.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increases directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

For a transfer from properties under development or property held for sale to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets

(i) Goodwill

Goodwill is measured as described in note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 5).

(ii) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life of 7 years and 10 years and are subsequently carried at cost less accumulated amortisation and impairment losses.

(iii) Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either FVOCI or FVPL), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income ("OCI"), there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains, net in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its other receivables and deposits carried at amortised cost and adopt three-stages approach to assess the impairment. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.13 Financial guarantees contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 “Financial Instruments”; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 “Revenue from Contracts with Customers”.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for at no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.14 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain foreign currency forward contracts as hedges of foreign currency risk associated with the cash flows of foreign currency-denominated borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Derivatives and hedging activities (Continued)

The Group documents at the inception of the hedge the intended relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking its hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging relationship meets the hedge effectiveness requirements.

The fair values of derivative financial instruments designated as hedging instruments are disclosed in note 3.3(a). Movements in the hedging reserve in shareholders' equity are shown in note 40. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within finance cost.

When foreign exchange forward contracts are used to hedge foreign currency borrowings, the Group designates only the change in the fair value of the forward contracts related to the spot component as the hedging instruments. Gains or losses relating to the effective portion of the change in fair value of the hedging instruments are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. The movement in spot rate is recycled from equity to profit or loss to offset the foreign exchange gain or loss arising from translation of the hedged foreign currency borrowings. Such reclassification from equity will offset the effect on profit or loss of the corresponding hedged item to achieve the overall hedging result.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. Any cumulative gain or loss on the hedging instrument that remains in equity is reclassified to profit or loss when the hedged item affects profit or loss.

(ii) Costs of hedging

Forward element and foreign currency basis spread may be separated and excluded from the designated hedging instruments. In such case, the Group treats the excluded elements as costs of hedging. The fair value changes of these elements that relates to the hedged item is recognised in the costs of hedging reserve within equity. These elements at the date of designation (to the extent that it relates to the hedged item) are amortised on a systematic and rational basis to profit or loss over the period.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Trade receivable

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See notes 2.11(iv) and 3.1(b) for a description of the Group's impairment policies.

2.16 Properties under development and properties held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development projects is expected to complete beyond normal operating cycle.

2.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.18 Trade and note payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Borrowings (Continued)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 Share capital and shares held under share award scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company's shares are acquired from the market by the Group Employee Share Trust under the share award scheme, the total consideration of shares acquired from the market (including any directly attributable incremental costs) is presented as shares held under share award scheme and deducted from total equity.

Upon grant date, the total consideration related cost of the shares purchased from the market are credited to shares held under share award scheme.

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax (Continued)

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable profit will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to income taxes levied by the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(iii) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

2.23 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits (Continued)

(ii) Pension obligations

The Group participates in various defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Share-based compensation

Share-based compensation benefits are provided to employee via the share award scheme. Information relating to these schemes is set out in note 39.

(v) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.24 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties in the PRC and provision of services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies.

(a) Sales of properties

Under HKFRS 15, revenue are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- Provides all the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group performs; or
- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

In determine the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

The Group has assessed that there is no enforceable right to payment from the customers for performance completed to date. Revenue is recognised at a point in time when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

(b) Property lease income

Operating lease rental income is recognised on a straight-line basis over the lease period.

(c) Property management income

Revenue from rendering of property management services are recognised in the accounting period in which the related services are rendered and there is rights to invoice.

(d) Agency service revenue

Agency fee revenue from property brokering is recognised when the relevant agreement becomes unconditional or irrevocable and there are no further performance obligations.

(e) Decoration services

The Group provide decoration services related to interior renovation to customers. The Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and properties and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

2.27 Government grants

Grants from government are recognised at their fair value when there is reasonable assurance that the grant will be received and that the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.28 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.29 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.30 Contract costs and contract liabilities

Contract costs arising from costs to obtain or fulfil a contract that are recognised in accordance with HKFRS 15. Contract costs of the Group are primarily sales commission for the property sales. The Group recognises above incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover these costs and amortises when the related revenue are recognised.

If a customer pays consideration before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

A majority of the subsidiaries of the Group operate in China with most of their transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of RMB against Hong Kong dollars ("HKD") and United States dollars ("USD"); for certain cash and bank balances of approximately RMB2,052 million (2020: RMB1,198 million) and bank borrowings of approximately RMB10,661 million (2020: RMB8,191 million) which were denominated in HKD and cash and bank balances of approximately RMB190 million (2020: RMB498 million) and bank borrowings of approximately RMB10,815 million (2020: RMB11,072 million) which were dominated in USD as at 31 December 2021. The Group has entered into several forward exchange contracts to hedge its exposure to foreign currency risk during the year ended 31 December 2021.

At 31 December 2021, if RMB had strengthened/weakened by 5 percent against HKD and USD with all other variables held constant (assuming no capitalisation of exchange difference and excluding impact arising from forward exchange contracts), post-tax profit for the year would have been approximately RMB810 million higher/lower (2020: post-tax profit RMB733 million higher/lower), mainly as a result of foreign exchange gains on translation of monetary assets and liabilities denominated in HKD and USD.

Effects of hedge accounting on the financial position and performance

The effects of the foreign currency-related hedging instruments on the Group's financial position and performance are as follows:

	2021 RMB'000	2020 RMB'000
Foreign currency forwards		
Carrying amount	(374,197)	(505,776)
Notional amount	7,440,381	8,526,677
Maturity date	Oct 2023- Jan 2026	Apr 2021- Oct 2023
Hedge ratio (note)	1:1	1:1
Unfavourable changes in fair value of the hedging instruments used for measuring ineffectiveness for the year	(115,980)	(604,395)
Favourable changes in fair value of hedged item used to determine hedge ineffectiveness for the year	115,980	604,395
Weighted average contracted forward rate for outstanding hedging instruments (including forward points) – USD: RMB1	7.09	7.11

Note: The foreign currency forwards are denominated in the same currency as the committed loan payable (USD), therefore the hedge ratio is 1:1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its borrowings at fixed rate which expose the Group to fair value interest rate risk. Borrowings at variable rates expose the Group to cash flow interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. As at 31 December 2021, fixed interest rate borrowings accounted for approximately 58% (2020: 57%) of the total borrowings and there is no borrowings exposed to London Interbank Offered Rate.

At 31 December 2021, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately RMB72 million lower/higher (2020: post-tax profit RMB66 million lower/higher) respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) Price risk

The Group is exposed to equity securities price risk in its financial assets at FVOCI. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The financial assets at FVOCI are mainly unlisted equity instruments in China and if the fair value of these equity investments increased or decreased by 10 percent, the Group's equity would have been increased or decreased by approximately RMB67 million in 2021 (2020: RMB81 million).

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, charged bank deposits and trade and other receivables, including amounts due from related parties.

The carrying amounts of trade and other receivables, cash and cash equivalents and charged bank deposits represent the Group's maximum exposure to credit risk in relation to financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

To manage this risk, with respect to cash at banks and charged bank deposits are placed with highly reputable financial institutions. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payments of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest to recover any amounts paid by the Group to the bank. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The Group also provides certain financial guarantee to associates and joint ventures. As the associates and joint ventures have strong capacity to meet their contractual cash flow obligations, the Group has assessed that the expected credit loss is immaterial. Detailed disclosure of these guarantees is made in note 44.

For trade and other receivables, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at year end to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on ongoing basis throughout the year. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

- (i) A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected loss. Where the expected lifetime of an asset is less than 12 months, expected losses are measure at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/ or principal repayments are more than 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are more than 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

- (ii) *Trade and other receivables*

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Future cash flows for each group of receivables are estimated on the basis of historical default rates, adjusted to reflect the effects of existing market conditions as well as forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators of insolvencies include, amongst others, the failure of a debtor engage in a repayment plan with the Group, and a failure to make contractual payments. As at 31 December 2021, RMB29 million (31 December 2020: RMB27 million) of loss allowance was provided for according to the simplified approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (continued)

(ii) Trade and other receivables (Continued)

Trade receivables without known insolvencies are assessed on a collective basis based on shared credit risk characteristics.

As at 31 December 2021, certain customers were in delinquency of payments and their respective trade receivable balances amounting to approximately RMB9 million (2020: RMB9 million) therefore fully impaired.

The Group has assessed that the expected loss for other receivables from government authorities, related parties, non-controlling interest (“NCI”) and related parties of NCI as at 31 December 2021 was immaterial considering their good finance position and credit history. Thus no loss allowance provision for other receivables from government authorities, related parties, NCI and related parties of NCI was recognised.

Other than other receivables from government authorities, related parties, NCI and related parties of NCI, the Group uses the expected credit loss model in note (i) to determine the expected loss provision for other receivables. As at 31 December 2021, the Group has assessed that there is no significant increase of credit risk for other receivables since initial recognition.

The expected loss rate of other receivables which are deposit in nature, such as deposits for acquisition of land use right, construction projects and borrowings, is assessed to be near to zero and no loss allowance provision is made for these deposits during the year.

For other receivables, based on the Group’s assessments, the loss allowance provision was not material.

(c) Liquidity risk

Due to the capital intensive nature of the Group’s business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

Management monitors rolling forecasts of the Group’s liquidity reserve which comprises undrawn borrowing facilities and cash and cash equivalents (note 32) on the basis of expected cash flows. The Group’s policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2021					
Borrowings (principal amount plus interest)	32,269,827	17,121,869	27,696,954	5,081,548	82,170,198
Trade and note payables (note 33)	1,612,842	-	-	-	1,612,842
Other payables and accrued charges (excluding accrued employee benefits costs and value added tax payables and other taxes payables)	62,528,013	1,603,270	2,720,859	-	66,852,142
Lease liabilities	211,039	208,733	268,178	383,765	1,071,715
Derivative financial instruments	-	271,270	140,329	-	411,599
Total	96,621,721	19,205,142	30,826,320	5,465,313	152,118,496
At 31 December 2020					
Borrowings (principal amount plus interest)	19,131,768	20,848,203	29,892,160	6,526,081	76,398,212
Trade and note payables (note 33)	2,255,706	-	-	-	2,255,706
Other payables and accrued charges (excluding accrued employee benefits costs and value added tax payables and other taxes payables)	45,266,185	5,770,894	3,229,320	-	54,266,399
Lease liabilities	181,272	122,738	178,671	382,313	864,994
Derivative financial instruments	358,703	-	161,524	-	520,227
Total	67,193,634	26,741,835	33,461,675	6,908,394	134,305,538

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends declared to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's policy is to borrow centrally, using a mixture of long-term and short-term borrowing facilities, to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are on-lent or contributed as equity to certain subsidiaries.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2021 and 2020 were as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Total borrowings (note 36)	75,534,164	67,839,360
Lease liabilities (note 17)	871,203	717,686
Less: Cash and cash equivalents (note 32)	(32,766,455)	(28,213,701)
Net debt	43,638,912	40,343,345
Total equity (including non-controlling interests)	74,366,749	64,276,115
Total capital	118,005,661	104,619,460
Gearing ratio	37.0%	38.6%

The total capital amount is subject to externally imposed capital requirement and the Group has complied with the capital requirement during the year. The decrease in the gearing ratio during 2021 is primarily due to the continuously stable growth and improvement in business operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

(a) Financial assets and liabilities

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 31 December 2021	Level 2 RMB'000	Level 3 RMB'000
Financial assets		
Financial assets at FVOCI (note 24)	—	1,033,583
Financial liabilities		
Derivative financial instrument – foreign currency forwards (note 37)	411,599	—
At 31 December 2020	Level 2 RMB'000	Level 3 RMB'000
Financial assets		
Financial assets at FVOCI (note 24)	—	1,247,902
Financial liabilities		
Derivative financial instrument – foreign currency forwards (note 37)	520,227	—

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The present value of future cash flows based on forward exchange rates at the balance sheet date
- The fair value of financial assets at FVOCI is derived through the Guideline Public Company Method by using the appropriate market multiples of comparable public company peers in the same or a similar industry

(iii) Fair value measurements using significant unobservable inputs (level 3)

Refer to note 24 for the changes in recurring fair value measurement of financial assets of FVOCI in level 3 for the year ended 31 December 2021 and 2020.

(iv) Valuation processes

The Group measures its financial assets at FVOCI at fair value. The level 3 financial assets and financial liability were revalued by Jones Lang LaSalle Incorporated (“JLL”), independent qualified valuers not related to the Group and who hold recognised relevant professional qualification, at 31 December 2021.

The Group’s finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes, including level 3 fair values. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group’s interim and annual reporting dates.

The main Level 3 input used by the Group for financial assets at FVOCI pertains to the discount for lack of marketability. The discount for lack of marketability is quantified on the basis of relevant restricted stock studies and represents the most significant unobservable input applied to arrive at the fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(iv) Valuation processes (Continued)

The Group measures its financial assets at FVOCI at fair value. Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follow:

Description	Fair value at 31 December 2021 RMB'000	Valuation technique	Unobservable input	Weighted average
Unlisted equity security	2,835	Summation Method	Value of each asset/liability	N/A
Unlisted equity security	1,030,748	Guideline Public Company Method	(1) Discount of lack of marketability (2) Applicable Price Earnings Ratio	(1) 40% (2) 10.06

Description	Fair value at 31 December 2020 RMB'000	Valuation technique	Unobservable input	Weighted average
Unlisted equity security	3,236	Summation Method	Value of each asset/liability	N/A
Unlisted equity security	1,244,666	Guideline Public Company Method	(1) Discount of lack of marketability (2) Applicable Price Earnings Ratio (3) Applicable Price-to-Book Ratio	(1) 35% to 40% (2) 10.34 (3) 0.47

(v) Fair value of other financial assets and liabilities

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different from their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

- Trade receivables
- Cash and cash equivalents and charged bank deposits
- Other receivables
- Trade and note payables
- Borrowings
- Other payables and accrued charges
- Lease liabilities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(b) Non-financial assets and liabilities

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 3.3(a).

	Level 3	
	As at 31 December	
	2021 RMB'000	2020 RMB'000
Investment properties (note 18)	10,982,210	16,076,236
Total non-financial assets	10,982,210	16,076,236

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

(ii) Valuation techniques used to determine fair values

Fair values of completed investment properties are generally derived using the comparison method and income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have made reference to recent lettings, within the subject properties and other comparable properties.

There were no changes to the valuation techniques during the year.

As at 31 December 2021, all investment properties are included in level 3 fair value hierarchy.

(iii) Fair value measurements using significant unobservable inputs (level 3)

Refer to note 18 for the change in recurring fair value measurement of level 3 items for the years ended 31 December 2021 and 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(b) Non-financial assets and liabilities (Continued)

(iv) Valuation inputs and relationships to fair value

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; and
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; and
- estimated costs to completion and expected developer's profit margin, derived from the construction budget and historical information of similar properties.

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

Description	Fair value at 31 December 2021 RMB'000	Valuation technique	Unobservable inputs	Range of unobservable inputs
Completed investment properties in PRC	10,303,855	Comparison method	Market price	RMB15,400/sqm to RMB26,000/sqm
		Income capitalisation method	(1) Market rent	(1) RMB48/sqm/mth to RMB672/sqm/ mth
			(2) Capitalisation rate	(2) 3.8% to 7.5%
Completed investment properties in Hong Kong	678,355	Comparison method	Market price	HKD3,574/sq.ft to HKD19,584/sq.ft
		Income capitalisation method	(1) Market rent	(1) HKD7/sq.ft/mth to HKD200/sq.ft/mth
			(2) Capitalisation rate	(2) 2.8% to 5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(b) Non-financial assets and liabilities (Continued)

(iv) Valuation inputs and relationships to fair value (Continued)

Description	Fair value at 31 December 2020 RMB'000	Valuation technique	Unobservable inputs	Range of unobservable inputs	
Investment properties under construction in PRC	3,172,300	Residual method	(1) Market rent	(1) RMB57/sqm/mth to RMB256/sqm/ mth	
			(2) Developer's profit	(2) 5%	
			(3) Budgeted construction costs to be incurred		
Completed investment properties in PRC	12,203,965	Comparison method	Market price	RMB15,400/sqm to RMB26,000/sqm	
			Income capitalisation method	(1) Market rent	(1) RMB48/sqm/mth to RMB696/sqm/ mth
Completed investment properties in Hong Kong	699,971	Comparison method	Market price	HKD3,249/sq.ft to HKD20,693/sq.ft	
			Income capitalisation method	(1) Market rent	(1) HKD7/sq.ft/mth to HKD200/sq.ft/mth
			(2) Capitalisation rate	(2) 2.8% to 5%	

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of capitalisation rate, the lower fair value;
- The higher market rent, the higher fair value;
- The higher market price, the higher fair value;
- The higher budgeted construction cost to be incurred, the lower fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(b) Non-financial assets and liabilities (Continued)

(v) Valuation processes

The Group measures its investment properties at fair value. The investment properties were revalued by JLL, who have recent experience in the locations and segments of the investment properties valued, at 31 December 2021. For all investment properties, their current use equates to the highest and best use.

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

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 3.3(b).

(b) Net realisable value of properties under development and properties held for sale

The Group writes down properties under development and properties held for sale to net realisable value based on assessment of the realisability of properties under development and properties held for sale which takes into account cost to completion based on past experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties under development and properties held for sale to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties under development and properties held for sale is adjusted in the period in which such estimate is changed.

(c) Current and deferred income tax

The Group is subject to income tax primarily in China and Hong Kong. Significant judgement is required in determining the amount of the provision for income taxes and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the land appreciation tax, income tax and deferred tax provisions in the period in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimate is changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Consolidation

Control is the basis for consolidation. Control exists when the Group is able to influence profitability of another company through its involvement and power over the operation of another company. To assess whether an entity has control over another entity involves significant judgement. Management has performed an assessment and considered the current accounting treatments for its subsidiaries, associates and joint ventures to be appropriate. Yuexiu Real Estate Investment Trust ("Yuexiu REIT") is accounted for as an associate since the Group, among other reasons, only has significant influence on but no control over Yuexiu REIT. The key decisions of Yuexiu REIT are principally handled and monitored by an independent trustee and an asset management company.

The Group has no equity in and/or control over the independent trustee. Among other key factors, the Group does not have any power to control the appointment of directors of the asset management company of Yuexiu REIT, as all of the directors are nominated by the nomination committee, which is comprised of a majority of independent non-executive directors. Accordingly, the Group does not control Yuexiu REIT.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company. Management determines the operating segments based on the Group's internal reports, which are then submitted to the executive directors for performance assessment and resources allocation.

The executive directors consider the business by nature of business activities and assess the performance of property development, property management, property investment and others.

The Group's operating and reportable segments under HKFRS 8 and the types of turnover are as follows:

Property development	sales of property development units
Property management	revenue from provision of property management services
Property investment	property rental income
Others	revenue from real estate agency and decoration services, etc.

