



越秀地產股份有限公司

YUEXIU PROPERTY COMPANY LIMITED

Stock Code : 00123

WHERE GOOD  
LIVING STARTS



ANNUAL REPORT 2022







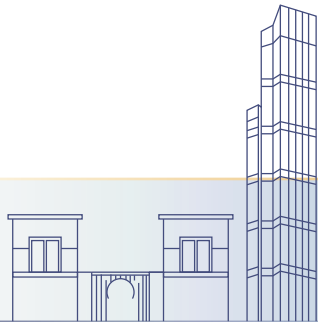


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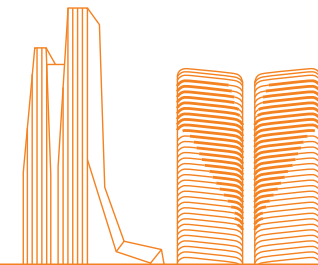
# CORPORATE STRUCTURE

As at 31 December 2022



**GUANGZHOU YUE XIU  
HOLDINGS LIMITED**

**100%**



**YUE XIU ENTERPRISES  
(HOLDINGS) LIMITED**

**39.78%**



**YUEXIU PROPERTY  
COMPANY LIMITED**

(Stock Code: 00123)

**YUEXIU REAL ESTATE  
INVESTMENT TRUST**

(Stock Code: 00405)

**41.39%**

**YUEXIU SERVICES  
GROUP LIMITED**

(Stock Code: 06626)

**66.92%**





# 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  
17/F, Far East Finance Centre  
16 Harcourt Road  
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.\$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

RMB1,500,000,000 2.53 per cent. Corporate Bonds due 2024 (19 穗建04 Code: 155760)  
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)  
RMB500,000,000 2.90 per cent. Corporate Bonds due 2025 (22 穗建01 Code: 185771)  
RMB1,500,000,000 3.38 per cent. Corporate Bonds due 2027 (22 穗建02 Code: 185774)  
RMB1,000,000,000 2.84 per cent. Corporate Bonds due 2025 (22 穗建03 Code: 185772)  
RMB1,150,000,000 3.35 per cent. Corporate Bonds due 2027 (22 穗建04 Code: 185773)  
RMB1,000,000,000 2.85 per cent. Corporate Bonds due 2025 (22 穗建05 Code: 185916)  
RMB1,000,000,000 3.37 per cent. Corporate Bonds due 2027 (22 穗建06 Code: 185917)  
RMB400,000,000 2.90 per cent. Corporate Bonds due 2025 (22 穗建07 Code: 185965)  
RMB700,000,000 3.43 per cent. Corporate Bonds due 2027 (22 穗建08 Code: 155866)  
RMB1,500,000,000 2.78 per cent. Corporate Bonds due 2025 (22 穗建09 Code: 137826)  
RMB1,090,000,000 3.09 per cent. Corporate Bonds due 2027 (22 穗建10 Code: 137827)

## INVESTOR RELATIONS

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

# FINANCIAL HIGHLIGHTS

## INCOME STATEMENT HIGHLIGHTS

RMB'000	2022	For the year ended 31 December			
		2021	2020	2019	2018
Revenue	72,415,643	57,378,861	46,234,259	38,339,112	26,433,444
Gross profit	14,805,616	12,482,465	11,626,088	13,117,387	8,392,922
Profit attributable to equity holders	3,953,352	3,588,929	4,247,860	3,483,351	2,727,885
Basic earnings per share (RMB)	1.2767	1.1590	1.3718	0.2410	0.2200
Core net profit	4,237,930	4,152,049	4,024,032	3,511,604	2,814,048
Dividends per share* (RMB)	0.547	0.536	0.104	0.091	0.080

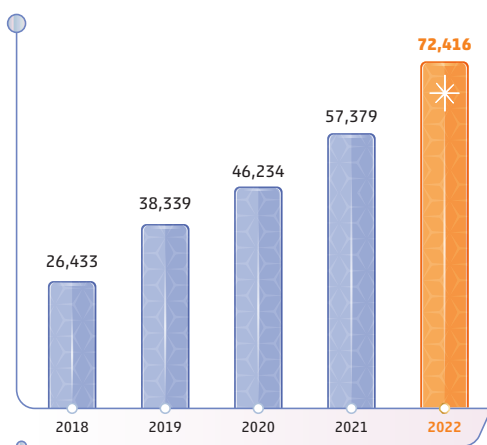
\* On 10 June 2021, every five issued shares of the Company were consolidated into one share of the Company and the number of Consolidated Shares was rounded down to the nearest whole number by disregarding each and every fractional Consolidated Share which would otherwise arise.