The executive directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments and other unallocated operating costs. Other information provided, except as noted below, to the executive directors are measured in a manner consistent with that in the consolidated financial statements.

Total reportable segment assets excluded deferred tax assets, prepaid taxation and corporate assets. Corporate assets are not directly attributable to segments.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the executive directors are measured in a manner consistent with that in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
Year ended 31 December 2021					
Revenue	54,152,844	1,917,849	714,500	3,801,404	60,586,597
Inter-segment revenue	–	(507,596)	(72,073)	(2,628,067)	(3,207,736)
Revenue from external customers	<u>54,152,844</u>	<u>1,410,253</u>	<u>642,427</u>	<u>1,173,337</u>	<u>57,378,861</u>
Revenue from contracts with customers:					
Recognised at a point in time	54,152,844	95,300	–	638,676	54,886,820
Recognised over time	–	1,314,953	–	534,661	1,849,614
Revenue from other sources:					
Rental income	–	–	642,427	–	642,427
Segment results	<u>8,343,407</u>	<u>329,012</u>	<u>711,036</u>	<u>329,748</u>	<u>9,713,203</u>
Depreciation and amortisation	<u>(150,570)</u>	<u>(76,312)</u>	<u>–</u>	<u>(118,625)</u>	<u>(345,507)</u>
Fair value gains on revaluation of investment properties, net	<u>–</u>	<u>–</u>	<u>298,568</u>	<u>–</u>	<u>298,568</u>
Share of profit/(loss) of:					
– joint ventures	124,220	188	–	(6,476)	117,932
– associates	<u>89,249</u>	<u>–</u>	<u>200,164</u>	<u>8,062</u>	<u>297,475</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
Year ended 31 December 2020					
Revenue	43,464,868	1,178,885	635,451	3,617,940	48,897,144
Inter-segment revenue	–	(376,972)	(32,647)	(2,253,266)	(2,662,885)
Revenue from external customers	<u>43,464,868</u>	<u>801,913</u>	<u>602,804</u>	<u>1,364,674</u>	<u>46,234,259</u>
Revenue from contracts with customers:					
Recognised at a point in time	43,464,868	–	–	549,131	44,013,999
Recognised over time	–	801,913	–	815,543	1,617,456
Revenue from other sources:					
Rental income	–	–	602,804	–	602,804
Segment results	<u>7,618,416</u>	<u>304,626</u>	<u>1,043,386</u>	<u>885,447</u>	<u>9,851,875</u>
Depreciation and amortisation	<u>(188,197)</u>	<u>(73,250)</u>	<u>–</u>	<u>(60,011)</u>	<u>(321,458)</u>
Fair value gains on revaluation of investment properties, net	<u>–</u>	<u>–</u>	<u>641,106</u>	<u>–</u>	<u>641,106</u>
Share of profit/(loss) of:					
– joint ventures	438,161	–	–	(11,604)	426,557
– associates	<u>190,762</u>	<u>–</u>	<u>219,686</u>	<u>95,306</u>	<u>505,754</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
As at 31 December 2021					
Segment assets	258,672,270	4,931,469	10,982,210	4,243,032	278,828,981
Interests in joint ventures	6,516,006	817	–	80,425	6,597,248
Interests in associates	8,321,580	–	7,451,280	1,178,314	16,951,174
Total reportable segments' assets	<u>273,509,856</u>	<u>4,932,286</u>	<u>18,433,490</u>	<u>5,501,771</u>	<u>302,377,403</u>
Total reportable segments' assets include:					
Additions to non-current assets (note)	<u>862,256</u>	<u>41,326</u>	<u>169,090</u>	<u>380,108</u>	<u>1,452,780</u>
As at 31 December 2020					
Segment assets	217,934,802	1,347,597	16,076,236	2,829,659	238,188,294
Interests in joint ventures	5,624,459	–	–	48,800	5,673,259
Interests in associates	4,738,074	–	7,564,256	1,251,883	13,554,213
Total reportable segments' assets	<u>228,297,335</u>	<u>1,347,597</u>	<u>23,640,492</u>	<u>4,130,342</u>	<u>257,415,766</u>
Total reportable segments' assets include:					
Additions to non-current assets (note)	<u>892,900</u>	<u>47,127</u>	<u>106,475</u>	<u>115,838</u>	<u>1,162,340</u>

Note: Non-current assets represent non-current assets other than properties under development, financial instruments, interests in joint ventures, interests in associates, goodwill and deferred tax assets.

A reconciliation of total segment results to profit before taxation is provided as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Segment results	9,713,203	9,851,875
Unallocated operating costs (note)	(138,124)	(134,999)
Other gains, net (excluding fair value gains on revaluation of investment properties)	<u>1,201,880</u>	<u>26,805</u>
Operating profit	10,776,959	9,743,681
Finance income (note 8)	729,597	458,874
Finance costs (note 9)	(1,079,526)	(934,624)
Share of profit of:		
– joint ventures (note 22)	117,932	426,557
– associates (note 23)	<u>297,475</u>	<u>505,754</u>
Profit before taxation	<u>10,842,437</u>	<u>10,200,242</u>

Note: Unallocated operating costs include mainly corporate staff salaries and other operating expenses of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

A reconciliation of reportable segments' assets to total assets is provided as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Total reportable segments' assets	302,377,403	257,415,766
Deferred tax assets (note 41)	1,950,402	1,169,981
Prepaid taxation	4,926,038	3,307,405
Corporate assets (note)	4,601,042	1,302,848
Total assets	313,854,885	263,196,000

Note: Corporate assets represent property, plant and equipment, right-of-use assets, other receivables and cash and cash equivalents of the Company.

No geographical segment analysis is shown as more than 90% of the Group's revenue are derived from activities in and from customers located in China and more than 90% of the carrying values of the Group's non-current assets excluding deferred income tax are situated in China.

For the year ended 31 December 2021, the Group does not have any single customer with the transaction value over 10% of the Group's total external sales (2020: none).

6 EXPENSES BY NATURE

Cost of sales, selling and marketing costs, and administrative expenses include the following:

	2021 RMB'000	2020 RMB'000
Cost of properties sold included in cost of sales	41,548,047	32,028,717
Employee benefit expenses (note 13)	1,949,808	1,834,363
Selling and promotion expenses	1,565,264	1,131,319
Other tax and surcharge	480,280	448,238
Direct operating expenses arising from investment properties (note 18)	162,406	133,190
Provision for impairment of properties under development and properties held for sale (notes 26 and 27)	1,647,789	870,591
Expense related to short-term leases (note 17)	74,363	69,893
Depreciation of property, plant and equipment (note 16)	88,308	88,093
Depreciation of right-of-use assets (note 17)	209,579	189,402
Amortisation of intangible assets (note 25)	47,620	43,963
Auditor's remuneration	6,000	6,000
Other expenses	330,085	318,176
	48,109,549	37,161,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 OTHER GAINS, NET

	2021 RMB'000	2020 RMB'000
Gains related to Gain Force Investments Ltd ("Gain Force") and its subsidiaries (note(a))	2,439,056	–
Fair value (losses)/gains on revaluation of investment properties held at the end of year, net	(904,034)	641,106
Others	(34,574)	26,805
	<u>1,500,448</u>	<u>667,911</u>

Note:

- (a) The amount represents the fair value gain of Yuexiu Financial Tower held by subsidiaries of Gain Force amounting to RMB1,203 million during 2021 and disposal gain related to the disposal of Gain Force amounting to RMB1,236 million (note 20).

8 FINANCE INCOME

	2021 RMB'000	2020 RMB'000
Interest income from bank deposits in third-party banking institutions	290,142	171,655
Interest income on amount due from associates (note 48(b))	147,653	90,995
Interest income on amount due from non-controlling interest ("NCI") and related parties of NCI	136,459	–
Interest income on amount due from joint ventures (note 48(b))	74,289	173,259
Interest income from third parties	38,242	–
Interest income from deposits in a fellow subsidiary (note 48(b))	42,812	22,965
	<u>729,597</u>	<u>458,874</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank borrowings and overdrafts	1,430,664	1,635,633
Interest on other borrowings	1,927,703	1,798,141
Interest on borrowings from a shareholder (note 48(b))	337,028	587,784
Interest on borrowings from immediate holding company (note 48(b))	172,833	91,894
Interest on borrowings from associates (note 48(b))	18,896	32,393
Interest on borrowings from a fellow subsidiary (note 48(b))	5,246	538
Interest on borrowings from an entity with significant influence over certain subsidiaries (note 48(b))	9,438	9,528
Interest on borrowings from NCI and related parties of NCI (note 35(a))	331,060	178,099
Interest expense on lease liabilities (note 17)	25,607	29,414
Net fair value loss on derivative financial instrument (note 37)	22,950	39,985
Net foreign exchange (gain)/loss on financing activities	(180,270)	51,335
	<u>4,101,155</u>	<u>4,454,744</u>
Total borrowing costs incurred		
Less: amount capitalised as investment property, properties under development and property, plant and equipment (note (a))	<u>(3,021,629)</u>	<u>(3,520,120)</u>
	<u><u>1,079,526</u></u>	<u><u>934,624</u></u>

Note:

- (a) Borrowing costs capitalised during the year are calculated by applying a weighted average capitalisation rate of 4.74 percent per annum (2020: 4.91 percent per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2020: 16.5 percent) on the estimated assessable profit for the year.
- (b) China enterprise income taxation is provided on the profit of the Group's subsidiaries, associates and joint ventures in China at the rate of 25 percent (2020: 25 percent).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to corporate withholding income tax at tax rates of 5 percent or 10 percent. During the year, withholding income tax was provided for dividend distributed and accumulated profit estimated to be distributed of the Group's subsidiaries, joint ventures and associates in China at tax rates of 5 percent or 10 percent (2020: 5 percent or 10 percent).

- (c) China land appreciation tax is levied at progressive rates ranging from 30 percent to 60 percent (2020: 30 percent to 60 percent) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land, development and construction.
- (d) The amount of taxation charged to the consolidated statement of profit or loss comprises:

	2021 RMB'000	2020 RMB'000
Current taxation		
China enterprise income tax	2,658,610	2,622,049
China land appreciation tax	3,033,433	3,058,209
Corporate withholding income tax	313,262	93,573
Deferred taxation		
Origination and reversal of temporary difference	(539,969)	(682,012)
China land appreciation tax	(36,058)	(23,497)
Corporate withholding income tax on undistributed profits	139,520	449,020
	5,568,798	5,517,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 TAXATION (Continued)

- (e) The taxation on the Group's profit before taxation less share of profits and losses of associates and joint ventures differs from the theoretical amount that would arise using the enterprise income tax rate of China, where majority of the Group's operations were carried out, is as follows:

	2021 RMB'000	2020 RMB'000
Profit before taxation less share of profit of associates and joint ventures	<u>10,427,030</u>	<u>9,267,931</u>
Calculated at China enterprise income tax rate of 25 percent (2020: 25 percent)	2,606,758	2,316,983
Effect of different taxation rates	79,275	119,881
Income not subject to taxation	(272)	(402)
Expenses not deductible for taxation purposes	33,700	92,852
Net effect of tax loss not recognised and utilisation of previously unrecognised tax losses	148,524	169,401
Effect of land appreciation tax deductible for calculation of income tax purposes	(749,344)	(758,678)
Corporate withholding income tax	<u>452,782</u>	<u>542,593</u>
	2,571,423	2,482,630
Land appreciation tax	<u>2,997,375</u>	<u>3,034,712</u>
Taxation charges	<u>5,568,798</u>	<u>5,517,342</u>

- (f) The tax charges relating to components of other comprehensive income are as follows:

	2021			2020		
	Before tax	Tax charges	After tax	Before tax	Tax charges	After tax
Fair value gains of financial assets at FVOCI	<u>(213,919)</u>	<u>66,435</u>	<u>(147,484)</u>	<u>(45,362)</u>	<u>14,088</u>	<u>(31,274)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the year.

	2021	2020
Profit attributable to equity holders of the Company (RMB'000)	<u>3,588,929</u>	<u>4,247,860</u>
Weighted average number of ordinary shares in issue ('000)	<u>3,096,456</u>	<u>3,096,456</u>
Basic earnings per share (RMB)	<u>1.1590</u>	<u>1.3718</u>

On 10 June 2021, every five issued existing shares of the Company were consolidated into one share of the Company ("Consolidated Share") and the number of Consolidated Shares was rounded down to the nearest whole number by disregarding each and every fractional Consolidated Share which would otherwise arise (the "Share Consolidation").

Comparative figures of the weighted average number of shares for calculating basic earnings per share has been adjusted on the assumption that the Share Consolidation had been effective in prior year.

Diluted

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Since there was no dilutive potential ordinary shares during the year ended 31 December 2021 and 2020, diluted earnings per share is equal to basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 DIVIDENDS

The dividends paid in 2021 was approximately RMB1,641 million (2020: RMB1,466 million). The directors proposed a final dividend of HKD0.328 per ordinary share, totaling approximately RMB821 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 2 June 2022. These financial statements do not reflect this dividend payable.

	2021 RMB'000	2020 RMB'000
2021 Interim, paid, of HKD0.326 equivalent to RMB0.271 (2020: HKD0.285 equivalent to RMB0.255 (after Share Consolidation)/HKD0.057 equivalent to RMB0.051 (before Share Consolidation)) per ordinary share	829,400	765,313
Final, proposed, of HKD0.328 equivalent to RMB0.265 (2020: HKD0.315 equivalent to RMB0.265 (after Share Consolidation)/HKD0.063 equivalent to RMB0.053 (before Share Consolidation)) per ordinary share	820,561	820,561
	<u>1,649,961</u>	<u>1,585,874</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 EMPLOYEE BENEFIT EXPENSES

	2021 RMB'000	2020 RMB'000
Wages, salaries and bonus	2,995,456	2,357,782
Pension costs (defined contribution plans)	147,427	35,056
Medical benefits costs (defined contribution plans)	85,049	65,720
Social security costs	245,001	165,965
Staff welfare	99,315	88,755
	3,572,248	2,713,278
Less: capitalised in properties under development, investment properties under construction, contract costs and property, plant and equipment	(1,622,440)	(878,915)
	1,949,808	1,834,363

Pension scheme arrangements

The Group operates a defined contribution scheme ("ORSO Scheme") for certain Hong Kong employees under the Occupational Retirement Schemes Ordinance. Contributions to the ORSO Scheme by the employer and employees are calculated at 5 percent to 20 percent and 5 percent respectively of the employees' basic salaries. The Group's contributions to the ORSO Scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There are no forfeited contributions for both years presented. During the year ended 31 December 2021, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2020: Nil).

The Group also participates in the Mandatory Provident Fund Scheme ("MPF Scheme") for other Hong Kong employees. Under the MPF Scheme, each of the Group and its employees makes monthly contributions to the scheme at 5 percent of the employee's relevant income, as defined in the Mandatory Provident Fund Scheme Ordinance. Both the Group's and the employee's contributions are subjected to a cap of HKD1,500 (before 1 June 2014: HKD1,250) per month and contributions thereafter are voluntary. The contributions under the MPF Scheme are fully and immediately vested in the employees as accrued benefits once they are paid.

Subsidiaries of the Company in China are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal Government, and make monthly contributions to the retirement plans in the range of 16 to 24 percent of the monthly salaries of the employees. The Group has no further obligations for the actual payment of pensions beyond its contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

31 December 2021

Name of Director	Emoluments paid or received in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								Total RMB'000
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses (note a (i)) RMB'000	Pension costs RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note a (ii)) RMB'000	Remuneration paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the Company or its subsidiary undertaking RMB'000	
LIN Zhaoyuan	-	1,843	2,141	120	48	4,098	-	-	8,250
LIN Feng	-	1,707	2,011	120	48	4,265	-	-	8,151
LI Feng	-	1,490	2,078	120	48	-	-	-	3,736
CHEN Jing	-	1,490	2,078	120	48	-	-	-	3,736
LIU Yan	-	1,490	2,078	120	48	-	-	-	3,736
OUYANG Changcheng	274	-	-	-	-	-	-	-	274
YU Lup Fat Joseph	390	-	-	-	-	-	-	-	390
LEE Ka Lun	324	-	-	-	-	-	-	-	324
LAU Hon Chuen Ambrose	324	-	-	-	-	-	-	-	324
Total	1,312	8,020	10,386	600	240	8,363	-	-	28,921

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

The remuneration of every director is set out below (Continued):

31 December 2020

Name of Director	Emoluments paid or received in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								Total RMB'000
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses (note a (i)) RMB'000	Pension costs RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note a (ii)) RMB'000	Remuneration paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	
LIN Zhaoyuan	-	1,540	2,526	3	42	4,733	-	-	8,844
LIN Feng	-	1,540	2,419	3	42	4,733	-	-	8,737
LI Feng	-	1,490	2,469	3	42	-	-	-	4,004
CHEN Jing	-	1,490	2,469	3	42	-	-	-	4,004
LIU Yan	-	1,490	2,469	3	42	-	-	-	4,004
OUYANG Changcheng	249	-	-	-	-	-	-	-	249
YU Lup Fat Joseph	374	-	-	-	-	-	-	-	374
LEE Ka Lun	303	-	-	-	-	-	-	-	303
LAU Hon Chuen Ambrose	303	-	-	-	-	-	-	-	303
Total	<u>1,229</u>	<u>7,550</u>	<u>12,352</u>	<u>15</u>	<u>210</u>	<u>9,466</u>	<u>-</u>	<u>-</u>	<u>30,822</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Notes:

- (i) Discretionary bonuses are determined by the Group's financial performance.
- (ii) Other benefits include share award scheme.

(b) Directors' termination benefits

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2020: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available directors' services (2020: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year, there were no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2020: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: Nil).

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

No directors waived emoluments in respect of the year ended 31 December 2021 (2020: Nil). No emoluments were paid or payable by the Group to any director as an inducement to join or upon joining the Group, or as compensation for loss of office for both years presented.

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2021 are also directors (2020: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

The emoluments of the five highest paid individuals fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands (in HKD)		
HKD4,000,001 – HKD4,500,000	3	3
HKD4,500,001 – HKD5,000,000	–	–
HKD5,000,001 – HKD5,500,000	–	–
HKD5,500,001 – HKD6,000,000	–	–
HKD6,000,001 – HKD6,500,000	–	–
HKD6,500,001 – HKD7,000,000	–	–
HKD7,000,001 – HKD7,500,000	–	–
HKD7,500,001 – HKD8,000,000	–	–
HKD8,000,001 – HKD8,500,000	–	–
HKD8,500,001 – HKD9,000,000	–	–
HKD9,000,001 – HKD9,500,000	–	–
HKD9,500,001 – HKD10,000,000	2	2
	<u>5</u>	<u>5</u>

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Construction in progress RMB'000	Leasehold improvements, furniture, fixtures and office equipment	Motor vehicles	Total RMB'000
			RMB'000	RMB'000	
Year ended 31 December 2021					
Opening net book amount	1,613,692	1,424,121	151,960	11,341	3,201,114
Exchange differences	(104)	–	(213)	–	(317)
Additions	–	833,895	21,370	1,493	856,758
Acquisitions of subsidiaries (note 19)	–	–	774	–	774
Disposals	–	–	(338)	(832)	(1,170)
Disposal of subsidiaries	(72,619)	–	(99)	–	(72,718)
Depreciation (note 6)	(62,385)	–	(17,106)	(8,817)	(88,308)
Closing net book amount	<u>1,478,584</u>	<u>2,258,016</u>	<u>156,348</u>	<u>3,185</u>	<u>3,896,133</u>
At 31 December 2021					
Cost	1,804,790	2,258,016	286,481	61,581	4,410,868
Accumulated depreciation and impairment	(326,206)	–	(130,133)	(58,396)	(514,735)
Net book amount	<u>1,478,584</u>	<u>2,258,016</u>	<u>156,348</u>	<u>3,185</u>	<u>3,896,133</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Construction in progress RMB'000	Leasehold improvements, furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2020					
Opening net book amount	1,044,066	1,321,334	130,800	9,724	2,505,924
Exchange differences	(350)	–	(43)	(5)	(398)
Additions	–	730,552	52,748	10,125	793,425
Acquisitions of subsidiaries	–	–	2,475	–	2,475
Disposals	–	–	(11,067)	(1,152)	(12,219)
Depreciation (note 6)	(57,789)	–	(22,953)	(7,351)	(88,093)
Transfer	627,765	(627,765)	–	–	–
Closing net book amount	<u>1,613,692</u>	<u>1,424,121</u>	<u>151,960</u>	<u>11,341</u>	<u>3,201,114</u>
At 31 December 2020					
Cost	1,885,466	1,424,121	270,676	69,272	3,649,535
Accumulated depreciation and impairment	<u>(271,774)</u>	<u>–</u>	<u>(118,716)</u>	<u>(57,931)</u>	<u>(448,421)</u>
Net book amount	<u>1,613,692</u>	<u>1,424,121</u>	<u>151,960</u>	<u>11,341</u>	<u>3,201,114</u>

Note:

- (a) Refer to note 45 for information on assets pledged as securities by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Land use rights (note (a)) RMB'000	Leased properties RMB'000	Total RMB'000
Right-of-use assets			
At 1 January 2021	3,224,510	702,815	3,927,325
Acquisition of a subsidiary (note 19)	–	4,788	4,788
Additions	–	365,509	365,509
Termination	–	(14,892)	(14,892)
Depreciation	(47,771)	(208,226)	(255,997)
At 31 December 2021	<u>3,176,739</u>	<u>849,994</u>	<u>4,026,733</u>
At 1 January 2020	3,412,710	653,078	4,065,788
Acquisition of a subsidiary	–	2,532	2,532
Additions	–	235,290	235,290
Transfer to investment property	(128,861)	–	(128,861)
Depreciation	(59,339)	(188,085)	(247,424)
At 31 December 2020	<u>3,224,510</u>	<u>702,815</u>	<u>3,927,325</u>

Note:

- (a) The Group has these land lease arrangements with mainland China government with lease term of 40 or 70 years.

	31 December 2021 RMB'000	31 December 2020 RMB'000
Lease liabilities		
Current	177,195	151,209
Non-current	694,008	566,477
	<u>871,203</u>	<u>717,686</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 LEASES (Continued)

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Notes	2021 RMB'000	2020 RMB'000
Depreciation of land use rights		(47,771)	(59,339)
Less: amount capitalised as property, plant and equipment		46,418	58,022
	6	(1,353)	(1,317)
Depreciation of leased properties	6	(208,226)	(188,085)
Interest expense (included in finance cost)	9	(25,607)	(29,414)
Expense relating to short-term leases (included in cost of sales, selling and marketing costs, and administrative expenses)	6	(74,363)	(69,893)

(iii) Amounts recognised in the statement of cash flows

The statement of cash flows shows the following amounts related to leases:

	2021 RMB'000	2020 RMB'000
Payment for lease liabilities (financing activities)	227,502	227,802
Payment for short-term leases (operating activities)	74,363	69,893

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INVESTMENT PROPERTIES

	Completed investment properties		Investment properties under development	Total RMB'000
	China RMB'000	Hong Kong RMB'000	China RMB'000	
	Opening balance at 1 January 2021	12,203,965	699,971	
Exchange differences	-	(20,072)	-	(20,072)
Additions	55,590	-	113,500	169,090
Transfer from properties under development	-	-	2,363,256	2,363,256
Transfer	5,649,056	-	(5,649,056)	-
Disposals	(11,666)	-	-	(11,666)
Disposals of subsidiaries (note 20)	(7,893,202)	-	-	(7,893,202)
Fair value gains/(losses), net (note (a))	300,112	(1,544)	-	298,568
Closing balance at 31 December 2021	<u>10,303,855</u>	<u>678,355</u>	<u>-</u>	<u>10,982,210</u>

	Completed investment properties		Investment properties under development	Total RMB'000
	China RMB'000	Hong Kong RMB'000	China RMB'000	
	Opening balance at 1 January 2020	8,638,619	799,489	
Exchange differences	-	(65,934)	-	(65,934)
Additions	-	-	106,475	106,475
Transfer from properties under development	-	-	5,858,497	5,858,497
Transfer from land use rights	-	-	128,861	128,861
Transfer	2,148,967	-	(2,148,967)	-
Disposals	(30,877)	-	-	(30,877)
Fair value gains/(losses), net (note (a))	1,447,256	(33,584)	(772,566)	641,106
Closing balance at 31 December 2020	<u>12,203,965</u>	<u>699,971</u>	<u>3,172,300</u>	<u>16,076,236</u>

(a) The investment properties are leased to tenants under operating leases with rentals payable monthly.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

For minimum lease payments receivable on leases of investment properties, refer to note 42.

Refer to note 45 for information on assets pledged as securities by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INVESTMENT PROPERTIES (Continued)

The Group's interests in investment properties at their carrying amounts are analysed as follows:

	2021 RMB'000	2020 RMB'000
In Hong Kong:		
Leases of between 10 to 50 years	678,355	699,971
Outside Hong Kong (note):		
Leases of between 10 to 50 years	<u>10,303,855</u>	<u>15,376,265</u>
	<u><u>10,982,210</u></u>	<u><u>16,076,236</u></u>

Note: Properties outside Hong Kong comprise properties located in China.

The statement of profit or loss shows the following amounts relating to investment properties:

	2021 RMB'000	2020 RMB'000
Rental income from operating leases	642,427	602,804
Direct operating expenses from property that generated rental income	140,536	125,199
Direct operating expenses from property that did not generate rental income	21,870	7,991
Fair value gains on revaluation of investment properties, net	<u><u>298,568</u></u>	<u><u>641,106</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Guangzhou Yuejing Property Development Company Limited

On 31 May 2021, Guangzhou Construction & Development Nansha Property Co., Ltd. (“Nansha Company”), an indirectly non-wholly owned subsidiary of the Company, entered into an equity transfer agreement with Guangzhou Ming Rui No.3 Business Investment Enterprise (Limited Partnership) (“Ming Rui No.3”), the holding company of Guangzhou Yuejing Property Development Company Limited (“Yuejing Company”), pursuant to which Nansha Company agreed to purchase 90% equity interest in the Yuejing Company at a cash consideration of approximately RMB51 million and Nansha Company agreed to contribute approximately RMB2,569 million as shareholder’s loan into Yuejing Company..

The transaction was completed on 3 June 2021. Upon completion of the transaction, Yuejing Company became an indirect non-wholly owned subsidiary of the Company.

Details of the purchase consideration and the net assets acquired are as follows:

Consideration	RMB'000
Cash paid (consideration for equity transfer)	50,638
Fair value of 10% shares held by the Group	5,626
	<u>56,264</u>

The assets and liabilities recognised as a result of the acquisition are as follows:

	RMB'000
Property, plant and equipment	608
Right-of-use assets	4,788
Contract cost	25,228
Properties under development	7,932,877
Other receivables, prepayments and deposits	173,988
Prepaid taxation	244,318
Cash and cash equivalents	487,370
Contract liabilities	(6,208,695)
Other payables and accrued charges	(2,599,423)
Lease liabilities	(4,795)
Net assets acquired	<u>56,264</u>
Fair value of interest in an associate	5,626
Less: Interest in an associate	—
Remeasurement gain on interest in an associate	<u>5,626</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisition of Guangzhou Yuejing Property Development Company Limited (Continued)

Analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary:

	RMB'000
Cash paid	(2,620,138)
Cash and bank balance acquired	<u>487,370</u>
	<u><u>(2,132,768)</u></u>

The acquired business contributed nil of revenues and net profit of RMB7 million to the Group for the period from 3 June 2021 to 31 December 2021.

If the acquisition had occurred on 1 January 2021, consolidated revenue and consolidated profit after tax of the Group for the year ended 31 December 2021 would have been RMB57,379 million and RMB5,258 million respectively.

(b) Acquisition of Guangzhou Bai Cheng Investment Development Company Limited

On 23 July 2021, Guangzhou Yuexiu Huacheng Real Estate Development Co., Ltd. ("Huacheng Company"), an indirectly non-wholly owned subsidiary of the Company, entered into an equity transfer agreement with Guangzhou Yue Xiu Holding Limited ("Guangzhou Yue Xiu"), the holding company of Guangzhou Bai Cheng Investment Development Company Limited ("Bai Cheng Company"), pursuant to which Huacheng Company agreed to purchase 98% equity interest in the Bai Cheng Company at a cash consideration of approximately RMB1,874 million and Huacheng Company agreed to contribute approximately RMB419 million as shareholder's loan into Bai Cheng Company.

The transaction was completed on 26 September 2021. Upon completion of the transaction, Bai Cheng Company became an indirect non-wholly owned subsidiary of the Company.

Details of the purchase consideration and the net assets acquired are as follows:

Consideration	RMB'000
Cash paid (consideration for equity transfer)	<u><u>1,873,596</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of Guangzhou Bai Cheng Investment Development Company Limited (Continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

	RMB'000
Property, plant and equipment	166
Properties under development	3,255,929
Other receivables, prepayments and deposits	104,211
Prepaid taxation	1,782
Charged bank deposits	34,858
Cash and cash equivalents	33,344
Contract liabilities	(1,058,179)
Other payables and accrued charges	(460,279)
	1,911,832
Net identifiable assets acquired	1,911,832
Less: Non-controlling interest	(38,236)
	1,873,596

Analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary:

	RMB'000
Cash paid	(2,292,786)
Cash and bank balance acquired	33,344
	(2,259,442)

The acquired business contributed nil of revenues and net losses of RMB6 million to the Group for the period from 26 September 2021 to 31 December 2021.

If the acquisition had occurred on 1 January 2021, consolidated revenue and consolidated profit after tax of the Group for the year ended 31 December 2021 would have been RMB57,379 million and RMB5,164 million respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 DISPOSAL OF SUBSIDIARIES

(a) Disposal of Gain Force

On 24 October 2021, the Group entered into an equity transfer agreement to dispose of 100% equity interest in Gain Force and its subsidiaries, who own Yuexiu Financial Tower, to Yuexiu REIT, an associate of the Group, at a cash consideration of approximately RMB7,873 million. The Group received initial payment amounting to RMB4,341 million at completion date of the disposal, which was 23 December 2021.

Details of the net assets disposed of and the gain are as follows:

	RMB'000
Assets and liabilities disposed of:	
Property, plant and equipment	72,619
Investment properties	7,893,202
Trade receivable	7,416
Other receivables and prepayments	22,667
Cash and cash equivalents	223,836
Trade and note payables	(410)
Other payables and accrued charges	(7,911,350)
Contract liabilities	(15,205)
Taxation payable	(303)
Deferred tax liabilities	(1,455,861)
	<u>(1,163,389)</u>
Net assets disposed	<u>(1,163,389)</u>
Consideration received	4,341,057
Consideration receivable (note)	3,532,008
	<u>7,873,065</u>
Total consideration	7,873,065
Less: net assets disposed of	1,163,389
Less: shareholder's loan	(7,800,000)
	<u>1,236,454</u>
Gains on disposal of subsidiaries	<u>1,236,454</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 DISPOSAL OF SUBSIDIARIES (Continued)

(a) Disposal of Gain Force (Continued)

Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries:

	RMB'000
Cash received	4,341,057
Cash and bank balance disposed of	<u>(223,836)</u>
	<u><u>4,117,221</u></u>

Note:

An amount of RMB3,500,000,000 has been received in January 2022 and the remaining amount is expected to be received in April 2022.

(b) Dilution of shareholding of other subsidiaries

During the year, NCI of certain subsidiaries made capital contribution amounting to approximately RMB420 million, which led to the dilution of the Group's shareholding of those subsidiaries. Hence, the Group lost control of those subsidiaries and they became joint ventures of the Group. The net assets disposed of amounted to approximately RMB556 million, including non-controlling interest amounting to RMB42 million. The total cash and bank balance disposed of amounted to RMB361 million.

21 GAINS ON SALES OF INVESTMENT PROPERTIES

During the year ended 31 December 2021, the Group disposed of certain investment properties with total sales proceeds of approximately RMB19 million (2020: RMB34 million) resulting in a total net gain of approximately RMB7 million (2020: RMB3 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 INTERESTS IN JOINT VENTURES

	2021 RMB'000	2020 RMB'000
Investments in joint ventures		
At 1 January	3,320,434	2,702,720
Additions	425,284	191,157
Losing control of subsidiaries due to NCI's capital injection	497,548	–
Deregistration of a joint venture	(33,947)	–
Dividend received	(894,497)	–
Share of profit	117,932	426,557
At 31 December	<u>3,432,754</u>	<u>3,320,434</u>
Amounts due from joint ventures (note 48(c))	3,164,494	2,353,824
Less: provision for impairment of amounts due from joint ventures	–	(999)
	<u>3,164,494</u>	<u>2,352,825</u>
Total	<u><u>6,597,248</u></u>	<u><u>5,673,259</u></u>

The joint ventures held by the Group have share capital consisting solely of ordinary shares, which are held directly by the Group. All of the joint ventures are private companies with no quoted market price available for its shares.

As at 31 December 2021 and 2020, there was no joint venture individually material to the Group.

Details of the Group's joint ventures as at 31 December 2021 are set out on page 225 to 226.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 INTERESTS IN JOINT VENTURES (Continued)

Set out below are the aggregate summarised financial information for the Group's share of interests in individually immaterial joint ventures which are accounted for using the equity method.

	2021 RMB'000	2020 RMB'000
Assets		
Non-current assets	57,631	604,249
Current assets	15,739,199	10,853,060
	<u>15,796,830</u>	<u>11,457,309</u>
Liabilities		
Non-current liabilities	(2,427,951)	(3,134,676)
Current liabilities	(9,936,125)	(5,002,199)
	<u>(12,364,076)</u>	<u>(8,136,875)</u>
Net assets	<u>3,432,754</u>	<u>3,320,434</u>
Revenue	3,110,155	2,515,720
Expenses	(2,938,971)	(1,946,260)
Profit before taxation	171,184	569,460
Taxation	(53,252)	(142,903)
Profit for the year	<u>117,932</u>	<u>426,557</u>

Certain cash and cash equivalents of the joint ventures are held in China and are subject to local exchange control regulations. These local exchange control regulations impose restrictions on exporting capital from China.

The Group's joint ventures did not have any significant capital commitments as at 31 December 2021 (2020: nil).

There are no significant contingent liabilities relating to the Group's interests in the joint ventures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 INTERESTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Share of net assets		
At 1 January	11,282,273	9,369,412
Addition	3,062,648	2,378,494
Disposal	–	(147,000)
Dividend received	(518,013)	(460,758)
Share of profit	297,475	505,754
Exchange difference	(116,700)	(363,629)
	<u>14,007,683</u>	<u>11,282,273</u>
Deferred units (note)	924,696	1,159,935
Amounts due from associates (note 48(c))	<u>2,018,795</u>	<u>1,112,005</u>
Interests in associates	<u><u>16,951,174</u></u>	<u><u>13,554,213</u></u>

Note: In connection with the disposal of Tower Top Development Limited to Yuexiu REIT in 2012, the Group will, on 31 December of each year, receive from Yuexiu REIT certain numbers of units of Yuexiu REIT starting from 31 December 2016. The number of units to be received each year will be limited to the maximum number of units that may be issued to the Group which will not trigger an obligation on the part of the Group to make a mandatory general offer under Rule 26 of the Takeovers Code for all units not already owned or agreed to be acquired by the Group at the relevant time.

Deferred units are part of the consideration of the business acquisition of Yuexiu REIT. The number of units to be issued to the Group was fixed at disposal date and is not subject to change across time. It is in substance the prepaid forward contract to deliver a fixed number of units for which the consideration has been received in advance. There is no cash option or derivatives elements in the deferred unit arrangement. This is a contractual arrangement to physically issue the units in accordance with the issuing schedule and no redemption option. The deferred units, once issued, will make the voting right/dividend right of the Group on Yuexiu REIT effective.

The aggregate summarised financial information for the share of Group's interests in its associates are as follows:

	2021 RMB'000	2020 RMB'000
Revenue	<u>4,130,047</u>	<u>2,482,365</u>
Profit after tax	<u>297,475</u>	<u>505,754</u>
Assets	39,266,989	30,957,916
Liabilities	<u>(25,259,306)</u>	<u>(19,675,643)</u>
Net assets	<u><u>14,007,683</u></u>	<u><u>11,282,273</u></u>

Details of the Group's significant associates as at 31 December 2021 are set out on page 227 to 228.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 INTERESTS IN ASSOCIATES (Continued)

All the interests in associates held by the Group are unlisted except for an investment in a material associate, Yuexiu REIT, with a carrying value of approximately RMB4,971 million (2020: RMB4,655 million) which is listed on the Hong Kong Stock Exchange. The fair value of the interests in this associate amounted to approximately RMB4,545 million (2020: RMB5,158 million).

Set out below is the summarised financial information for the Group's material associate – Yuexiu REIT which is accounted for using the equity method.