## BALANCE SHEET HIGHLIGHTS

RMB'000	2022	As of 31 December			
		2021	2020	2019	2018
Total cash (including cash, cash equivalents and charged bank deposits)	35,118,452	40,499,046	37,307,969	30,189,370	27,159,262
Total assets	346,351,976	313,854,885	263,196,000	234,697,255	168,820,498
Total assets less current liabilities	167,842,384	131,234,093	131,610,541	127,779,621	96,191,429
Shareholders' equity	47,429,623	46,236,070	43,747,657	40,723,508	33,826,567
Shareholders' equity per share (RMB)	15.32	14.93	14.13	2.63	2.73

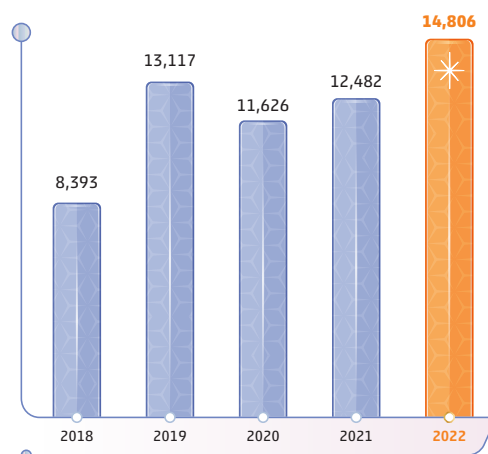
## REVENUE

(RMB million)



## GROSS PROFIT

(RMB million)

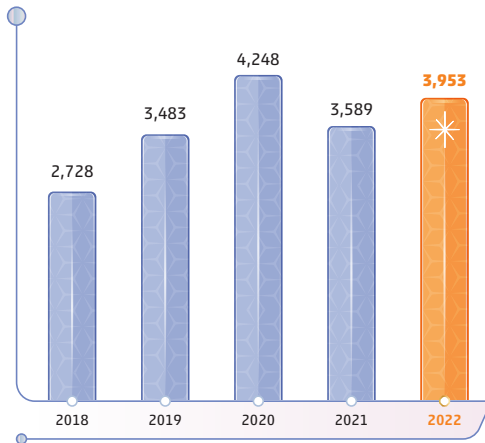




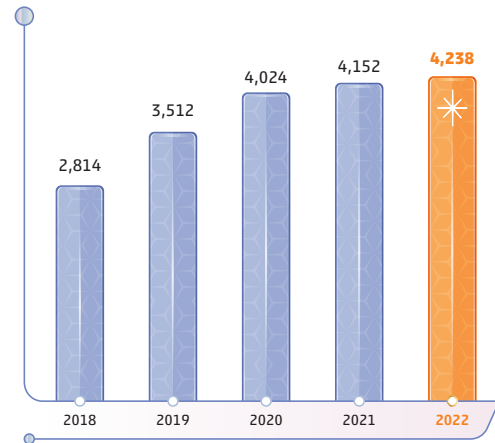
## FINANCIAL HIGHLIGHTS

## PROFIT ATTRIBUTABLE TO EQUITY HOLDERS CORE NET PROFIT

(RMB million)

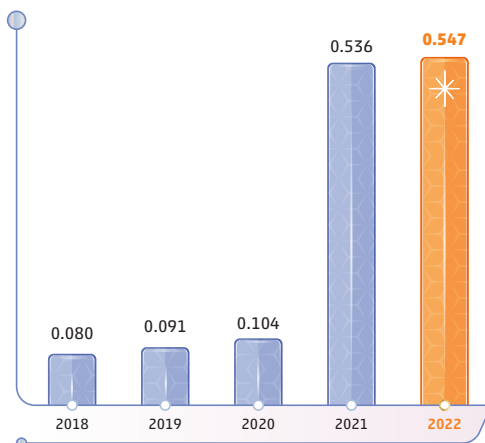


(RMB million)



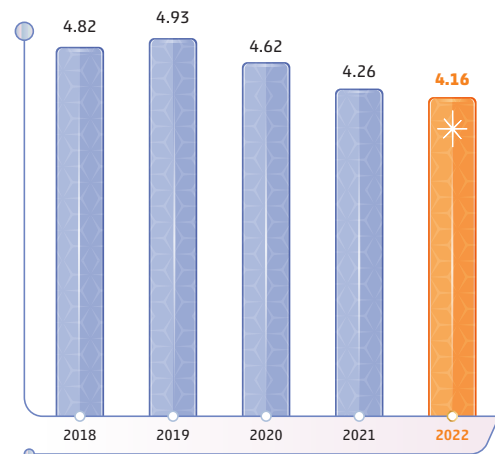
## DIVIDENDS PER SHARE

(RMB)