	2021 RMB'000	2020 RMB'000
Investment properties	37,657,000	29,700,000
Other non-current assets (excluding investment properties)	4,300,716	4,329,935
Cash and cash equivalents	1,453,356	1,802,495
Other current assets (excluding cash and cash equivalents)	232,310	177,891
Total assets	<u>43,643,382</u>	<u>36,010,321</u>
Non-current liabilities, other than net assets attributable to unitholders	(20,215,717)	(16,081,616)
Current liabilities	(7,722,653)	(4,405,855)
Total liabilities, other than net assets attributable to unitholders	(27,938,370)	(20,487,471)
Net assets attributable to unitholders	<u>(14,498,986)</u>	<u>(14,334,747)</u>
Total liabilities	<u>(42,437,356)</u>	<u>(34,822,218)</u>
Net assets	<u>1,206,026</u>	<u>1,188,103</u>
Revenue	1,796,686	1,758,732
Fair value gain/(loss) on investment properties	78,668	(297,633)
Depreciation and amortisation	(102,375)	(97,703)
Finance income	366,703	842,885
Finance expenses	(390,821)	(489,217)
Operating expenses	(747,286)	(794,068)
Others	(32,455)	(97,258)
Profit before taxation	969,120	825,738
Taxation	(263,608)	(203,967)
Post-tax profit before transactions with unitholders	705,512	621,771
Transactions with unitholders	(722,973)	(556,014)
(Loss)/profit after income tax after transactions with unitholders	<u>(17,461)</u>	<u>65,757</u>
Total comprehensive (loss)/income	<u>(17,461)</u>	<u>65,757</u>
Dividends received	<u>(210,309)</u>	<u>(206,377)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 INTERESTS IN ASSOCIATES (Continued)

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in the material associate is as follows:

	2021 RMB'000	2020 RMB'000
Net assets attributable to unitholders as at 1 January	14,334,747	14,314,894
Issuance of units	111,478	119,494
Transactions with unitholders	722,973	556,014
Distributions paid to unitholders	(670,212)	(655,655)
Net assets attributable to unitholders at 31 December	<u>14,498,986</u>	<u>14,334,747</u>
Net assets attributable to deferred unitholders	<u>(924,696)</u>	<u>(1,159,935)</u>
Net assets attributable to normal unitholders	<u>13,574,290</u>	<u>13,174,812</u>
Interest in an associate	<u>40.11%</u>	<u>38.04%</u>
Carrying value before exchange reserve	5,444,648	5,011,699
Exchange reserve	<u>(473,205)</u>	<u>(356,505)</u>
Carrying value	<u>4,971,443</u>	<u>4,655,194</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 FINANCIAL ASSETS AT FVOCI

	2021 RMB'000	2020 RMB'000
Opening balance at 1 January	1,247,902	1,293,264
Transfer to a subsidiary	(400)	–
Decrease in fair value recognised in other comprehensive income related to equity investments	(213,919)	(45,362)
Closing balance at 31 December	<u>1,033,583</u>	<u>1,247,902</u>

Financial assets at FVOCI represent unlisted securities in companies located in China without external credit ratings.

The fair value of the common shares held is derived using the Guideline Public Company Method approach. In applying this approach, the Group has selected comparable public company peers in the same or a similar industry to provide objective evidence as to values at which investors are willing to buy and sell interest of companies in that industry, and conclude that by applying an appropriate valuation multiple that is a relevant performance measure for its investments.

Valuation multiples are derived from the reported earnings and the period end stock price of companies in the peer group. In applying the valuation multiples and the Price-to-Earnings multiple have been concluded to be the relevant performance measures for its investments. The Group also adjusts the indicated fair value to give the effect of the discount for lack of marketability compared to the publicly traded peer group when it determines that the market participants would take this into account when pricing the investment. The discount for lack of marketability is quantified on the basis of relevant restricted stock studies and represents the most significant unobservable input applied to arrive at the fair value measurement of equity securities. The Group determines 40% discount for lack of marketability as the significant unobservable inputs.

If the discount for lack of marketability would be changed by +0.5% or –0.5%, the fair value of the investments and other comprehensive income would decrease or increase by approximately RMB9 million (2020: RMB10 million). Management believes that reasonable possible changes to other unobservable inputs would not result in a significant change in the estimated fair value of the investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 INTANGIBLE ASSETS

	Goodwill (note (a)) RMB'000	Customer relationship RMB'000	Software RMB'000	Total RMB'000
Year ended 31 December 2021				
Opening net book amount	225,251	91,588	70,106	386,945
Additions	28,081	–	61,423	89,504
Amortisation (note 6)	–	(9,413)	(38,207)	(47,620)
Closing net book amount	<u>253,332</u>	<u>82,175</u>	<u>93,322</u>	<u>428,829</u>
At 31 December 2021				
Cost	253,332	92,372	204,318	550,022
Accumulated amortisation	–	(10,197)	(110,996)	(121,193)
Net book amount	<u>253,332</u>	<u>82,175</u>	<u>93,322</u>	<u>428,829</u>

	Goodwill (note (a)) RMB'000	Customer relationship RMB'000	Software RMB'000	Total RMB'000
Year ended 31 December 2020				
Opening net book amount	–	–	85,995	85,995
Additions	–	–	27,150	27,150
Acquisition of subsidiary	225,251	92,372	140	317,763
Amortisation (note 6)	–	(784)	(43,179)	(43,963)
Closing net book amount	<u>225,251</u>	<u>91,588</u>	<u>70,106</u>	<u>386,945</u>
At 31 December 2020				
Cost	225,251	92,372	142,895	460,518
Accumulated amortisation	–	(784)	(72,789)	(73,573)
Net book amount	<u>225,251</u>	<u>91,588</u>	<u>70,106</u>	<u>386,945</u>

(a) Impairment test for goodwill

Goodwill is monitored by the management at the level of non-commercial property management and value-added services cash-generating unit (“CGU”) related to Guangzhou Metro Environmental Engineering Co., Ltd. (“GZMEE”) and Guangzhou Metro Property Management Co., Ltd. (“GZMPM”), a wholly owned subsidiary of GZMEE (collectively, the “GZMEE Group”). Goodwill has been assessed based on the related CGU for impairment testing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 INTANGIBLE ASSETS (Continued)

(a) Impairment test for goodwill (Continued)

The recoverable amount of the CGU is determined based on value-in-use (“VIU”) calculations. The calculation requires the Group to estimate the future cash flows expected to arise from CGU and a suitable discount rate in order to calculate the present value.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as at 31 December 2021 and 2020:

	2021	2020
Revenue (% annual growth rate)	10%-20%	10% – 20%
Gross margin (% of revenue)	21%-23%	26%
Long-term growth rate	3%	3%
Pre-tax discount rate	19.29%	19.33%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Revenue	Annual growth rate over the five-year forecast period; based on past performance and management’s expectations of market development.
Gross margin	Based on past performance and management’s expectations for the future.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate	Reflect specific risks relating to the relevant CGU.

By reference to the recoverable amount assessed by the independent external valuer as at 31 December 2021, the directors of the Company determined that no impairment provision on goodwill was required as at 31 December 2021 (2020: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 PROPERTIES UNDER DEVELOPMENT

	2021 RMB'000	2020 RMB'000
Amounts are expected to be completed		
– within the normal operating cycle included under current assets	153,720,888	126,110,685
– beyond the normal operating cycle included under non-current assets	5,185,027	6,330,244
	<u>158,905,915</u>	<u>132,440,929</u>
At cost		
– Properties without impairment provision	153,103,815	127,586,375
– Properties with impairment provision	7,262,768	5,605,046
Less: provision for impairment of properties under development	<u>(1,460,668)</u>	<u>(750,492)</u>
	<u>158,905,915</u>	<u>132,440,929</u>

The normal operating cycle of the Group's property development generally ranges from 2 to 3 years.

Properties under development are mainly located in China.

Refer to note 45 for information on assets pledged as securities by the Group.

During the year ended 31 December 2021, the Group transferred provision for impairment of approximately RMB642 million to provision for impairment of properties held for sale, as the construction of the relevant properties have been completed in 2021. Except for the impairment transferred to properties held for sale, the Group recognised a net impairment loss of approximately RMB1,353 million (2020: RMB750 million), which is included in "cost of sales" (note 6).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 PROPERTIES HELD FOR SALE

	2021 RMB'000	2020 RMB'000
At cost		
– Properties without impairment provision	21,338,035	21,021,702
– Properties with impairment provision	6,444,993	4,397,333
Less: provision for impairment of properties held for sale	<u>(1,143,449)</u>	<u>(522,590)</u>
	<u><u>26,639,579</u></u>	<u><u>24,896,445</u></u>

Properties held for sale are mainly located in China.

Refer to note 45 for information on assets pledged as securities by the Group.

During the year ended 31 December 2021, the Group recognised net impairment loss of approximately RMB295 million (2020: RMB121 million) and utilised provision for impairment of approximately RMB317 million (including provision for impairment of RMB173 million as transferred from properties under development), as the Group sold the relevant properties held for sale in 2021 (2020: RMB106 million), which are included in “cost of sales” (note 6).

28 CONTRACT COSTS

The Group has recognised an asset in relation to costs to obtain the property sales contracts.

	2021 RMB'000	2020 RMB'000
Assets recognised from costs incurred to obtain a contract at 31 December	1,201,153	597,440
Amortisation recognised as selling expenses during the year	<u>(956,455)</u>	<u>(619,380)</u>

Management expects the incremental costs, primarily sale commission, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. Management has concluded that there was no impairment loss in relation to the costs capitalised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables from contracts with customers	164,078	198,104
Less: loss allowance	<u>(38,293)</u>	<u>(36,267)</u>
	<u><u>125,785</u></u>	<u><u>161,837</u></u>

Due to the short-term nature of the current receivable, their carrying amount is considered to be the same as their fair value.

The Group's credit period of the trade receivables is 90 days from the date of invoice. As at 31 December 2021 and 2020, the ageing analysis of the trade receivables from the invoice date is as follows:

	2021 RMB'000	2020 RMB'000
Up to 1 year	135,490	171,933
1 to 2 years	13,071	13,318
2 to 3 years	6,712	4,044
Over 3 years	<u>8,805</u>	<u>8,809</u>
	<u><u>164,078</u></u>	<u><u>198,104</u></u>

As at 31 December 2021, a provision of approximately RMB38 million (2020: RMB36 million) was made against the gross amount of trade receivable. The Group's trade receivables are mainly denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2021 RMB'000	2020 RMB'000
Amounts due from NCI and related parties of NCI (note (a))	5,404,527	4,798,794
Amounts due from related parties (note 48(c) and note (b))	12,948,492	3,407,816
Deposits	774,966	1,201,882
Other receivables	4,381,131	4,412,604
	<u>23,509,116</u>	<u>13,821,096</u>
Prepaid value-added taxes and other taxes	1,525,054	744,745
Prepayments	275,077	539,012
	<u>25,309,247</u>	<u>15,104,853</u>

Notes:

- (a) Out of the total amount of approximately RMB5,405 million (2020: RMB4,799 million), the interest bearing balance amounted to approximately RMB816 million (2020: RMB239 million) as at 31 December 2021 which bears interest at the rates ranging from 0.35% to 4.35% (2020: from 0.35% to 4.35%) per annum. The balance is receivable on demand. The Group's other receivable, prepayments and deposits are mainly denominated in RMB.
- (b) An amount of RMB3,532 million is due from Yuexiu REIT, which arose from the disposal of Gain Force and its subsidiaries to Yuexiu REIT (note 20(a)).

31 CHARGED BANK DEPOSITS

In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank certain amount of pre-sale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for purchase of construction materials and settlement of construction fees of the relevant property projects. Such guarantee deposits will only be released after completion of related pre-sold properties or issuance of the real estate ownership certificate, whichever is the earlier.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
Cash at bank	32,727,277	28,195,553
Short-term bank deposits	39,178	18,148
	<u>32,766,455</u>	<u>28,213,701</u>

Cash and cash equivalents are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
HKD	2,051,652	1,198,046
RMB	30,517,567	26,510,384
USD	190,003	497,867
Others	7,233	7,404
	<u>32,766,455</u>	<u>28,213,701</u>

The Group's RMB balances are placed with banks in China. The conversion of these RMB denominated balances into foreign currencies in China is subject to rules and regulations of foreign exchange control promulgated by the Chinese Government.

The average effective interest rate on short-term bank deposits was 1 percent (2020: 1 percent).

The Group's bank deposits are mainly placed with major state-owned financial institutions.

33 TRADE AND NOTE PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	394,758	597,559
Note payables	1,218,084	1,658,147
	<u>1,612,842</u>	<u>2,255,706</u>

The fair values of trade and note payables approximate their carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 TRADE AND NOTE PAYABLES (Continued)

The ageing analysis of the trade and note payables is as follows:

	2021 RMB'000	2020 RMB'000
0–30 days	663,944	746,187
31–90 days	305,863	508,680
91–180 days	302,893	716,632
181–365 days	310,792	261,142
1–2 years	9,338	13,331
Over 2 years	20,012	9,734
	1,612,842	2,255,706

Majority of the Group's trade and note payables are denominated in RMB.

34 CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Contract liabilities	73,177,086	54,201,054

- (a) Revenue recognised in 2021 that was included in the contract liabilities balance at 31 December 2020 is approximately RMB26,556 million (2020: RMB25,640 million).
- (b) For sales of properties, the Group receives payments from customers based on billing schedules as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties. The increase in contract liabilities was mainly attributable to the increase in the Group's contracted sales.
- (c) For property management services contracts, the Group recognised revenue equals to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance obligations for these types of contracts. The majority of the property management service contracts do not have a fixed term.
- (d) For other contracts, as a practical expedient, the Group needs not to disclose transaction price allocated to the remaining performance obligation as the performance obligation is part of a contract that has an original expected duration of one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 OTHER PAYABLES AND ACCRUED CHARGES

	2021 RMB'000	2020 RMB'000
Amounts due to related parties (note 48(c))	25,962,998	25,039,876
Accrual for construction related costs	23,286,386	18,900,133
Amounts due to NCI and related parties of NCI (note (a))	8,124,671	4,229,978
Payables under supplier settlement scheme	4,148,013	1,162,334
Accrued employee benefits costs	1,647,752	1,416,624
Payables for value added tax payables and other taxes	3,975,305	3,269,195
Other payables	4,052,292	3,374,914
	71,197,417	57,393,054
Less: non-current proportion of amounts due to related parties, NCI and related parties of NCI	(4,024,033)	(8,157,232)
	67,173,384	49,235,822

Note:

- (a) Out of the total amount of approximately RMB8,125 million (2020: RMB4,230 million), the interest bearing balance amounted to approximately RMB3,856 million (2020: RMB2,214 million) as at 31 December 2021 which bears interest at a weighted average rate of 6.95% (2020: 6.74%) per annum. Except for an amount approximately RMB2,708 million which is payable from 2023 to 2025 (31 December 2020: RMB1,914 million is payable from 2022 to 2025), the remaining balance is repayable on demand.

Majority of the Group's other payables and accrued charges are denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 BORROWINGS

	2021 RMB'000	2020 RMB'000
Non-current		
Long-term bank borrowings		
– Secured	6,189,243	12,393,831
– Unsecured	17,170,766	10,600,691
Other borrowings (a)		
– Secured	–	187,500
– Unsecured	22,372,311	28,081,094
	45,732,320	51,263,116
Current		
Bank overdrafts	30	32
Short-term bank borrowings		
– Unsecured	1,431,411	90,378
Current portion of long-term bank borrowings		
– Secured	4,952,137	372,968
– Unsecured	6,291,103	5,513,953
Other borrowings (a)		
– Secured	377,170	586,160
– Unsecured	16,749,993	10,012,753
	29,801,844	16,576,244
Total borrowings	75,534,164	67,839,360

(a) Other borrowings

	2021 RMB'000	2020 RMB'000
PRC corporate bonds (i)	15,476,747	15,473,381
Medium term notes (ii)	12,682,037	12,991,472
Private placement note (iii)	1,798,520	1,797,994
Trust loans	9,542,170	8,604,660
Total other borrowings	39,499,474	38,867,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 BORROWINGS (Continued)

(a) Other borrowings (Continued)

(i) PRC corporate bonds

In 2016, the Group issued aggregated nominal value of RMB8,000 million corporate bonds with interest rates ranging from 2.95% to 3.19% per annum and with maturity between 3 years to 7 years. The net proceed, after deducting the issuance costs, amounted to approximately RMB7,968 million. An aggregated principal amount of RMB5,000 million has matured and the Group redeemed RMB500 million corporate bonds in 2021 prior to the maturity date. The remaining balance of corporate bond with interest rate at 3.80% will mature in August 2022.

In 2018, the Group issued aggregated nominal value of RMB1,500 million corporate bonds with interest rates ranging from 4.24% to 4.25% per annum and with maturity between 3 years to 5 years. The net proceed, after deducting the issuance costs, amounted to approximately RMB1,494 million. An amount of RMB800 million corporate bonds have matured in 2021. The Group redeemed RMB700 million corporate bonds in 2021 prior to the maturity date.

In 2019, the Group issued aggregated nominal value of RMB5,500 million corporate bonds with interest rates ranging from 3.60% to 3.93% per annum and with maturity between 3 years to 5 years. The net proceed, after deducting the issuance costs, amounted to approximately RMB5,479 million.

In 2020, the Group issued aggregated nominal value of RMB1,500 million corporate bonds with interest rates of 3.13% per annum and with maturity of 5 years. The net proceed, after deducting the issuance costs, amounted to RMB1,494 million.

In 2021, the Group issued aggregated nominal value of RMB6,000 million corporate bonds with interest rates of 3.17% to 3.55% per annum and with maturity of 5 years to 7 years. The net proceed, after deducting the issuance costs, amounted to RMB5,995 million.

Except for the PRC corporate bonds amounting to RMB4,447 million, other PRC corporate bonds contain the early redemption options, which means the Group shall be entitled to adjust the coupon rate whereas the investors shall be entitled to sell back in whole or in part the bonds.

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the early redemption options was insignificant as at 31 December 2021 and 2020.

Guangzhou Yue Xiu, the ultimate holding company, provides guarantee for all the above corporate bonds (note 48(e)).

(ii) Medium term notes

In 2013, the Group issued medium-term notes of USD500 million with an interest rate of 4.50% per annum and with maturity in 2023.

In 2014, the Group issued medium term notes of HKD2,300 million with an interest rate of 6.10% per annum and with maturity in 2029.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 BORROWINGS (Continued)

(a) Other borrowings (Continued)

(ii) Medium term notes (Continued)

In 2018, the Group issued medium term notes of USD1,200 million with interest rates ranging from 4.875% to 5.375% per annum and with maturity between 2021 to 2023. The net proceed, after deducting the issuance costs, amounted to approximately USD1,191 million. An amount of USD800 million medium term notes have matured in 2021.

In 2021, the Group issued aggregated nominal value of USD800 million corporate bonds with interest rates of 2.80% to 3.80% per annum and with maturity of 5 to 10 years. The net proceed, after deducting the issuance costs, amounted to USD798 million.

(iii) Private placement note

In 2019, the Group issued aggregated nominal value of RMB1,800 million private placement note with interest rates of 4.03% per annum and with maturity of 5 years. The net proceed, after deducting the issuance costs, amounted to approximately RMB1,797 million.

The maturity of borrowings is as follows:

	Bank borrowings and overdrafts		Other loans	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Within one year	12,674,681	5,977,331	17,127,163	10,598,913
In the second year	6,986,723	12,839,679	8,725,019	5,962,989
In the third to fifth year	15,073,520	7,172,868	10,827,204	20,384,948
Over five years	1,299,766	2,981,975	2,820,088	1,920,657
	<u>36,034,690</u>	<u>28,971,853</u>	<u>39,499,474</u>	<u>38,867,507</u>

The fair value of the Group's non-current borrowings approximates their carrying amounts at each of the balance sheet date for the reason that the impact of discounting is not significant or the borrowings carry floating rate of interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 BORROWINGS (Continued)

(a) Other borrowings (Continued)

(iii) Private placement note (Continued)

The effective interest rates at the balance sheet date were as follows:

	2021			2020		
	HKD	RMB	USD	HKD	RMB	USD
Bank borrowings	1.32%	4.59%	-	2.82%	4.86%	-
Other borrowings	6.10%	4.26%	3.99%	5.53%	4.51%	4.88%
Bank overdrafts	5.89%	-	-	6.03%	-	-

The carrying amounts of the borrowings are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
HKD	10,661,161	8,191,343
RMB	54,058,411	48,576,306
USD	10,814,592	11,071,711
	<u>75,534,164</u>	<u>67,839,360</u>

37 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has the following derivative financial instruments:

	2021 RMB'000	2020 RMB'000
Current liabilities		
Foreign currency forwards contracts – cash flow hedges	-	358,703
Total current derivative financial instrument liabilities	<u>-</u>	<u>358,703</u>
Non-current liabilities		
Capped forward foreign exchange contracts	37,402	14,451
Foreign currency forwards – cash flow hedges	374,197	147,073
Total non-current derivative financial instrument liabilities	<u>411,599</u>	<u>161,524</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(i) Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as “held for trading” for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period. The Group’s accounting policy for its cash flow hedges is set out in note 2.14. Further information about the derivatives used by the Group is provided in note 3.1(a).

(ii) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 3.3(a).

(iii) Hedging reserves

The Group’s hedging reserves disclosed in note 40 relate to the following hedging instruments:

	Cash flow hedge reserve		
	Cost of hedging reserve RMB'000	Spot component of currency forwards RMB'000	Total hedge reserves RMB'000
As at 1 January 2020	45,737	5,064	50,801
Add: Change in fair value of hedging instrument recognised in OCI for the year	–	(604,395)	(604,395)
Add: Costs of hedging deferred and recognised in OCI	58,974	–	58,974
Less: Reclassified from OCI to profit or loss	30,741	626,656	657,397
As at 31 December 2020	<u>135,452</u>	<u>27,325</u>	<u>162,777</u>
As at 1 January 2021	135,452	27,325	162,777
Add: Change in fair value of hedging instrument recognised in OCI for the year	–	(115,980)	(115,980)
Add: Costs of hedging deferred and recognised in OCI	(130,421)	–	(130,421)
Less: Reclassified from OCI to profit or loss	62,747	127,479	190,226
As at 31 December 2021	<u>67,778</u>	<u>38,824</u>	<u>106,602</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(iv) Amounts recognised in profit or loss

In addition to the amounts disclosed in the reconciliation of hedging reserves above, the following amounts were recognised in profit or loss in relation to derivatives:

	2021 RMB'000	2020 RMB'000
Net loss on foreign currency forward not qualifying as hedges included in financial costs (note 9)	<u>(22,950)</u>	<u>(39,985)</u>

38 SHARE CAPITAL

	Number of shares 2021 (‘000)	Number of shares 2020 (‘000)	Share capital 2021 RMB'000	Share capital 2020 RMB'000
As at 1 January	15,482,280	15,482,280	18,035,015	18,035,015
Share Consolidation (note)	<u>(12,385,824)</u>	–	–	–
As at 31 December	<u>3,096,456</u>	<u>15,482,280</u>	<u>18,035,015</u>	<u>18,035,015</u>

Note:

On 10 June 2021, every five issued existing shares of the Company were consolidated into one share of the Company and the number of Consolidated Shares was rounded down to the nearest whole number by disregarding each and every fractional Consolidated Share which would otherwise arise.

39 SHARES HELD UNDER SHARE AWARD SCHEME

Adoption of the share award scheme

The share award scheme for employees of the Group was adopted by the Board of the Company on 17 March 2017 (the “Adoption Date”). The share award scheme shall be valid and effective for nine years commencing from the Adoption Date (the “Scheme Period”), subject to any early termination as may be determined by the Board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 SHARES HELD UNDER SHARE AWARD SCHEME (Continued)

Scheme Limit

The total number of shares awarded under the share award scheme shall not exceed 3% (the “Scheme Limit”) of the number of shares in issue as at the Adoption Date, and the Board may from time to time “refresh” the Scheme Limit provided that the total number of scheme shares awarded and to be awarded must not exceed 5% of the number of shares in issue as at the date of the resolution to approve the “refreshed” limit.

Operation

Pursuant to the scheme rules of the share award scheme (the “Scheme Rules”), the Board of the Company may from time to time at its absolute discretion select any employee to be a selected senior management participant and determine and allocate the number of shares to be granted to a selected participant pursuant to an award in accordance with the Scheme Rules. The Company has entered into a trust deed with the trustee (the “Trustee”) for implementing the share award scheme. The Group will pay to the Trustee the purchase monies for the purchase of shares for the purpose of the share award scheme, and the Trustee shall apply the full amount of such purchase monies received from the Group towards the purchase of the maximum number of shares from the market and shall hold such shares on trust during the Scheme Period.

	2021 Number of shares (‘000)	2020 Number of shares (‘000)	2021 Cost of acquired shares RMB’000	2020 Cost of acquired shares RMB’000
Shares held under share award scheme	(30,720)	(85,272)	(193,282)	(121,282)

These shares are acquired from the market by the Group’s Employee Share Trust under the share award scheme.

	Number of shares (‘000)	Cost of acquired shares RMB’000
At 1 January 2020	(56,571)	(81,577)
Acquisition of shares by the Trust	(52,124)	(72,366)
Shares granted to employees	23,423	32,661
At 31 December 2020	(85,272)	(121,282)
At 1 January 2021	(85,272)	(121,282)
Share Consolidation (note 38)	68,218	–
Shares after Share Consolidation	(17,054)	(121,282)
Acquisition of shares by the Trust	(20,670)	(121,528)
Shares granted to employees	7,004	49,528
At 31 December 2021	(30,720)	(193,282)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 SHARES HELD UNDER SHARE AWARD SCHEME (Continued)

Operation (Continued)

The weighted average price of awarded shares held during the year ended 31 December 2021 was approximately RMB6.29 (2020: RMB7.11 on the assumption that the Share Consolidation had been effective in prior year) per share.

During 2021, with the Share Consolidation, the number of shares held under the share award scheme was consolidated to 17,054,483 shares. 7,004,000 shares were granted to the relevant selected participants during the year ended 31 December 2021 (2020: 23,423,104 shares, equivalent to 4,684,621 shares as if the Share Consolidation had been effective in prior year). As at 31 December 2021, the total number of issued ordinary shares of the Company included 30,720,421 (2020: 85,272,416, equivalent to 17,054,483 as if the Share Consolidation had been effective in prior year) shares held under the share award scheme.

40 RESERVES

	Statutory reserves (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Financial assets at FVOCI (note (b)) RMB'000	Hedging reserve RMB'000	Others RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2021	1,104,691	(508,583)	758,427	162,777	(291,673)	24,608,285	25,833,924
Currency translation differences	-	(73,275)	-	-	-	-	(73,275)
Change in fair value of equity investment at FVOCI							
- gross	-	-	(203,223)	-	-	-	(203,223)
- tax	-	-	50,806	-	-	-	50,806
- effect of withholding tax	-	-	12,955	-	-	-	12,955
Losses on cash flow hedges	-	-	-	(115,980)	-	-	(115,980)
Costs of hedging	-	-	-	(130,421)	-	-	(130,421)
Hedging losses reclassified to profit or loss	-	-	-	190,226	-	-	190,226
Profit attributable to shareholders	-	-	-	-	-	3,588,929	3,588,929
Dividends paid	-	-	-	-	-	(1,647,758)	(1,647,758)
Capital injection by non-controlling interests	-	-	-	-	888,154	-	888,154
Transfer to appropriation	712,482	-	-	-	-	(712,482)	-
At 31 December 2021	<u>1,817,173</u>	<u>(581,858)</u>	<u>618,965</u>	<u>106,602</u>	<u>596,481</u>	<u>25,836,974</u>	<u>28,394,337</u>
Representing:							
2021 final dividend proposed						820,561	
Others						<u>25,016,413</u>	
						<u>25,836,974</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 RESERVES (Continued)

	Statutory reserves (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Financial assets at FVOCI (note (b)) RMB'000	Hedging reserve RMB'000	Others RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2020	728,636	(708,415)	788,000	50,801	(291,673)	22,202,721	22,770,070
Currency translation differences	-	199,832	-	-	-	-	199,832
Change in fair value of equity investment at FVOCI							
- gross	-	-	(43,093)	-	-	-	(43,093)
- tax	-	-	10,773	-	-	-	10,773
- effect of withholding tax	-	-	2,747	-	-	-	2,747
Losses on cash flow hedges	-	-	-	(604,395)	-	-	(604,395)
Costs of hedging	-	-	-	58,974	-	-	58,974
Hedging losses reclassified to profit or loss	-	-	-	657,397	-	-	657,397
Profit attributable to shareholders	-	-	-	-	-	4,247,860	4,247,860
Dividends paid	-	-	-	-	-	(1,466,241)	(1,466,241)
Transfer to appropriation	376,055	-	-	-	-	(376,055)	-
	<u>1,104,691</u>	<u>(508,583)</u>	<u>758,427</u>	<u>162,777</u>	<u>(291,673)</u>	<u>24,608,285</u>	<u>25,833,924</u>
At 31 December 2020							
Representing:							
2020 final dividend proposed						820,561	
Others						<u>23,787,724</u>	
						<u>24,608,285</u>	

Notes:

(a) Statutory reserves

Statutory reserves represent enterprise expansion and general reserve funds set up by the subsidiaries in China. As stipulated by regulations in China, the Company's subsidiaries, joint ventures and associates established and operated in China are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective boards of directors. According to the Regulations for the Implementation of the Law of The People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, upon approval, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion funds may be used for increasing capital only.

(b) Financial asset at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 2.11. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable income tax rate. The majority of the deferred tax assets and liabilities are expected to be recovered after more than 12 months.

The movements on net deferred tax liabilities are as follows:

	2021 RMB'000	2020 RMB'000
Beginning of the year	5,964,061	6,245,887
Credit to profit or loss during the year (note 10)	(436,507)	(256,489)
Disposal of subsidiaries	(1,457,015)	–
Acquisition of a subsidiary	–	(21,235)
Deferred taxation charged to equity (note 10)	(66,435)	(14,088)
Exchange differences	637	9,986
End of the year	<u>4,004,741</u>	<u>5,964,061</u>

The movements in deferred tax assets (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Interest capitalisation and others RMB'000	Provision for impairment of properties RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2021	440,500	167,986	777,619	1,386,105
Credited to profit or loss during the year	<u>253,052</u>	<u>204,259</u>	<u>198,778</u>	<u>656,089</u>
At 31 December 2021	<u>693,552</u>	<u>372,245</u>	<u>976,397</u>	<u>2,042,194</u>
At 1 January 2020	288,361	107,332	500,228	895,921
Acquisition of subsidiaries	–	–	21,235	21,235
Credited to profit or loss during the year	<u>152,139</u>	<u>60,654</u>	<u>256,156</u>	<u>468,949</u>
At 31 December 2020	<u>440,500</u>	<u>167,986</u>	<u>777,619</u>	<u>1,386,105</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 DEFERRED TAXATION (Continued)

The movements in deferred tax liabilities (prior to offsetting of balances within the same jurisdiction), during the year are as follows:

	Revaluation of properties RMB'000	Revaluation of financial assets at FVOCI RMB'000	Interest capitalisation RMB'000	Withholding tax on profit to be distributed in future RMB'000	Total RMB'000
At 1 January 2021	4,798,414	292,461	–	2,259,291	7,350,166
Exchange differences	637	–	–	–	637
(Credited)/charged to profit or loss during the year	(139,208)	–	219,270	139,520	219,582
Credited to reserves	–	(53,480)	–	(12,955)	(66,435)
Disposal of subsidiaries	(1,457,015)	–	–	–	(1,457,015)
At 31 December 2021	<u>3,202,828</u>	<u>238,981</u>	<u>219,270</u>	<u>2,385,856</u>	<u>6,046,935</u>
At 1 January 2020	5,024,988	303,802	–	1,813,018	7,141,808
Exchange differences	9,986	–	–	–	9,986
(Credited)/charged to profit or loss during the year	(236,560)	–	–	449,020	212,460
Credited to reserves	–	(11,341)	–	(2,747)	(14,088)
At 31 December 2020	<u>4,798,414</u>	<u>292,461</u>	<u>–</u>	<u>2,259,291</u>	<u>7,350,166</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 DEFERRED TAXATION (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown on the consolidated balance sheet:

	2021 RMB'000	2020 RMB'000
Deferred tax assets	2,042,194	1,386,105
Set-off of deferred tax liabilities pursuant to set-off provisions	<u>(91,792)</u>	<u>(216,124)</u>
	1,950,402	1,169,981
Deferred tax liabilities	(6,046,935)	(7,350,166)
Set-off of deferred tax liabilities pursuant to set-off provisions	<u>91,792</u>	<u>216,124</u>
	(5,955,143)	(7,134,042)
Deferred income tax liabilities, net	<u>(4,004,741)</u>	<u>(5,964,061)</u>

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxation profits is probable. As at 31 December 2021, the Group had unrecognised deferred tax benefits of approximately RMB748 million (2020: RMB652 million) in respect of tax losses of approximately RMB3,441 million (2020: RMB3,056 million). Tax losses amounting to RMB2,128 million (2020: RMB1,743 million) will expire at various dates up to and including 2026 (2020: 2025). The remaining tax losses have no expiry date.

42 NON-CANCELLABLE OPERATING LEASES

At 31 December 2021, the Group had future minimum rental payments receivable under certain non-cancellable leases as follows:

	2021 RMB'000	2020 RMB'000
Not later than one year	341,323	479,725
Later than one year and not later than five years	842,609	481,813
Later than five years	<u>194,319</u>	<u>113,742</u>
	<u>1,378,251</u>	<u>1,075,280</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 CAPITAL COMMITMENTS

	2021 RMB'000	2020 RMB'000
Capital commitments in respect of property, plant and equipment:		
Contracted but not provided for	-	45,429
Authorised but not contracted for	-	15,487
	-	60,916
	-	60,916

44 GUARANTEES

	2021 RMB'000	2020 RMB'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note (a))	29,521,899	32,036,004
Guarantee for banking and loan facility granted to associates (note (b))	4,766,454	1,125,228
Guarantees for banking and loan facilities granted to joint ventures (note (b))	3,599,200	2,281,820
	37,887,553	35,443,052

Notes:

- (a) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.
- (b) As at 31 December 2021, certain subsidiaries of the Group provided guarantees up to a limit of approximately RMB8,366 million (2020: RMB3,407 million) in respect of loans borrowed by joint ventures and associates of the Group, among which guarantees of approximately RMB3,953 million (2020: RMB1,077 million) were utilised and guarantees of approximately RMB4,413 million (2020: RMB2,330 million) were not utilised yet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 SECURITIES FOR BANKING FACILITIES

At 31 December 2021, certain banking facilities and loans granted to the Group were secured by:

- (a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties and property, plant and equipment with aggregate carrying values of approximately RMB18,817 million (2020: RMB23,140 million), RMB1,787 million (2020: nil), RMB364 million (2020: RMB6,691 million) and RMB706 million (2020: RMB706 million) respectively; and
- (b) mortgages of certain of the Group's right-of-use assets with an aggregate carrying value is RMB7 million (2020: RMB7 million).

46 LIABILITIES FROM FINANCING ACTIVITIES

	Borrowings due within 1 year (excluding overdraft) RMB'000	Borrowings due after 1 year RMB'000	Derivative financial instruments RMB'000	Payables under supplier settlement scheme RMB'000	Lease liabilities RMB'000	Other payables RMB'000	Total RMB'000
Liabilities from financing activities as at 1 January 2021	(16,576,212)	(51,263,116)	(520,227)	(1,162,334)	(717,686)	(29,200,061)	(99,439,636)
Financing cash flows	10,750,343	(18,969,287)	385,397	1,150,691	227,502	(4,021,966)	(10,477,320)
Foreign exchange adjustments	136,952	428,605	-	-	-	-	565,557
Transfer between borrowings due within 1 year and after 1 year	(24,077,660)	24,077,660	-	-	-	-	-
New leases	-	-	-	-	(365,509)	-	(365,509)
Amortisation of lease liabilities	-	-	-	-	(25,607)	-	(25,607)
Acquisition of subsidiaries	-	-	-	-	(4,795)	(805,523)	(810,318)
Disposal of a subsidiary	-	51,563	-	-	-	177,275	228,838
Changes in fair values	-	-	(271,566)	-	-	-	(271,566)
Other changes (a)	(35,237)	(57,745)	(5,203)	(4,136,370)	14,892	(237,394)	(4,457,057)
Liabilities from financing activities as at 31 December 2021	<u>(29,801,814)</u>	<u>(45,732,320)</u>	<u>(411,599)</u>	<u>(4,148,013)</u>	<u>(871,203)</u>	<u>(34,087,669)</u>	<u>(115,052,618)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 LIABILITIES FROM FINANCING ACTIVITIES (Continued)

	Borrowings due within 1 year (excluding overdraft) RMB'000	Borrowings due after 1 year RMB'000	Derivative financial instruments RMB'000	Payables under supplier settlement scheme RMB'000	Lease liabilities RMB'000	Other payables RMB'000	Total RMB'000
Liabilities from financing activities as at 1 January 2020	(7,137,982)	(63,883,633)	(1,347)	-	(678,207)	(27,970,602)	(99,671,771)
Financing cash flows	6,597,656	(4,833,940)	-	-	227,802	2,727,310	4,718,828
Foreign exchange adjustments	113,629	1,419,108	-	-	-	-	1,532,737
Transfer between borrowings due within 1 year and after 1 year	(16,081,981)	16,081,981	-	-	-	-	-
New leases	-	-	-	-	(235,290)	-	(235,290)
Amortisation of lease liabilities	-	-	-	-	(29,414)	-	(29,414)
Acquisition of subsidiaries	-	(20,000)	-	-	(2,577)	(3,674,635)	(3,697,212)
Changes in fair values	-	-	(518,880)	-	-	-	(518,880)
Other changes (a)	(67,534)	(26,632)	-	(1,162,334)	-	(282,134)	(1,538,634)
Liabilities from financing activities as at 31 December 2020	<u>(16,576,212)</u>	<u>(51,263,116)</u>	<u>(520,227)</u>	<u>(1,162,334)</u>	<u>(717,686)</u>	<u>(29,200,061)</u>	<u>(99,439,636)</u>