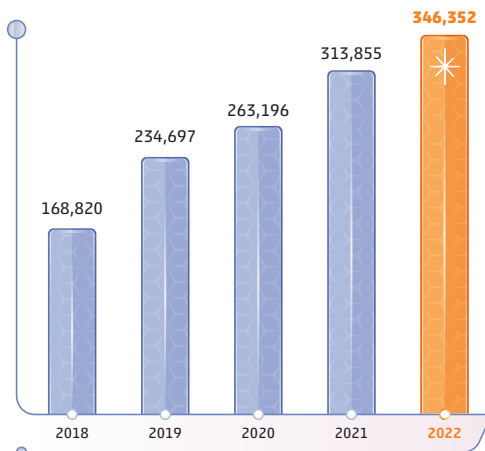
## AVERAGE BORROWING INTEREST RATE

%



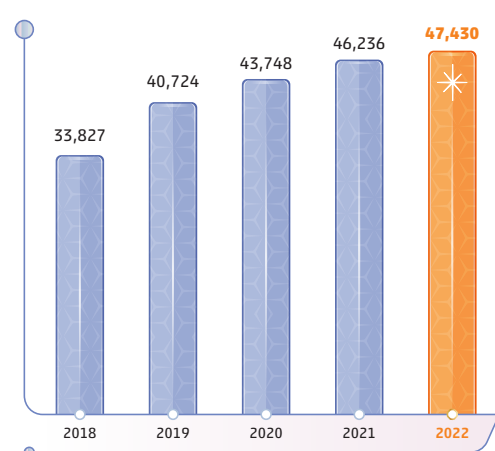
## TOTAL ASSETS

(RMB million)



## SHAREHOLDERS' EQUITY

(RMB million)



## KEY EVENTS OF THE YEAR

01 The Group recorded accumulated contracted sales value of RMB125.03 billion, representing a year-on-year increase of 8.6%, which exceeded the full year target of RMB123.5 billion to reach a record high in contracted sales again.

02

The Group continued to deepen the implementation of the "1+4" national strategic layout and continued 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 Western China. The Group entered into the market of Hefei during the year, with the number of covered cities increased to 30 nationwide. The Group has newly acquired 37 land parcels through the "6+1" diversified land acquisition model, with a total GFA of 6.95 million sq.m. during the year. At the end of the year, the total landbank of the Group was 28.45 million sq.m..

01

03

The Group achieved new breakthroughs in the national expansion of its TOD model by newly acquiring the Pazhou South TOD project in Guangzhou and the Hangzhou Gouzhuang TOD project, with a total landbank of 0.43 million sq.m. and 0.37 million sq.m., respectively. At the end of the year, the Group had a total of 8 TOD projects, with a total landbank of 3.86 million sq.m., accounting for 13.6% of the Group's total landbank. During the year, the contracted sales value of TOD projects exceeded RMB20.0 billion to RMB22.09 billion, representing a year-on-year increase of 23.6%.

04

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 68.8%, 62.7% and 2.23 times, respectively. The Group continued to maintain its investment-grade credit ratings of Moody's and Fitch by virtue of its healthy and sound financial performance. With smooth financing channels, the Group continued to optimize its debt structure, with an average borrowing interest rate of 4.16%, representing a year-on-year decrease of 10 basis points and indicating a leading position in the industry.

The Group's solid operating results and promising development prospects were well recognized by the capital market. During the year, 12 domestic and overseas securities brokerage firms and investment banks covered the Group with initial ratings of "Buy" or "Outperform". Investment banks including CICC, Citibank, DBS and Haitong International ranked the Group as "Top Pick of Industry" and "Strongly Recommended", which effectively promoted the attention and recognition of capital market to the Group.

05

22



## KEY EVENTS OF THE YEAR

06

The Group has produced good results from refined management. Focusing on the four actions of "product standardization, high-quality delivery, lower costs and higher efficiency, digital marketing", the Group promoted the refined management of production. During the year, the Group has delivered over 30,000 property units and the customers' satisfaction further improved. Meanwhile, the Group established a Yuexiu cost anticipatory control and management system, thereby effectively reducing the costs and fees, while more efforts were made on digital marketing to enhance the capabilities of sale on the online platform and optimize sales costs.

The Group further enhanced its ESG governance by establishing an ESG professional committee led by the Board and improving the ESG Leading Group and the Executive Group. During the year, MSCI, an international authoritative index agency, maintained the ESG rating of the Group at BB level. The Group received a two-star rating (79 points) from the Global Real Estate Sustainability Benchmark (GRESB). The Group has been also included in the Hang Seng Climate Change 1.5° C Target Index for the first time. These reflected that the Group's sustainable development has been recognised by the capital market.

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 seven consecutive years, and was selected as one of the Top 50 China Real Estate Development Enterprises of 2022 in Comprehensive Capability and TOP 30 China Real Estate (Commercial) Development Enterprises of 2022 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.

07

09

The Group held the 2022 Annual Cloud Brand Proposition and New Product Launch Conference under the theme of "For Better Life, For Better Future (越美好,向未来)". At the conference, the Group officially launched "Yes My Life" YES Healthy Living System, created total touchpoint resolutions for brand conferences, full-chain experience maps, cloud pavilions, as well as introduced virtual publishing technology and miniatures. The total number of viewers of the live broadcast reached 2,140,000, with live broadcast interaction of 800,000 times.

10

The Group assumed social responsibility as a state enterprise and threw its full support to Guangzhou anti-pandemic work to ensure people's health and safety. The Group deployed 464 cadres and employees and 1,461 security personnel to provide support in high-risk areas in Huadu, Baiyun and Haizhu. It also organized a total of 112 teams with a total of 1,321 cadres and employees to provide support in low-risk areas in Huadu, Baiyun, Haizhu and Tianhe. The Group carried out the purchase, allocation and distribution of supplies. A total of 15,000 boxes of supplies with 674,300 pieces, including daily supplies, medicines and protective materials, were delivered by the Group.