Note:

- (a) Other changes include non-cash movements, mainly including accrued interest expense, payables occurred under supplier settlement scheme and amounts due to related parties offset by dividend received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 NON-CONTROLLING INTERESTS

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet	廣州宏勝 房地產開發有限公司		廣州東耀 房地產開發有限公司		海南白馬 建設開發有限公司	
	31 December 2021 RMB'000	31 December 2020 RMB'000	31 December 2021 RMB'000	31 December 2020 RMB'000	31 December 2021 RMB'000	31 December 2020 RMB'000
	Current assets	10,340,747	10,552,694	9,990,950	8,400,211	12,016
Current liabilities	2,787,321	3,810,588	5,926,391	2,603,388	3,034,439	2,360,446
Current net assets/(liabilities)	7,553,426	6,742,106	4,064,559	5,796,823	(3,022,423)	(2,347,587)
Non-current assets	23,450	22,064	188,464	188,822	4,064,105	4,044,112
Non-current liabilities	317,619	533,275	98,729	1,912,138	617,000	1,103,210
Non-current net (liabilities)/assets	(294,169)	(511,211)	89,735	(1,723,316)	3,447,105	2,940,902
Net assets	7,259,257	6,230,895	4,154,294	4,073,507	424,682	593,315
Accumulated NCI	3,559,617	3,055,354	2,081,691	2,041,209	207,785	290,292

Summarised statement of comprehensive income	廣州宏勝 房地產開發有限公司		廣州東耀 房地產開發有限公司		海南白馬 建設開發有限公司	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
	Revenue	8,301,271	3,132,472	104,970	1,874,554	-
Profit/(loss) for the year	1,028,361	305,284	80,787	222,001	(168,632)	(114,053)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/(loss)	1,028,361	305,284	80,787	222,001	(168,632)	(114,053)
Profit/(loss) allocated to NCI	504,263	149,698	40,482	111,243	(82,507)	(55,803)
Dividends paid to NCI	-	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 NON-CONTROLLING INTERESTS (Continued)

Summarised cash flows	廣州宏勝 房地產開發有限公司		廣州東耀 房地產開發有限公司		海南白馬 建設開發有限公司	
	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities	5,232,246	1,723,949	1,814,763	2,562,824	(57,878)	(231,385)
Cash flows from investing activities	(1,817,881)	–	(759,009)	–	(890)	–
Cash flows from financing activities	(2,783,215)	(1,081,070)	(740,234)	(2,046,302)	58,848	225,456
Net increase/(decrease) in cash and cash equivalents	631,150	642,879	315,520	516,522	80	(5,929)

Summarised balance sheet	廣州市品秀 房地產開發有限公司		廣州市品悅 房地產開發有限公司		廣州市品菁 房地產開發有限公司	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	17,489,869	15,898,011	9,198,294	11,292,827	9,635,303	9,641,877
Current liabilities	10,242,910	8,431,825	9,236,199	8,901,755	7,346,856	5,330,221
Current net assets	7,246,959	7,466,186	(37,905)	2,391,072	2,288,447	4,311,656
Non-current assets	2,078,217	3,150,159	2,267,423	2,027,254	2,075,677	1,951,876
Non-current liabilities	2,313,409	3,214,906	336,802	3,248,776	606,173	2,711,009
Non-current net (liabilities)/assets	(235,192)	(64,747)	1,930,621	(1,221,522)	1,469,504	(759,133)
Net assets	7,011,767	7,401,439	1,892,716	1,169,550	3,757,951	3,552,523
Accumulated NCI	979,782	1,034,232	926,444	572,470	1,840,817	1,740,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 NON-CONTROLLING INTERESTS (Continued)

Summarised statement of comprehensive income	廣州市品秀 房地產開發有限公司		廣州市品悅 房地產開發有限公司		廣州市品薈 房地產開發有限公司	
	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,543,093	2,088,137	4,123,933	827,655	1,257,090	-
(Loss)/profit for the year	(389,672)	(171,741)	723,166	(60,025)	205,427	(159,037)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss)/income	(389,672)	(171,741)	723,166	(60,025)	205,427	(159,037)
(Loss)/profit allocated to NCI	(54,450)	(23,998)	353,974	(29,381)	100,628	(77,904)
Dividends paid to NCI	-	-	-	-	-	-

Summarised cash flows	廣州市品秀 房地產開發有限公司		廣州市品悅 房地產開發有限公司		廣州市品薈 房地產開發有限公司	
	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities	2,619,744	2,392,743	3,919,465	1,300,005	2,408,292	390,076
Cash flows from investing activities	(1,069,151)	-	1,067,839	-	429,936	-
Cash flows from financing activities	(1,483,670)	(1,758,920)	(4,631,311)	(857,584)	(2,741,570)	(198,960)
Net (decrease)/increase in cash and cash equivalents	66,923	633,823	355,993	442,421	96,658	191,116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 NON-CONTROLLING INTERESTS (Continued)

Summarised balance sheet	廣州市品輝 房地產開發有限公司		廣州市品冠 房地產開發有限公司	
	31 December 2021 RMB'000	31 December 2020 RMB'000	31 December 2021 RMB'000	31 December 2020 RMB'000
	Current assets	9,569,262	7,143,463	5,540,961
Current liabilities	5,541,707	2,485,597	2,709,665	1,666,218
Current net assets	4,027,555	4,657,866	2,831,296	3,181,924
Non-current assets	23,740	11,964	12,124	9,247
Non-current liabilities	662,637	1,246,395	585,214	924,777
Non-current net liabilities	(638,897)	(1,234,431)	(573,090)	(915,530)
Net assets	3,388,658	3,423,435	2,258,206	2,266,394
Accumulated NCI	1,734,412	1,752,212	1,158,655	1,162,856

Summarised statement of comprehensive income	廣州市品輝 房地產開發有限公司		廣州市品冠 房地產開發有限公司	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
	Revenue	-	-	-
Loss for the year	(34,777)	(9,263)	(8,188)	(8,685)
Other comprehensive income	-	-	-	-
Total comprehensive income	(34,777)	(9,263)	(8,188)	(8,685)
Loss allocated to NCI	(17,800)	(4,753)	(4,201)	(4,456)
Dividends paid to NCI	-	-	-	-

Summarised cash flows	廣州市品輝 房地產開發有限公司		廣州市品冠 房地產開發有限公司	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
	Cash flows from operating activities	3,380,997	614,916	1,393,237
Cash flows from investing activities	(826,141)	-	(90,015)	-
Cash flows from financing activities	(2,131,843)	113,848	(1,097,571)	63,203
Net increase/(decrease) in cash and cash equivalents	423,013	728,764	205,651	452,025

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's ultimate holding company is Guangzhou Yue Xiu Holdings Limited, which was incorporated in China. The table below summarises the names of related parties, with whom the Group has significant transactions during the year, and their relationship with the Company as at 31 December 2021:

Significant related parties	Relationship with the Company
Guangzhou Yue Xiu Holding Limited ("Guangzhou Yue Xiu")	Ultimate holding company
Yue Xiu Enterprises (Holdings) Limited ("YXE")	Immediate holding company
Guangzhou Metro Group Co., Ltd ("Guangzhou Metro")	A shareholder
Yuexiu REIT	An associate
杭州星日房地產開發有限公司 ("杭州星日")	An associate
廣州宏軒房地產開發有限公司 ("廣州宏軒")	An associate
廣州宏嘉房地產開發有限公司 ("廣州宏嘉")	An associate
廣州璟擘房地產開發有限公司 ("廣州璟擘")	An associate
廣州綠嶸房地產開發有限公司 ("廣州綠嶸")	An associate
廣州合錦嘉苑房地產開發有限公司 ("合錦嘉苑")	An associate
廣州樾然房地產開發有限公司 ("廣州樾然")	An associate
廣州越宏房地產開發遊俠公司 ("廣州越宏")	An associate
廣州裕秀房地產開發有限公司 ("廣州裕秀")	An associate
武漢錦秀嘉合置業有限公司 ("錦秀嘉合")	An associate
湖北宏秀文苑城市開發有限公司 ("湖北宏秀文苑")	An associate
長沙長越房地產開發有限公司 ("長沙長越")	An associate
成都人居興彭置業有限公司 ("成都人居")	A joint venture
濟南鵬遠置業有限公司 ("濟南鵬遠")	A joint venture
廣州廣宏房地產開發有限公司 ("廣州廣宏")	A joint venture
廣州智聯汽車小鎮投資發展有限公司 ("智聯汽車")	A joint venture
武漢崇鴻裕業房地產開發有限公司 ("武漢崇鴻")	A joint venture
成都人居興天府置業有限公司 ("成都興天府")	A joint venture
湖北宏秀房地產開發有限公司 ("湖北宏秀")	A joint venture
蘇州工業園區大正置業有限公司 ("蘇州大正")	A joint venture
東莞雋瑞房地產開發有限公司 ("東莞雋瑞")	A joint venture
Chong Hing Bank Limited ("CHB")	A fellow subsidiary
Guangzhou Yuexiu Financial Leasing Co., Ltd ("GYFL")	A fellow subsidiary
廣州越展資產經營管理有限公司 ("廣州越展")	A fellow subsidiary
Guangzhou Paper Group Ltd. ("Guangzhou Paper")	A fellow subsidiary
廣州水泥股份有限公司 ("廣州水泥")	A fellow subsidiary
Guangzhou City Construction & Development Holdings Co., Ltd. ("GCCD")	A fellow subsidiary
桐鄉市安豪投資管理有限公司 ("桐鄉安豪")	Entity with significant influence over certain subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

	2021 RMB'000	2020 RMB'000
(I) Interest income (note 8)		
– associates	147,653	90,995
– joint ventures	74,289	173,259
– a fellow subsidiary	42,812	22,965
	264,754	287,219
(II) Interest expense (note 9)		
– a shareholder	(337,028)	(587,784)
– immediate holding company	(172,833)	(91,894)
– associates	(18,896)	(32,393)
– an entity with significant influence over certain subsidiaries	(9,438)	(9,528)
– a fellow subsidiary	(5,246)	(538)
	(543,441)	(722,137)
(III) Addition of right-of-use assets		
– a fellow subsidiary	38,397	–
– an associate	10,179	4,941
	48,576	4,941
(IV) Interest expense on lease liabilities		
– fellow subsidiaries	(8,608)	(7,953)
– an associate	(1,947)	(4,281)
– immediate holding company	(65)	(191)
– a shareholder	(53)	–
	(10,673)	(12,425)
(V) Rental income		
– fellow subsidiaries	22,719	22,234
– ultimate holding company	289	–
	23,008	22,234

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

	2021 RMB'000	2020 RMB'000
(VI) Expense related to short-term leases		
– an associate	(42,927)	(46,577)
– a shareholder	(766)	–
	<u>(43,693)</u>	<u>(46,577)</u>
(VII) Repayment of lease liabilities		
– an associate	(81,161)	(73,591)
– fellow subsidiaries	(4,979)	(16,934)
– immediate holding company	(2,401)	(3,048)
– a shareholder	(1,888)	–
	<u>(90,429)</u>	<u>(93,573)</u>
(VIII) Loss on foreign currency forward		
– immediate holding company	(144,665)	(150,707)
– a fellow subsidiary	(25,715)	(394,714)
	<u>(170,380)</u>	<u>(545,421)</u>
(IX) Consideration for acquisitions of subsidiaries		
– ultimate holding company (note 19)	(2,292,786)	–
– immediate holding company	–	(5,318,788)
– a shareholder	–	(276,740)
	<u>(2,292,786)</u>	<u>(5,595,528)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

	2021 RMB'000	2020 RMB'000
(X) Others		
Consideration of disposal of subsidiaries to an associate (note 20)	<u>7,873,065</u>	<u>–</u>
Proceed from disposal of deferred units to immediate holding company	<u>–</u>	<u>196,111</u>
Tenancy service fees income from an associate	<u>24,966</u>	<u>23,804</u>
Naming right expense to an associate	<u>(20,000)</u>	<u>–</u>
Expenses on support arrangement to an associate	<u>–</u>	<u>(22,947)</u>
Proceeds from management service from a fellow subsidiary	<u>868</u>	<u>836</u>
Exchange loss on bank deposits from a fellow subsidiary	<u>(9,573)</u>	<u>(5,347)</u>
Management service income from a shareholder	<u>207,690</u>	<u>1,555</u>

The price of above transactions were determined in accordance with the terms agreed by the relevant contracting parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	Note	2021 RMB'000	2020 RMB'000
Amount due from recorded in current assets			
– associates	(i)	6,632,683	1,907,943
– joint ventures	(iv)	1,759,631	14,066
– related companies	(i), (ii)	20,049	39,805
– a fellow subsidiary	(i), (ii)	17,827	–
– entity with significant influence over certain subsidiaries	(i), (ii)	4,518,302	1,446,002
Amount due from recorded in non-current assets	(iii)		
– associates		2,018,795	1,112,005
– joint ventures		3,164,494	2,353,824
Amount due to			
– ultimate holding company	(i), (ii)	–	(6,251)
– immediate holding company	(i), (ii)	(5,639,367)	(3,602,107)
– associates	(ii), (v)	(12,952,084)	(10,509,040)
– joint ventures	(ii)	(3,183,133)	(3,221,819)
– related companies	(i), (ii)	(34,503)	(39,992)
– fellow subsidiaries	(i), (ii)	(480,029)	(478,333)
– a shareholder	(vi)	(3,450,363)	(6,968,253)
– entity with significant influence over certain subsidiaries	(ii), (vii)	(223,519)	(214,081)
Deposits in fellow subsidiaries	(viii)	3,028,159	2,095,410
Bank borrowing from a fellow subsidiary	(ix)	(153,600)	–
Borrowing due to ultimate holding company		(2,500,000)	–
Lease liabilities	(x)		
– immediate holding company		(31)	(3,149)
– associates		(12,619)	(67,385)
– a shareholder		(1,836)	–
– fellow subsidiaries		(201,269)	(158,828)
Accrual for construction cost payable to a shareholder	(xi)	–	(980,800)
Trade receivables from a shareholder	(xii)	59,868	58,103

Except for the amount denominated in HKD and USD listed below, other balance with related party are denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

	2021 RMB'000	2020 RMB'000
Denominated in HKD		
Amount due from a joint venture	19,736	104,991
Amount due to an associate	(217,062)	(202,738)
Amount due to a joint venture	–	(53,356)
Amount due to immediate holding company	(379,157)	(378,843)
Lease liabilities to immediate holding company	(31)	(3,149)
Bank deposit in a fellow subsidiary	583,865	11,749
Denominated in USD		
Bank deposit in a fellow subsidiary	3,162	460,096
Amount due to immediate holding company	–	(457,195)
Amount due from an associate	<u>573,813</u>	<u>617,688</u>

Notes:

- (i) These balances are unsecured, interest free and repayable or receivable on demand.
- (ii) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.
- (iii) These balances are included in interest in joint ventures and interest in associates. Except for the amount of approximately RMB1,158,992,000 and RMB18,000,000 (2020: RMB nil), which are unsecured and interest bearing at 8.00% and 10.00% per annum respectively, the remaining balances are unsecured and interest free.
- (iv) Except for an amount of approximately RMB65,083,000 (2020: RMB nil), which is unsecured and interest bearing at 8.50% per annum, the remaining balances are unsecured, interest free and receivable on demand.
- (v) Except for an amount of approximately RMB40,106,000 (2020: RMB40,720,000) which is unsecured and interest bearing at 9% per annum (2020: 9% per annum), and an amount of approximately RMB206,363,000 (2020: RMB353,868,000) which is unsecured and interest bearing at 4.31% (2020: 4.31%) per annum, the remaining balances are unsecured, interest free and repayable on demand.
- (vi) The balance of loan from a shareholder, Guangzhou Metro is approximately RMB3,227,347,000 as at 31 December 2021 (2020: RMB6,243,301,000), with an interest rate of 6.50% (2020: 6.50%) per annum is repayable from 2022 to 2025. The remaining balance is interest payable which is payable quarterly.
- (vii) Except for an amount of approximately RMB163,311,000 (2020: RMB163,311,000), which is unsecured and interest bearing at 5.70% (2020: 5.70%) per annum, the remaining balances are unsecured, interest free and receivable on demand.
- (viii) These balances are deposits maintained with fellow subsidiaries on normal commercial terms.
- (ix) These balances were unsecured and interest bearing at 4.54% per annum (2020: nil).
- (x) The Group leases office premises from an immediate holding company and associates and a fellow subsidiary. The monthly rents payable by the Group during the leasing terms are determined with reference to the prevailing market prices.
- (xi) The balance is payable to Guangzhou Metro for the project construction on normal commercial terms.
- (xii) The balance is receivable from Guangzhou Metro for the provision of property management services on normal commercial terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

The aggregate amounts of emoluments paid or payable to key management of the Group are as follows:

	2021 RMB'000	2020 RMB'000
Fees	1,312	1,229
Other emoluments:		
Basis salaries, housing allowances, other allowances and benefits in kind	27,009	29,578
Pension costs	600	15
	<u>28,921</u>	<u>30,822</u>

(e) Received guarantees

- (i) Guangzhou Yue Xiu provides corporate guarantee for the bond of Guangzhou City Construction & Development Co. Ltd ("GZCC"), a subsidiary of the Group, amounted to RMB15,477 million as at 31 December 2021 (2020: RMB15,473 million).
- (ii) Guangzhou Yue Xiu provides corporate guarantee for a bank loan of Wuhan Kangjing Industrial Investment Co., Ltd., a subsidiary of the Group, amounted to RMB440 million as at 31 December 2021 (2020: RMB1,500 million).
- (iii) GCCD provides corporate guarantee for a bank loan of Guangzhou City Construction & Development Group Nansha Co. Ltd, a subsidiary of the Group, amounted to RMB30 million as at 31 December 2021 (2020: RMB60 million).
- (iv) GCCD provides corporate guarantee for a bank loan of Wuhan Kangjing Industrial Investment Co., Ltd., a subsidiary of the Group, amounted to RMB16 million as at 31 December 2021 (2020: RMB16 million).
- (v) Guangzhou Paper provides corporate guarantee for a bank loan of Guangzhou Yuexiu Haiyiyuan Health Management Co., Ltd., a subsidiary of the Group, amounted to RMB28 million as at 31 December 2021 (2020: nil).