CHAIRMAN'S  
STATEMENT

## CHAIRMAN'S STATEMENT

**MR**  
**LIN ZHAOYUAN**  
**CHAIRMAN**



### **I. BUSINESS REVIEW**

#### **Economic and Market Environment**

2022 saw the resurgence of the COVID-19 pandemic, increasing inflation, acceleration in the pace of interest rate hikes and rising geopolitical conflict. Against this backdrop, the growth of global economy slowed down significantly. China's economy faced increased risks from internal and external environment with mounting downward pressures amid the sporadic outbreaks in many places, weak consumption and sagging exports. Supported by the government's proactive fiscal policy and relaxed monetary policy, China's overall macro-economy maintained a steady performance, with the gross domestic product up by 3.0% year-on-year and major economic indicators improving gradually.



## CHAIRMAN'S STATEMENT

In 2022, property regulatory policies remained to be based on the general principle of “housing for living instead of speculation” and “region-specific regulatory policies”. However, in response to the demand for pandemic prevention and control, market downturn and maintenance of stable economic growth, local governments have introduced a large number of policies on both supply and demand to support the stable development of the real estate market. Therefore, the regulatory policy environment for the property market has gradually relaxed. The “16 Supportive Financial Measures for the Real Estate Market” was introduced in the fourth quarter, and supportive policies for credit, bonds and equity financing were launched to ensure the real estate market’s stable development, which is conducive to further stabilising the expectations of home buyers and maintaining consumers’ confidence in the real estate market.

In 2022, China’s real estate industry was undergoing profound adjustments. The real estate market continued to be sluggish with weak demand, and both market transaction volumes and prices went downside simultaneously. Some property developers experienced credit risk events and the market had a strong wait-and-see sentiment. According to the National Bureau of Statistics, the value and area of national commodity housing sales for the full year reported a year-on-year decline of 26.7% and 24.3%, respectively, and real estate investments declined by 10.0% year-on-year. The overall scale of the real estate market recorded significant declines. Despite increasing policy support, the overall real estate market is still in a bottoming-out phase as investor confidence and expectations have not yet recovered.

## CHAIRMAN'S STATEMENT

In land market, affected by the sluggish sales in the real estate market with market confidence and expectations on the decline, the investment capacity and willingness of property developers reported a significant decline and most of them slowed down the pace of land acquisition. In the context of a sluggish overall land market, the area of land supply and land transactions for the full year both reported a significant decline year-on-year. The major composition of investments and competitive landscape in the land market have changed significantly, while the central state-owned enterprises and local state-owned enterprises maintained their investment, which have greater advantages in financing, credit qualification and development and operation capabilities. Land investment mainly focused on tier-1 and tier-2 cities, and land investment layout concentrated on the Greater Bay Area, Eastern China, Beijing-Tianjin-Hebei region and Chengdu-Chongqing City Agglomeration. The differentiation in the land investment market became more obvious.

In 2022, the Group centered on the annual work theme of "pursuing steady growth with refined management and 'new capabilities, new mechanisms and new culture' as drivers", strived to overcome the challenges brought about by the resurgence of the pandemic, sluggish market and economic downturn, adopted proactive and precise operation strategies and worked hard to complete various operating indicators set at the beginning of the year and achieve high-quality development in operating activities.

### Steady Growth in Operating Results

In 2022, the Group realised revenue of approximately RMB72.42 billion, representing a year-on-year increase of 26.2%. Gross profit margin was approximately 20.4%, representing a year-on-year decrease of 1.4 percentage points. Profit attributable to equity holders was approximately RMB3.95 billion, representing a year-on-year increase of 10.2%. Core net profit was approximately RMB4.24 billion, representing a year-on-year increase of 2.1%. Unrecognised sales value as of 31 December 2022 was RMB178.97 billion, representing an increase of 18.8% comparing with the beginning of the year.

The Board recommended to declare a final dividend for 2022 of HKD0.307 per share (equivalent to RMB0.272 per share), representing a year-on-year decrease of 6.4%. Together with the interim dividend, total dividends for the full year of 2022 was HKD0.626 per share (equivalent to RMB0.547 per share), representing a year-on-year decrease of 4.3%.

The Board also resolved to declare the Special Dividend in the form of the Distribution in Specie. Please refer to the section headed "Special Dividend in the form of Distribution in Specie" for further details.



## CHAIRMAN'S STATEMENT

**Contracted Sales Achieving Growth in an Adverse Environment**

In 2022, the Group formulated and implemented a precise marketing strategy featuring "one project, one policy" in accordance with the policies and market changes in the cities where those projects were located. Online marketing and offline marketing are organically integrated. "Yuexiu Fangbao", an online marketing platform, has played an important role in supporting marketing and promotion. Despite the industry experiencing an enormous drop in sales, the Group achieved growth in contracted sales in an adverse environment during the year, with the growth rate leading the industry. The Group recorded contracted sales value (including contracted sales of projects of joint ventures and associates) of approximately RMB125.03 billion for the year, representing a year-on-year increase of 8.6% and accounting for 101.2% of the full year contracted sales target of RMB123.5 billion; the Group has significantly improved its ranking and position in the industry, which consolidated its leading position in the Greater Bay Area and its first place in Guangzhou.

The Group continued to enhance the implementation of the "1+4" national market layout, concentrated on and cultivated the Greater Bay Area, and focused on expanding its business in Eastern China, Central China, Northern China and Western China. The Group achieved contracted sales value of approximately RMB59.68 billion in the Greater Bay Area for the full year, accounting for approximately 47.7% of the Group's contracted sales value. The Group achieved contracted sales value of approximately RMB53.19 billion in Guangzhou, accounting for approximately 42.5% of the Group's contracted sales value. In Eastern China, the Group leaped to a new level in sales, with contracted sales value of RMB42.95 billion for the full year, representing a year-on-year increase of 65.7%. The Group achieved contracted sales value of approximately RMB14.04 billion in Central China, representing a year-on-year increase of 38.1%.

**Increasing High-Quality Landbank through Diversified Channels**

In line with prudent investment strategies of "investment based on sales cash inflows", the Group developed precise investment strategies, continued to optimise the "1+4" regional investment layout, invested more on the core cities in the Greater Bay Area and Eastern China and important provincial capitals, increased and focused its investment on high-quality projects in premium cities such as Shanghai, Shenzhen, Guangzhou, Hangzhou, Hefei and Chengdu. By doing so, the structure and quality of the Group's landbank constantly optimised and enhanced. In selecting the investment projects, the Group values their returns and chooses the best among the outstanding investment projects. During the year, through the "6+1" unique and diversified land acquisition platform, the Group acquired 37 new land parcels in Guangzhou, Shenzhen, Foshan, Zhongshan, Shanghai, Hangzhou, Nanjing, Hefei, Zhengzhou, Changsha, Chongqing and Chengdu, with a total GFA of approximately 6.95 million sq.m.. Among those, the Group acquired a total of 10 premium land parcels in Guangzhou, increasing approximately 2.27 million sq.m. of landbank, so that it could continue to strengthen its leading position in Guangzhou. The Group also increased its investment in tier-1 cities such as Shanghai, Shenzhen and Beijing and key tier-2 cities such as Hangzhou, Hefei and Chengdu. 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. The new land acquisitions for the full year through diversified land acquisition models such as TOD, "city operation", cooperation with SOEs and industry-driven acquisitions accounted for 11.5%, 5.0%, 34.4% and 2.2% respectively.

## CHAIRMAN'S STATEMENT

As of 31 December, the total landbank of the Group amounted to approximately 28.45 million sq.m., located in 30 cities in China, which can meet the Group's sustainable development in the future. The Group continued to deepen the cultivation in the Greater Bay Area and Guangzhou, with a total landbank of 14.18 million sq.m. and 12.19 million sq.m. respectively, accounting for approximately 49.8% and 42.8% of the Group's total landbank respectively.

### **New Breakthroughs in TOD National Expansion**

The Group deepened the implementation of TOD development strategy and acquired two TOD projects in Guangzhou and Hangzhou during the year. The Group successfully acquired Pazhou South TOD project in Guangzhou from its parent company, Yuexiu Group, resulting in an increase of approximately 0.43 million sq.m. of TOD landbank. The Group acquired the Gouzhuang TOD project by public tender at Hangzhou Equity Exchange, increasing approximately 0.37 million sq.m. of TOD landbank. The Hangzhou Gouzhuang TOD project is the Group's first TOD project outside Guangzhou and the Greater Bay Area, as well as the Group's first cooperation project with Hangzhou Metro, marking a new achievement in national layout of the Group's TOD projects. The Group's TOD Institute continued to optimise the TOD technology and management standardisation system, so as to support the Group's TOD layout and expansion in China.

The sales value of the Group's TOD projects amounted to RMB22.09 billion for the year, representing a year-on-year increase of 23.6%, with the sales scale reaching a new high level. The Guangzhou Pazhou South TOD project, which was acquired in the first half of the year, was launched in the same period, with the sales value of approximately RMB10.14 billion for the full year. It was also the case for the Hangzhou Gouzhuang TOD project, with the sales value of RMB0.76 billion for the full year.

As of the end of 2022, the Group had a total of 8 TOD projects under development in Guangzhou and Hangzhou. The total landbank of TOD projects reached 3.86 million sq.m., accounting for approximately 13.6% of the total landbank of the Group.

### **Steadily Promote the "Coordinated Residential and Commercial Development" Strategy**

The Group has resolutely and steadily promoted the strategy of "Coordinated Residential and Commercial Development" and continuously improved the operation and management capabilities for commercial properties. In response to market changes, the Group brought in new business ideas and upgraded the three commercial product lines including IFC, ICC and Dating Mall. The Group continuously optimised the operational and tenant acquisition strategies of various business segments and proactively improved customer structures. Due to the impact of the resurgence of the Covid-19 and the economic downturn, the operation performance of commercial properties in various business segments in China had also been affected to varying degrees. Supportive measures, including rental reduction or exemption, were provided by the Group to a number of customers to help them tide over the difficult times. The office building segment remained generally stable in leasing, and its tenant structure and quality were further optimised following the introduction of various Fortune 500 companies.