(f) Provision of guarantees

The Group provides guarantee for the borrowings of associates and joint ventures, see note 44.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49 COMPANY BALANCE SHEET

	2021 RMB'000	2020 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	6,415	6,653
Right-of-use assets	–	3,444
Investment properties	11,540	11,722
Interests in subsidiaries	35,824,596	37,268,019
Interest in associates	19,287	19,276
	35,861,838	37,309,114
Current assets		
Other receivables, prepayments and deposits	3,502,090	1,329
Dividend receivables	11,307,532	8,300,111
Cash and cash equivalents	1,092,537	1,291,422
	15,902,159	9,592,862
LIABILITIES		
Current liabilities		
Amounts due to subsidiaries	4,603,870	4,562,341
Amounts due to an immediate holding company	5,639,355	3,602,095
Other payables and accrued charges	258,164	251,491
Borrowings	1,381,744	–
Lease liabilities	–	2,368
Derivative financial instruments	–	358,703
	11,883,133	8,776,998
Net current assets	4,019,026	815,864
Total assets less current liabilities	39,880,864	38,124,978

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49 COMPANY BALANCE SHEET (Continued)

	2021 RMB'000	2020 RMB'000
Non-current liabilities		
Amount due to a subsidiary	19,809,801	19,441,513
Borrowings	490,560	–
Lease liabilities	–	1,933
Derivative financial instruments	411,599	161,524
	<u>20,711,960</u>	<u>19,604,970</u>
Net assets	<u>19,168,904</u>	<u>18,520,008</u>
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	18,035,015	18,035,015
Shares held under share award scheme	(193,282)	(121,282)
Reserves (note)	1,327,171	606,275
Total equity	<u>19,168,904</u>	<u>18,520,008</u>

On behalf of the Board

Lin Zhaoyuan
Director

Lin Feng
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49 COMPANY BALANCE SHEET (Continued)

Note:

Reserves

	Hedging reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2021	162,777	443,498	606,275
Profit for the year	–	2,424,829	2,424,829
Losses on cash flow hedges	(115,980)	–	(115,980)
Costs of hedging	(130,421)	–	(130,421)
Hedging losses reclassified to profit or loss	190,226	–	190,226
Dividends paid	–	(1,647,758)	(1,647,758)
At 31 December 2021	<u>106,602</u>	<u>1,220,569</u>	<u>1,327,171</u>
At 1 January 2020	50,801	1,085,620	1,136,421
Profit for the year	–	824,119	824,119
Losses on cash flow hedges	(604,395)	–	(604,395)
Costs of hedging	58,974	–	58,974
Hedging losses reclassified to profit or loss	657,397	–	657,397
Dividends paid	–	(1,466,241)	(1,466,241)
At 31 December 2020	<u>162,777</u>	<u>443,498</u>	<u>606,275</u>

GROUP STRUCTURE

As at 31 December 2021, the Company held shares/interests in the following principal subsidiaries, joint ventures and associates.

Company	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2021		2020		
			Direct	Indirect	Direct	Indirect	
Principal subsidiaries							
Able Step Investment Limited	Hong Kong	HKD1	—	100	—	100	Property investment
Acon Investment Ltd.	British Virgin Islands	1 Ordinary share of USD1 each	—	100	—	100	Investment holding
Beexiu Industrial (Shenzhen) Co., Ltd.	China, limited liability company	Registered capital HKD7,000,000	—	100	—	100	Property development
Bond Master Limited	Hong Kong	HKD1	—	100	—	100	Property investment
Charm Smart Development Limited	Hong Kong	HKD2	—	100	—	100	Property development
Companhia de Fomento Predial Yue Xiu (Macau), Limitada	Macau	1 share of MOP198,000 and 1 share of MOP2,000	—	100	—	100	Property development
Companhia de Gestao Imobiliaria Hang Sao, Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	—	100	—	100	Property management
Crystal Path Investment Limited	Hong Kong	HKD1	—	100	—	100	Property investment
Dragon Yield Holding Limited	British Virgin Islands	1 Ordinary share of USD1 each	100	—	100	—	Investment holding
Eisburg Limited	Hong Kong	HKD10,000	—	100	—	100	Property investment
Extra Act Limited	Hong Kong	HKD1,000	—	100	—	100	Investment holding
Fundscore Development Limited	Hong Kong	HKD500,000	—	100	—	100	Property investment
Glory Mission Development Limited	Hong Kong	HKD1	—	100	—	100	Investment holding
Green Park Development Limited	Hong Kong	HKD1	—	100	—	100	Property investment
Guangzhou Baima Business Operation Property Management Co., Ltd	China, limited liability company	Registered capital RMB19,000,000	—	66.92	—	100	Property management
Guangzhou Bright Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB88,315,800	—	95	—	95	Property development
Guangzhou Carry Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Central Funds City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB37,236,300	—	95	—	95	Property development

GROUP STRUCTURE

Company	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2021		2020		
			Direct	Indirect	Direct	Indirect	
Principal subsidiaries (Continued)							
Guangzhou Charcon Real Estate Co., Ltd.	China, limited liability company	Registered capital HKD259,670,000	—	100	—	100	Property development
Guangzhou Charfar Real Estate Company Limited	China, limited liability company	Registered capital RMB111,450,000	—	100	—	100	Property development
Guangzhou Charho Real Estate Company Limited	China, limited liability company	Registered capital RMB190,000,000	—	100	—	100	Property development
Guangzhou City Construction & Development Co. Ltd.	China, limited liability company	Registered capital RMB1,908,610,000	—	95	—	95	Property development
Guangzhou City Construction & Development Consulting Ltd.	China, limited liability company	Registered capital RMB2,145,800	—	98.13	—	98.13	Consulting services in property development
Guangzhou City Construction & Development Decoration Ltd.	China, limited liability company	Registered capital RMB35,882,800	—	98.62	—	98.62	Decoration and design
Guangzhou City Construction & Development Group Nansha Co. Ltd.	China, limited liability company	Registered capital RMB500,000,000	—	95.48	—	95.48	Property development
Guangzhou City Construction & Development Jingcheng Property Co. Ltd.	China, limited liability company	Registered capital RMB13,712,500	—	99.75	—	99.75	Property development
Guangzhou Yuexiu Property Development Co., Ltd	China, limited liability company	Registered capital RMB100,000,000	—	66.92	—	100	Property management
Guangzhou Yuejian Project Management Co., Ltd.	China, limited liability company	Registered capital RMB8,921,500	—	100	—	98.25	Project management
Guangzhou City Construction & Development Weicheng Enterprise Ltd.	China, limited liability company	Registered capital RMB955,300	—	66.92	—	100	Property management
Guangzhou Yuexiu Xingye Property Agent Ltd.	China, limited liability company	Registered capital RMB37,520,000	—	97.6	—	97.6	Real estate agency
Guangzhou Construction & Development Holdings (China) Limited	British Virgin Islands	1 Ordinary share of USD1 each	100	—	100	—	Investment holding
Guangzhou Cowan City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Eastern Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,734,400	—	95	—	95	Property development

GROUP STRUCTURE

Company	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2021		2020		
			Direct	Indirect	Direct	Indirect	
Principal subsidiaries (Continued)							
Guangzhou Faithbond City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,231,400	—	95	—	95	Property development
Guangzhou Huicheng Industry Development Company Limited	China, limited liability company	Registered capital RMB2,730,600	—	99.06	—	99.06	Car parking management
Guangzhou Grandcity Development Ltd.	China, limited liability company	Registered capital RMB539,578,600	—	100	—	100	Property development
Guangzhou Guangxiu City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB18,287,700	—	95	—	95	Property development
Guangzhou Honour City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,386,800	—	95	—	95	Property development
Guangzhou Investment Finance Company Limited	Hong Kong	HKD2	100	—	100	—	Financial services
Guangzhou Keen Asia City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	95	—	95	Property development
Guangzhou May Hua City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,853,900	—	95	—	95	Property development
Guangzhou Million Top City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Perfect City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,448,600	—	95	—	95	Property development
Guangzhou Seaport City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB23,074,600	—	95	—	95	Property development
Guangzhou Sincere Land City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	95	—	95	Property development
Guangzhou Sun Peak City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,440,300	—	95	—	95	Property development
Guangzhou Talent Gather City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Top Jade City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Tung Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Unionwin City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB19,776,700	—	95	—	95	Property development

GROUP STRUCTURE

Company	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2021		2020		
			Direct	Indirect	Direct	Indirect	
Principal subsidiaries (Continued)							
Guangzhou White Horse Clothings Market Ltd.	China, limited liability company	Registered capital RMB118,873,900	—	100	—	100	Property investment
Guangzhou Winbase City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Winner City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Xingcheng Enterprise Development Ltd.	China, limited liability company	Registered capital RMB154,612,700	—	99.75	—	99.75	Property investment
Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd.	China, limited liability company	Registered capital RMB5,000,000	—	66.92	—	100	Property management
Guangzhou Yieldwise City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	95	—	95	Property development
Hangzhou Yuexiu Property Development Limited	China, limited liability company	Registered capital USD499,070,000	—	100	—	100	Property development
Honstar Investments Limited	British Virgin Islands	1 Ordinary share of USD1 each	—	100	—	100	Investment holding
Hoover (China) Limited	Hong Kong	HKD1	—	100	—	100	Investment holding
Jamsin Limited	Hong Kong	HKD2	100	—	100	—	Property holding
Jiangmen Yue Xiu City Construction Property Development Limited	China, limited liability company	Registered capital RMB570,000,000	—	95	—	95	Property development
Intellect Aim Management Ltd.	British Virgin Islands	1 Ordinary shares of USD1 each	—	100	—	100	Financing services
Jumbo Good Development Limited	Hong Kong	HKD2	—	100	—	100	Property investment
Keen Million Investment Limited	Hong Kong	HKD1	100	—	100	—	Financing services
Kingswell Limited	Hong Kong	HKD1	—	100	—	100	Property investment
Leading Affluence Limited	Hong Kong	HKD1	—	100	—	100	Financing services
Lucken Limited	Hong Kong	HKD3	—	100	—	100	Investment holding
Merry Growth Development Limited	Hong Kong	HKD100	—	100	—	100	Property investment
Nation Harvest Development Limited	Hong Kong	HKD2	—	100	—	100	Investment holding
Sino Peace Development Limited	Hong Kong	HKD1	—	100	—	100	Property investment
Smart Rise Development Limited	Hong Kong	HKD100	—	100	—	100	Property investment
Sociedade de Fomento Predial Codo (Macau) Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	—	100	—	100	Property development

GROUP STRUCTURE

Company	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2021		2020		
			Direct	Indirect	Direct	Indirect	
Principal subsidiaries (Continued)							
Westwood Group Holdings Limited	Hong Kong	HKD1	—	100	—	100	Financing services
Winston Investment Limited	Hong Kong	HKD1	—	100	—	100	Property investment
Yue Xiu APT Parking Limited	Hong Kong	HKD28,010,000	—	66.92	—	100	Car parking management
Yue Xiu Property Agency Limited	Hong Kong	HKD2	—	100	—	100	Property agency services
Yue Xiu Property Management Limited	Hong Kong	HKD10,000	—	66.92	—	100	Building management services
Yuexiu Property (B.V.I.) Limited	British Virgin Islands	1 Ordinary share of USD1 each	100	—	100	—	Investment holding
Yuexiu Property (China) Company Limited	British Virgin Islands	5,000 Ordinary shares of HKD1 each	—	100	—	100	Investment holding
Yuexiu Property (HK) Company Limited	British Virgin Islands	1 Ordinary share of HKD1 each	—	100	—	100	Investment holding
Yuexiu Property (Macau) Company Limited	British Virgin Islands	1 Ordinary share of HKD1 each	—	100	—	100	Investment holding
Yuexiu International Investment Limited	British Virgin Islands	1 Ordinary share of USD1 each	100	—	100	—	Investment holding
Yuexiu Services Group Limited	Hong Kong	HKD3,041,453,175.20	—	66.92	—	100	Investment holding
廣州華振科技服務有限公司	China, limited liability company	Registered capital RMB20,000,000	—	100	—	100	Investment holding
海南白馬建設開發有限公司	China, limited liability company	Registered capital RMB523,613,085	—	47.5	—	47.5	Property development
昆山市越秀廣電投資發展有限公司	China, limited liability company	Registered capital RMB50,000,000	—	48.45	—	48.45	Property development
煙台越秀地產開發有限公司	China, limited liability company	Registered capital RMB560,000,000	—	100	—	100	Property development
煙台越星地產開發有限公司	China, limited liability company	Registered capital HKD1,220,810,000	—	100	—	100	Property development
中山越星房地產開發有限公司	China, limited liability company	Registered capital USD99,800,000	—	100	—	100	Property development
中山市越秀地產開發有限公司	China, limited liability company	Registered capital RMB605,000,000	—	95	—	95	Property development

GROUP STRUCTURE

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			2021		2020		
			Direct	Indirect	Direct	Indirect	
Principal subsidiaries (Continued)							
中山市金滿房地產開發有限公司	China, limited liability company	Registered capital RMB700,000,000	—	100	—	100	Property development
青島越秀地產開發有限公司	China, limited liability company	Registered capital HKD2,289,000,000	—	100	—	100	Property development
瀋陽越星房地產開發有限公司	China, limited liability company	Registered capital HKD624,000,000	—	100	—	100	Property development
杭州越雋房地產開發有限公司	China, limited liability company	Registered capital USD290,000,000	—	100	—	100	Property development
廣州東秀房地產開發有限公司	China, limited liability company	Registered capital RMB820,000,000	—	95.48	—	95.48	Property development
瀋陽嶺海房地產有限公司	China, limited liability company	Registered capital USD59,800,000	—	99.95	—	99.95	Property development
越秀地產(瀋陽)物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	66.92	—	100	Property management
越秀地產(山東)物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	66.92	—	100	Property management
瀋陽越秀地產有限公司	China, limited liability company	Registered capital HKD2,910,000,000	—	100	—	100	Property development
中山市越秀地產物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	66.92	—	100	Property management
廣州悅秀會信息科技有限公司	China, limited liability company	Registered capital RMB500,000	—	66.92	—	100	Property management
廣州市蒼景綠化有限公司	China, limited liability company	Registered capital RMB2,000,000	—	99.06	—	99.06	Greening services
廣州市悅冠智能科技有限公司	China, limited liability company	Registered capital RMB20,000,000	—	66.92	—	100	Property management
武漢越秀嘉潤房地產開發有限公司	China, limited liability company	Registered capital RMB200,000,000	—	95.48	—	95.48	Property development
武漢越秀嘉益房地產開發有限公司	China, limited liability company	Registered capital RMB500,000,000	—	95.48	—	95.48	Property development
廣州東輝房地產開發有限公司	China, limited liability company	Registered capital RMB300,000,000	—	95	—	95	Property development

GROUP STRUCTURE

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			2021		2020		
			Direct	Indirect	Direct	Indirect	
Principal subsidiaries (Continued)							
廣州越投商業保理有限公司	China, limited liability company	Registered capital RMB300,000,000	—	96.69	—	100	Trade finance
廣州市宏錦房地產開發有限公司	China, limited liability company	Registered capital RMB650,000,000	—	100	—	100	Property development
廣州宏景房地產開發有限公司	China, limited liability company	Registered capital RMB850,000,000	—	95.48	—	95.48	Property development
越秀地產(江門)物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	66.92	—	100	Property management
廣州越秀城建仲量聯行物業服務有限公司	China, limited liability company	Registered capital RMB5,000,000	—	53.54	—	80	Property management
廣州祥錦房地產開發有限公司	China, limited liability company	Registered capital RMB250,000,000	—	95.48	—	95.48	Property development
廣州越港房地產開發有限公司	China, limited liability company	Registered capital RMB300,000,000	—	100	—	100	Property development
廣州盈勝投資有限公司	China, limited liability company	Registered capital RMB300,000,000	—	95.48	—	95.48	Property management
佛山市禪城區越輝房地產開發有限公司	China, limited liability company	Registered capital RMB600,000,000	—	95	—	95	Property development
杭州越港實業有限公司	China, limited liability company	Registered capital RMB360,000,000	—	95.48	—	95.48	Property development
江門越港房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	—	50.95	—	46.41	Property development
廣州東耀房地產開發有限公司	China, limited liability company	Registered capital RMB2,000,000,000	—	48.69	—	48.69	Property development
武漢市錦熹實業投資合夥企業(有限合夥)	China, limited partnership	Registered capital RMB1,000,000	—	99	—	99	Investment consulting
杭州樾棠投資管理合夥企業(有限合夥)	China, limited partnership	Registered capital RMB1,000,000	—	99	—	99	Investment consulting
青島中勝投資合夥企業(有限合夥)	China, limited partnership	Registered capital RMB1,000,000	—	99	—	99	Property investment
江門市群輝實業投資中心(有限合夥)	China, limited partnership	Registered capital RMB10,000	—	99	—	99	Investment holdings
廣州市耀維實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Metal manufacturing
廣州中環慧富房地產開發有限公司	China, limited liability company	Registered capital RMB4,160,000	—	95.48	—	95	Property development

GROUP STRUCTURE

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			2021		2020		
			Direct	Indirect	Direct	Indirect	
Principal subsidiaries (Continued)							
杭州慈樂實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property investment
青島越星房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development
廣州安翠實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development
杭州松炬實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Property investment
杭州燦熠實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property investment
武漢東偉置業有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development
廣州越登實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development
江門越佳房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.40	—	95.40	Property development
青島宏秀房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.12	—	95.12	Property development
杭州東桂房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	—	95.04	—	95.04	Property development
舟山宏智經濟信息諮詢有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Information consulting
舟山欣德商貿發展有限公司	China, limited liability company	Registered capital RMB60,000,000	—	47.50	—	47.50	Trading
杭州慧盛企業管理有限公司	China, limited liability company	Registered capital RMB50,000,000	—	47.50	—	47.50	Management consulting
太倉和融商貿有限公司	China, limited liability company	Registered capital RMB50,000,000	—	47.50	—	47.50	Trading
蘇州向東島房地產開發有限公司	China, limited liability company	Registered capital RMB540,000,000	—	47.50	—	47.50	Property development
武漢越武房地產開發有限公司	China, limited liability company	Registered capital RMB120,000,000	—	51.42	—	51.42	Property development
廣州越秀商業地產投資管理有限公司	China, limited liability company	Registered capital RMB1,000,000	—	100	—	100	Commercial services
杭州春效實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Property investment