## CHAIRMAN'S STATEMENT

The Group recorded a rental income from commercial properties directly held by it of approximately RMB0.33 billion for the full year, and Yuexiu REIT, in which the Group holds 41.39% interest, recorded a revenue of approximately RMB1.87 billion, representing a year-on-year increase of 4.2%. The office assets of Yuexiu REIT maintained steady performance, with a rental income of approximately RMB1.28 billion for the full year, representing a year-on-year increase of 31.0%, demonstrating a strong anti-cyclical and anti-risk ability. The operations in hotels & apartments and wholesale markets were continuously recovering. TMT, financial sectors and professional service companies had stable leasing demand.

### Prudent and Safe Financial Position

In 2022, in the face of major downturns and adjustments in the real estate market, the Group, on one hand, accelerated the sales of properties and enhanced cash collection, resulting in a significant year-on-year improvement in cash collection rate of contracts for the year; on the other hand, the Group diversified financing channels to further decrease the average financing cost year-on-year. The Group had a healthy financial position as well as sufficient and safe liquidity. As of the end of December, the Group's cash and cash equivalents and charged bank deposits amounted to approximately RMB35.12 billion. With the total liabilities/total assets ratio (excluding unearned revenue) of 68.8%, the net gearing ratio of 62.7%, and the cash to short-term debt ratio of 2.23 times, the "Three Red Lines" indicators of the Group remained in "green lights".

In such a favorable market financing environment where China lowered its interest rates, the Group took the opportunity to optimise and adjust the domestic and overseas debt structure. Throughout the year, the Group successfully issued a total of RMB9.84 billion of onshore corporate bonds at a weighted average rate of 3.11%. During the reporting period, the Group's average cost of borrowing decreased by 10 basis points year-on-year to 4.16%, leading among the industry in terms of financing costs. The Group continued to maintain its credit ratings of investment grade at Baa3 and BBB- by Moody's and Fitch respectively with stable outlooks.

### Continuous Improvement in ESG Management Standards

The Group believes that the capability and performance of ESG management will be the core competitiveness of an enterprise in the future, and the improvement of ESG management standards will contribute to further releasing the development potential of an enterprise and enhancing corporate value. In the past year, the Group adhered to seeking progress while maintaining stability, continued to consolidate and integrate the concept of sustainable development into its business strategy and operations. While fulfilling its economic responsibilities, the Group relentlessly pursued the coordinated development of itself, environment and the society, thereby rewarding customers, employees, shareholders and the society.

## CHAIRMAN'S STATEMENT

The Environmental, Social and Governance Committee ("ESG Committee") was established under the Board in 2022, comprising the Chairman of the Board, one executive director and three independent non-executive directors. Its duties include: to review and approve the Company's visions, goals, strategies and management policies regarding ESG issues and make recommendations to the Board on the relevant ESG matters. In order to ensure the efficient promotion and implementation of ESG management, the Group also formed an ESG Leading Group and an Executive Group under the ESG Committee, which helped clarify the ESG work responsibilities of various functional departments and relevant heads of regional companies and form a sound ESG governance structure.

Under the guidance of the nation's dual carbon goals, the Group vigorously promoted green buildings and strongly encouraged innovations in related research, continued to explore and create ultra-low-energy-consumption buildings, achieved energy conservation and emission reduction of buildings through smart energy management and promoted the green and low-carbon convention for tenants, so as to facilitate the green transformation and development of society. In 2022, the green building area of the Group recorded a year on year increase of 113%.

The Group attaches great importance to the integration of ESG concepts with core business. Upholding the development concept of building the company with "quality product, quality service, quality brand, excellent team" proposed in 2022, the Group focused on the customers, enhanced the product quality, upgraded project design, improved community supporting facilities and property services, with the aim of establishing a high-quality standardisation system. The Group thought from the perspective of customers and launched "Yes My Life" YES Healthy Living System featured with "health + smart" in 2022, showing its determination to fulfill the customers' requirements on cities, communities, residences, services, culture and other aspects, and provide a better life for them at the end.

The Group proactively undertook its corporate social responsibility. In particular, it invested in the first wholly self-owned land parcel designated for affordable housing in Guangzhou in 2022, and took the initiative to participate in urban renewal projects to improve the appearance of the city and the living environment for residents. Under the "Yue Volunteer (悦志願)" service brand, the Group actively organised various public voluntary activities and worked with the community to overcome the difficulties brought about by the pandemic. In 2022, the number of volunteers of the Group was 2,630, with volunteer service hours reaching 25,877 hours.

The Group's ESG performance received recognitions from many authoritative institutions. In 2022, MSCI, an international authoritative index agency, maintained the ESG rating of the Group at BB level. In the authoritative rating report released by the GRESB (Global Real Estate Sustainability Benchmark), the Group received a two-star rating (79 points). The Group has been also included in the Hang Seng Climate Change 1.5°C Target Index for the first time. These fully reflected that the Group's sustainable development has been widely recognised by the capital market.

## CHAIRMAN'S STATEMENT

**II. BUSINESS OUTLOOK**

Looking forward to 2023, inflation is running at a high level, interest rates will remain high with little room for cuts, it is expected that global economic growth will continue to slow down and some major economies may plunge into recession. Although Chinese government has taken measures to support the steady development of the economy and the real estate market, China's economic growth still faces challenges in 2023 as the consumers are less willing to purchase house and their confidence in the economy has yet to be restored. Notwithstanding the above, it is expected that China's macro economy and property market will bottom out and rebound, driven by the significant easing of the pandemic situation in China, adjustments for pandemic prevention and control policies and the lifting of the border restrictions between Hong Kong, other countries and China. In 2023, 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 stabilize macro-economic growth, adopt a proactive fiscal policy and a prudent and loose monetary policy, provide more support for the real estate industry and market and promote the steady development of the economy.

In respect of the property policies, the government's regulatory policies will focus on the general keynote of "housing for living instead of speculation" and "region-specific regulatory policies", to remain continuous easing of supply and demand. Certain local governments are expected to issue various policies and measures supporting the property market more actively, so as to better support the rigid and improved demand of the property market and promote the recovery and steady development of the real estate industry.

It is expected that in 2023 the property market will gradually recover with the steady macro-economic growth, enhancement of policy effectiveness and the recovery of market confidence and house purchase willingness. The total transaction volume in the market throughout the year and housing prices will remain stable, the differentiation in the market and property developers will intensify and market concentration will continue to rise. The market in metropolitan areas including the Greater Bay Area and the Yangtze River Delta will maintain a stable recovery. The competitive landscape and market pattern of the property market will also change significantly, and the real estate industry will gradually transform from "high level indebtedness, leverage and turnover" to a new development model. Sound and quality property developers will gain competitive advantages in terms of access to capital and land resources, and will be in a favorable position in the future market competition. Although the land market is expected to be sluggish in the short term, with the rebound of the sales market, the land market is also expected to gradually pick up, while the market differentiation will be particularly obvious. As the financing environment of the real estate industry turns to be relaxed, the differentiation in property developers' capacities to obtain financing will become obvious. For sound and quality property developers, they have a better position in terms of access to capital and financing.



## CHAIRMAN'S STATEMENT

### Achieving Various Annual Operation Targets

The Group will make every effort to achieve the annual sales and various operating goals in 2023, continue to optimise business structure and strengthen refined management for a better organisational system and mechanism. In terms of sales, in response to the changes of the market, the Group will seek to achieve full year sales target and cash collection rate by implementing precise sales strategies of "one project, one policy", facilitating sales and cash collections, enhancing the level of sell-through rate, deepening digital marketing, leveraging the supporting function of the digital marketing platform of "Yuexiu Fangbao" to increase the proportion of its own sales channels. In terms of product competitiveness improvement, the Group will design the products more suitable for rigid and improved demands, keep promoting the establishment of product standardisation system and the green housing standard system, and continuously upgrade unique TOD product line and service system. In terms of operations, the Group will continue to optimise the 3.5-level operational management and control system, refine its headquarters, strengthen regions, and well manage its projects in various regions. The Group will channel its energy in improving operation efficiency, enlarging the coverage of strategic procurement, enhancing the construction quality of projects and building a whole-cost management system.

### Implementation of Prudent Investment Strategy of "Investment Based on Sales Cash Inflows"

In 2023, the Group will continue to make precise investments by adhering to the prudent investment strategy of "investment based on sales cash inflows" and upholding "one city, one policy". In terms of regional investment layout, the Group will concentrate on advantageous areas for continuous cultivation, and ensure that the investment resources will be preferentially invested to the regions and cities in 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 and Eastern China, as well as quality provincial capitals. In selecting investment projects, the Group will give priority to their returns, focus more on projects with high certainty in profitability, and select the best among the outstanding ones to seize the optimal investment opportunities.

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 continuously increase premium TOD projects in the Greater Bay Area. Meanwhile, the Group will take the first cooperative project with Hangzhou Metro as an opportunity to continuously explore TOD projects outside the Greater Bay Area, accelerate the acquisitions for nationwide TOD projects and continuously deepen the land acquisition model of "city operation". The Group will increase its efforts to acquire urban renewal projects, strengthen its research on urban renewal policies, and enhance cooperation with urban renewal platforms of governments at all levels and enterprises which own urban renewal projects to focus on the redevelopment of old villages. The Group will continue to strengthen cooperation with various types of state-owned enterprises and introduce industrial resources to strengthen the model of industry driven land acquisitions. The Group will closely monitor the opportunities of acquiring quality projects in the market of 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 land reserve structure, select the best projects among the outstanding ones for optimizing its landbank portfolio.