GROUP STRUCTURE

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			2021		2020		
			Direct	Indirect	Direct	Indirect	
Principal subsidiaries (Continued)							
廣州鉅熹經濟信息諮詢有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Commercial services
廣州裕永投資管理有限公司	China, limited liability company	Registered capital RMB1,000,000	—	100	—	100	Commercial services
武漢東雄置業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Property development
武漢嘉耀房地產開發有限公司	China, limited liability company	Registered capital RMB90,000,000	—	95	—	95	Property development
武漢嘉盛房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	—	95	—	95	Property development
武漢悅盛房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	—	48.69	—	48.69	Property development
武漢嘉萱房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	—	95.48	—	95.48	Property development
武漢嘉祺房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	95.48	—	95.48	Property development
杭州盛寅房地產開發有限公司	China, limited liability company	Registered capital RMB2,100,000,000	—	48.45	—	48.45	Property development
杭州豐勝房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	—	95	—	95	Property development
杭州越榮房地產開發有限公司	China, limited liability company	Registered capital RMB1,350,000,000	—	39.18	—	39.18	Property development
廣州雋景一號房地產開發有限公司	China, limited liability company	Registered capital RMB1,500,000,000	—	100	—	100	Property development
青島越港房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	95	—	95	Property development
鶴山市越恒房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development
廣州宏勝房地產開發有限公司	China, limited liability company	Registered capital RMB3,598,000,000	—	50.91	—	50.91	Property development
武漢康景實業投資有限公司	China, limited liability company	Registered capital RMB50,000,000	—	99.64	—	99.64	Property development
煙台中越置業有限責任公司	China, limited liability company	Registered capital RMB150,000,000	—	95	—	95	Property development

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			2021		2020		
			Direct	Indirect	Direct	Indirect	
Principal subsidiaries (Continued)							
青島東耀房地產開發有限公司	China, limited liability company	Registered capital USD120,000,000	—	51	—	51	Property development
蘇州榮耀房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	—	95	—	95	Property development
廣州雋越房地產開發有限責任公司	China, limited liability company	Registered capital RMB2,000,000,000	—	95	—	95	Property development
青島雲佳房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	99.5	—	99.5	Property development
廣州越欣房地產開發有限責任公司	China, limited liability company	Registered capital RMB400,000,000	—	48.45	—	48.45	Property development
廣州市品秀房地產開發有限公司	China, limited liability company	Registered capital RMB6,343,780,000	—	82.11	—	82.11	Property development
廣州綠楨房地產開發有限公司	China, limited liability company	Registered capital RMB400,000,000	—	38.23	—	38.23	Property development
廣州宏耀房地產開發有限公司	China, limited liability company	Registered capital RMB900,000,000	—	62.06	—	62.06	Property development
廣州市暉邦置業有限公司	China, limited liability company	Registered capital RMB1,633,000,000	—	47.74	—	47.74	Property development
廣州雋業房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.55	—	95.55	Property development
佛山市南海區越匯房地產開發有限公司	China, limited liability company	Registered capital RMB2,700,000,000	—	95	—	95	Property development
青島康景實業有限公司	China, limited liability company	Registered capital RMB842,011,262	—	100	—	100	Property development
廣州市潤意房地產開發有限公司	China, limited liability company	Registered capital RMB600,000,000	—	47.5	—	47.5	Property development
杭州金鈺房地產開發有限公司	China, limited liability company	Registered capital RMB350,000,000	—	95	—	95	Property development
杭州越星房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	95	—	95	Property development
杭州杭秀房地產開發有限公司	China, limited liability company	Registered capital RMB1,650,000,000	—	100	—	100	Property development
成都越嘉房地產開發經營有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development

GROUP STRUCTURE

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			2021		2020		
			Direct	Indirect	Direct	Indirect	
Principal subsidiaries (Continued)							
廣州南方智煤產業園有限公司	China, limited liability company	Registered capital RMB100,000,000	—	48.69	—	48.69	Property development
廣州越冠房地產開發有限公司	China, limited liability company	Registered capital RMB600,100,000	—	51.39	—	51.39	Property development
青島雲耀實業有限公司	China, limited liability company	Registered capital RMB167,843,754	—	100	—	100	Property development
杭州鈺杭房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	95	—	95	Property development
廣州越榮房地產開發有限公司	China, limited liability company	Registered capital RMB3,490,000,000	—	95.48	—	95.48	Property development
廣州市品悅房地產開發有限公司	China, limited liability company	Registered capital RMB622,600,000	—	48.69	—	48.69	Property development
廣州市品薈房地產開發有限公司	China, limited liability company	Registered capital RMB737,860,000	—	48.69	—	48.69	Property development
廣州市從化區越恒房地產開發有限公司	China, limited liability company	Registered capital RMB720,000,000	—	95.48	—	95.48	Property development
中山越佳房地產開發有限公司	China, limited liability company	Registered capital RMB1,010,000,000	—	95	—	95	Property development
蘇州東桂房地產開發有限公司	China, limited liability company	Registered capital RMB200,000,000	—	45.6	—	45.6	Property development
廣州越東房地產開發有限公司	China, limited liability company	Registered capital RMB700,000,000	—	95.48	—	95.48	Property development
廣州越合通房地產開發有限公司	China, limited liability company	Registered capital RMB60,000,000	—	48.69	—	48.69	Property development
廣州越創智數信息科技有限公司	China, limited liability company	Registered capital RMB8,000,000	—	95	—	95	Commercial services
廣州悅秀智訊科技信息諮詢有限公司	China, limited liability company	Registered capital RMB8,000,000	—	95	—	95	Commercial services
長沙康盛房地產開發有限公司	China, limited liability company	Registered capital RMB200,000,000	—	95	—	95	Property development
鄭州東煌房地產開發有限公司	China, limited liability company	Registered capital RMB150,000,000	—	95	—	95	Property development
長沙越和房地產開發有限公司	China, limited liability company	Registered capital RMB250,000,000	—	81.04	—	81.04	Property development
長沙嘉耀房地產開發有限公司	China, limited liability company	Registered capital RMB620,000,000	—	53.11	—	53.11	Property development

GROUP STRUCTURE

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			2021		2020		
			Direct	Indirect	Direct	Indirect	
Principal subsidiaries (Continued)							
太倉越馬房地產開發有限公司	China, limited liability company	Registered capital RMB120,000,000	—	95	—	95	Property development
杭州越嘉房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	95	—	95	Property development
廣州越秀城開房地產開發有限公司	China, limited liability company	Registered capital RMB1,200,000,000	—	95.48	—	95.48	Property development
廣州越秀華城房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	95.48	—	95.48	Property development
廣州市品輝房地產開發有限公司	China, limited liability company	Registered capital RMB3,100,000,000	—	48.69	—	48.69	Property development
廣州市品冠房地產開發有限公司	China, limited liability company	Registered capital RMB1,958,700,000	—	48.69	—	48.69	Property development
重慶越嘉房地產開發有限公司	China, limited liability company	Registered capital RMB300,000,000	—	95.48	—	95.48	Property development
廣州地鐵環境工程有限公司	China, limited liability company	Registered capital RMB10,060,000	—	44.84	—	67	Property management
廣州地鐵物業管理有限責任公司	China, limited liability company	Registered capital RMB5,010,000	—	44.84	—	67	Property management
蘇州熠秀房地產開發有限公司	China, limited liability company	Registered capital RMB150,000,000	—	100	—	100	Property development
青島卓城置業有限公司	China, limited liability company	Registered capital RMB100,000,000	—	39	—	39	Property development
青島怡城置業有限公司	China, limited liability company	Registered capital RMB50,000,000	—	39	—	39	Property development
南京鈺秀企業管理有限公司	China, limited liability company	Registered capital RMB50,000,000	—	62.13	—	—	Property development
南京越勝房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	32.31	—	—	Property development
南京市越碧金裝飾有限公司	China, limited liability company	Registered capital RMB100,000	—	32.31	—	—	Building decoration
杭州越琛房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	56.53	—	—	Property development
寧波悅秀房地產開發有限公司	China, limited liability company	Registered capital RMB500,000,000	—	56.53	—	—	Property development
蘇州越嘉企業管理有限公司	China, limited liability company	Registered capital RMB306,000,000	—	87.32	—	—	Property development
蘇州樂秀房地產開發有限公司	China, limited liability company	Registered capital RMB600,000,000	—	44.53	—	—	Property development

GROUP STRUCTURE

Company	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2021		2020		
			Direct	Indirect	Direct	Indirect	
Principal subsidiaries (Continued)							
佛山市越泓房地產開發有限公司	China, limited liability company	Registered capital RMB1,000,000,000	—	53.20	—	—	Property development
廣州市越達房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	53.20	—	—	Property development
佛山市越江房地產開發有限公司	China, limited liability company	Registered capital RMB1,000,000	—	95	—	—	Property development
武漢楚棋房地產開發有限公司	China, limited liability company	Registered capital RMB400,000,000	—	48.45	—	—	Property development
武漢嘉秀房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	48.45	—	—	Property development
長沙東秀房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	85.50	—	—	Property development
上海閱瀾房地產開發有限公司	China, limited liability company	Registered capital RMB2,310,500,000	—	52.25	—	—	Property development
廣州為民康復醫院有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	—	Hospital
廣州頤璟健康養老服務有限公司	China, limited liability company	Registered capital RMB8,250,000	—	93.10	—	—	Maintenance service
廣州樾濱房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	62.06	—	—	Property development
廣州樾富房地產開發有限公司	China, limited liability company	Registered capital RMB1,500,000,000	—	62.06	—	—	Property development
廣州市佰城投資發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	93.57	—	—	Property development
廣州新越房地產開發有限公司	China, limited liability company	Registered capital RMB1,500,000,000	—	95.48	—	—	Property development
廣州新秀房地產開發有限公司	China, limited liability company	Registered capital RMB1,500,000,000	—	95.48	—	—	Property development
廣州樾勝房地產開發有限公司	China, limited liability company	Registered capital RMB875,000,000	—	62.06	—	—	Property development
廣州嶺秀房地產開發有限公司	China, limited liability company	Registered capital RMB875,000,000	—	62.06	—	—	Property development
重慶越樂房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.48	—	—	Property development
廣州南沙科城投資發展有限公司	China, limited liability company	Registered capital RMB100,000,000	—	42.96	—	—	Commercial services

GROUP STRUCTURE

Company	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2021		2020		
			Direct	Indirect	Direct	Indirect	
Principal subsidiaries (Continued)							
廣州越瓊房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	95.48	—	9.55	Property development
深圳鵬躍房地產開發有限公司	China, limited liability company	Registered capital RMB5,000,000	—	95.48	—	9.55	Property development
東莞市沙田雋越房地產開發有限公司	China, limited liability company	Registered capital RMB937,290,000	—	48.69	—	—	Property development
東莞秀美房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	48.69	—	—	Property development
廣州明耀房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	95.48	—	—	Property development
中山市泰佳房地產有限公司	China, limited liability company	Registered capital RMB424,520,000	—	57.29	—	—	Property development
東莞市盈勝房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	95.48	—	—	Property development
畢節越嘉房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	—	Property development
廣州越興房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	57.29	—	—	Property development
廣州越拓智城技術發展有限公司	China, limited liability company	Registered capital RMB20,000,000	—	95	—	—	Technical services
西安越秀房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	—	Property development
廣州越秀南方智媒商業運營有限公司	China, limited liability company	Registered capital RMB3,000,000	—	40.15	—	—	Property management
廣州市悅雲智慧科技有限公司	China, limited liability company	Registered capital RMB8,000,000	—	66.92	—	—	Property management
湖北越秀工建運營管理有限公司	China, limited liability company	Registered capital RMB5,000,000	—	34.13	—	—	Property management
廣州悅美居實業有限公司	China, limited liability company	Registered capital RMB5,000,000	—	66.92	—	—	Property management
廣越物業管理(廣州)有限公司	China, limited liability company	Registered capital RMB1,000,000	—	40.15	—	—	Property management
廣州海樾物業服務有限公司	China, limited liability company	Registered capital RMB3,000,000	—	66.92	—	—	Property management
寧波越秀物業服務有限公司	China, limited liability company	Registered capital RMB5,000,000	—	66.92	—	—	Property management

GROUP STRUCTURE

Company	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2021		2020		
			Direct	Indirect	Direct	Indirect	
Principal subsidiaries (Continued)							
廣州越服房地產經紀有限公司	China, limited liability company	Registered capital RMB5,000,000	—	66.92	—	—	Real estate agency
廣州天河區越服房地產經紀有限公司	China, limited liability company	Registered capital RMB1,000,000	—	66.92	—	—	Real estate agency
杭州越服房地產經紀有限公司	China, limited liability company	Registered capital RMB1,000,000	—	66.92	—	—	Real estate agency
廣州南沙區越服房地產經紀有限公司	China, limited liability company	Registered capital RMB1,000,000	—	66.92	—	—	Real estate agency
蘇州越服房地產經紀有限公司	China, limited liability company	Registered capital RMB1,000,000	—	66.92	—	—	Real estate agency
無錫越秀物業發展有限公司	China, limited liability company	Registered capital RMB2,000,000	—	34.13	—	—	Property management
廣東越之盾保安服務有限公司	China, limited liability company	Registered capital RMB12,000,000	—	66.92	—	—	Security service
廣州越秀服務有限公司	China, limited liability company	Registered capital RMB850,000,000	—	66.92	—	—	Investment holding
廣州城建開發工程造價諮詢有限公司	China, limited liability company	Registered capital RMB1,000,000	—	100	—	39.30	Technical services
長沙秀雅投資有限公司	China, limited liability company	Registered capital RMB25,000,000	—	100	—	—	Property investment
長沙秀茂置業有限公司	China, limited liability company	Registered capital RMB350,000,000	—	50	—	—	Property development
南京樾弘房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	51	—	—	Property development
南京樾駿裝飾有限公司	China, limited liability company	Registered capital RMB100,000	—	51	—	—	Building decoration
郴州秀城房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	100	—	—	Property development
廣州樾樂房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	—	Property development

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

GROUP STRUCTURE

Details of the Group's principal joint ventures as at 31 December 2021 are as follows:

Name of joint ventures	Place of establishment and operation	Percentage of voting power	Effective percentage of interest in ownership/profit sharing				Principal activities
			2021		2020		
			Direct	Indirect	Direct	Indirect	
廣州中耀實業投資有限公司	China	50	-	47.74	-	47.74	Property development
廣州越禾房地產開發有限公司	China	50	-	47.74	-	47.74	Property development
深圳市銀幸現代養老服務有限公司	China	51	-	48.45	-	48.45	Elderly care service
武漢中建越秀港投開發有限公司	China	35	-	35	-	35	Property development
廣州智聯汽車小鎮投資發展有限公司	China	30	-	28.64	-	28.64	Property development
蘇州嶼秀房地產開發有限公司	China	16.50	-	15.68	-	15.68	Property development
湖北宏秀房地產開發有限公司	China	30	-	28.50	-	28.50	Property development
武漢崇鴻裕房地產開發有限公司	China	15	-	14.25	-	14.25	Property development
濟南鵬遠置業有限公司	China	40	-	38	-	38	Property development
江門市濱江房地產開發投資有限公司	China	50	-	47.50	-	47.50	Property development
廣州廣宏房地產開發有限公司	China	40	-	38.19	-	38.19	Property development
江門市濱江置業房地產開發經營有限公司	China	50	-	47.50	-	47.50	Property development
江門市越通房地產開發有限公司	China	51	-	48.45	-	48.45	Property development
成都人居興彭置業有限公司	China	45	-	42.75	-	42.75	Property development
蘇州工業園區大正置業有限公司	China	30	-	28.50	-	28.50	Property development
廣州雲秀健康投資有限公司	China	51	-	48.45	-	48.45	Commercial Services

GROUP STRUCTURE

Name of joint ventures	Place of establishment and operation	Percentage of voting power	Effective percentage of interest in ownership/profit sharing				Principal activities
			2021		2020		
			Direct	Indirect	Direct	Indirect	
成都居越房地產開發有限公司	China	49	-	46.55	-	46.55	Property development
廣州萬宏房地產開發有限公司	China	49	-	46.78	-	62.06	Property development
煙臺領秀房地產開發有限公司	China	49	-	49	-	100	Property development
北京恒秀立懷置業有限公司	China	49	-	46.55	-	-	Property development
重慶越輝房地產開發有限公司	China	10	-	34.33	-	-	Property development
廣州智能裝備科技創意園有限公司	China	41	-	38.95	-	-	Property development
西安天越航空發展有限公司	China	49	-	49	-	-	Property development
西咸新區紫塬泊漢置業有限公司	China	49	-	46.55	-	-	Property development

GROUP STRUCTURE

Details of the Group's principal associates as at 31 December 2021 are as follows:

Name of associates	Place of establishment and operation	Effective percentage of interest in ownership/profit sharing				Principal activities
		2021		2020		
		Direct	Indirect	Direct	Indirect	
Yuexiu Real Estate Investment Trust	Hong Kong (ii)	–	40.11	–	38.04	Property investment
廣州宏嘉房地產開發有限公司(i)	China	–	15.95	–	15.95	Property development
廣州宏軒房地產開發有限公司(i)	China	–	15.95	–	15.95	Property development
江門市蓬江區碧桂園房地產開發有限公司	China	–	44.59	–	44.59	Property development
杭州龍禧房地產開發有限公司	China	–	28.64	–	28.64	Property development
廣州環擘房地產開發有限公司(i)	China	–	15.95	–	15.95	Property development
杭州星日房地產開發有限公司	China	–	49.08	–	49.08	Property development
武漢越秀地產開發有限公司	China	–	33	–	33	Property development
廣州合錦嘉苑房地產開發有限公司(i)	China	–	14.25	–	14.25	Property development
杭州添智投資有限公司(i)	China	–	15.91	–	15.91	Investment holding
廣州市吳品房地產有限公司	China	–	46.55	–	46.55	Property development
廣州碧森房地產開發有限公司(i)	China	–	13.63	–	13.63	Property development
濟南元賀置業有限公司	China	–	23.51	–	23.51	Property development
廣州市越匯房地產有限公司	China	–	31.45	–	31.45	Property development
中山市華越宏軒置業發展有限公司	China	–	46.55	–	46.55	Property development
廣州耀恒房地產開發有限公司	China	–	46.78	–	46.78	Property development
廣州穗昭置業有限公司	China	–	47.50	–	47.50	Property development

GROUP STRUCTURE

Name of associates	Place of establishment and operation	Effective percentage of interest in ownership/profit sharing				Principal activities
		2021		2020		
		Direct	Indirect	Direct	Indirect	
廣州越秀康養投資合夥企業 (有限合夥)	China	–	52.25	–	52.25	Commercial services
廣州雋峰房地產開發有限公司	China	–	42.96	–	42.96	Property development
武漢錦秀嘉合置業有限公司	China	–	46.55	–	–	Property development
南京駿玖房地產有限公司	China	–	23.28	–	–	Property development
南京金璨房地產開發有限公司	China	–	31.35	–	–	Property development
長沙長越房地產開發有限公司	China	–	46.55	–	–	Property development
湖北宏秀文苑城市開發有限公司	China	–	38.00	–	–	Property development
南通駿秀房地產開發有限公司	China	–	46.78	–	–	Property development
青島城秀投資開發有限公司	China	–	46.55	–	–	Property development

Notes:

- (i) The Group has representation on the board in which the Group has the power to participate in the financial and operating policy decisions and therefore has significant influence over these entities.
- (ii) A Hong Kong collective investments scheme authorised under Section 104 of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong).



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