## CHAIRMAN'S STATEMENT

### Deepening the "Coordinated Residential and Commercial Development" Strategy

Continuously upholding the strategy of "Coordinated Residential and Commercial Development", the Group will steadily increase the contribution of commercial properties performance to its financial results, build a full-cycle asset management platform, increase the scale of commercial assets and enhance the professional operation capability for commercial properties. 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 optimise the organisational control capability of its commercial properties, implement changes in the business segments, refine and strengthen the headquarters, create empowerment platforms, specialise in projects and ensure solid delivery of projects by teams, and build profit centres. The Group will emphasise on improving both the capabilities and efficiency in commercial property operations and elevating operation standard to realise the growth in scale. The Group will continue to optimise the product lines and customer structures for its commercial properties, in hope of increasing the occupancy rate and rental level. The Group will continue to enhance its operational efficiency and commercial property values by increasing its operational capabilities for its commercial properties. The Group will proactively promote an asset management model for commercial properties, and continue to improve the management scale and operational results of commercial properties.

### Adhering to Prudent and Safe Financial Policies

The Group will pay close attention to liquidity risks resulting from changes in the market, continue to enhance cash collection rate, and ensure good debt management and the management of cash flows from operating activities. The Group will maintain smooth domestic and overseas financing channels and continue to reduce financing costs. The Group will strengthen the overall management of onshore and offshore funds to increase efficiency in capital utilisation, and keep the "Three Red Lines" indicators staying in "green lights". Meanwhile, the Group will continue to optimise 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 optimise its operational and financial risk monitoring system. The Group will continue to maintain its investment grade credit ratings of Moody's and Fitch.

### Acknowledgements

2023 is a critical year for implementation of the "14th Five-Year Plan" for the Group, and also marks the 40th anniversary of the establishment of the Group. With "Refined Management" and "New Capabilities, New Mechanisms and New Culture" as the new development driving forces, the Group will actively respond to changes and create new opportunities in the new landscape of competition in the industry. Through actively exploring new development model of the industry, adhering to the high-quality and sustainable development, the Group will constantly strive to improve the return on shareholder's 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVENUE AND GROSS PROFIT

In 2022, the Group realised revenue of approximately RMB72.42 billion (2021: RMB57.38 billion), representing a year-on-year increase of 26.2%. The gross profit was approximately RMB14.81 billion (2021: RMB12.48 billion), representing a year-on-year increase of 18.6%, and the gross profit margin was approximately 20.4%, representing a year-on-year decrease of 1.4 percentage points.

### PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

In 2022, profit attributable to equity holders of the Group was approximately RMB3.95 billion (2021: RMB3.59 billion), representing a year-on-year increase of 10.2%. The core net profit\* was approximately RMB4.24 billion (2021: RMB4.15 billion), representing a year-on-year increase of 2.1%.

### CONTRACTED SALES

In 2022, the value of the aggregate contracted sales (including sales of projects of joint ventures and associates) of the Group was approximately RMB125.03 billion, representing a year-on-year increase of 8.6% and accounted for 101.2% of the full year contracted sales target of RMB123.5 billion. The GFA of the aggregate contracted sales (including sales of projects of joint ventures and associates) was approximately 4.14 million sq.m., representing a year-on-year decrease of 0.9%. The average selling price was approximately RMB30,200 per sq.m., representing an increase of 9.4% on a year-on-year basis.

In terms of regional composition, with respect to the value of the aggregate contracted sales for 2022, the Greater Bay Area accounted for approximately 47.7%, Eastern China Region accounted for approximately 34.4%, Central China Region accounted for approximately 11.2%, Northern China Region accounted for approximately 4.6%, and Western China Region accounted for approximately 2.0%.

### GREATER BAY AREA

The Greater Bay Area is one of the most open and dynamic regions in China. In 2022, the Greater Bay Area achieved a stable economic development and accelerated the pace to realize the synergy of "technology-industry-finance". Developing with the Greater Bay Area as the core, the Group continued to deploy its resources in seven cities of Greater Bay Area, including Guangzhou, Shenzhen, Hong Kong, Foshan, Jiangmen, Zhongshan and Dongguan. In 2022, the total contracted sales value of the Group in Greater Bay Area amounted to approximately RMB59.68 billion, accounting for approximately 47.7% of the Group's contracted sales value.

\* Core net profit represents profit attributable to equity holders excluding net foreign exchange (losses)/gains recognised in the consolidated statement of profit or loss and net fair value (losses)/gains on revaluation of investment properties held on a continuing basis (excluding investment properties disposed during the period) and the related tax effect.



## MANAGEMENT DISCUSSION AND ANALYSIS

Affected by the overall market downturn and the recurrence of the pandemic, the property market in Guangzhou recorded a weakening market sentiment and volatility in trading in 2022. In the first quarter, the property market recorded a low transaction volume during the off-season, while in the second quarter, the transaction volume increased as the market gradually rebounded. However, in the third and fourth quarters, the property market experienced downturns first due to the pandemic, while the transaction volume has picked up as at the end of the year, in line with the easing of the pandemic prevention and control measures. Notwithstanding the above, the property market in Guangzhou showed its resilience, with the proportion of transaction volume for mid-and high-end improved projects increasing and the selling price higher than that of corresponding period last year. The policy remained loose with margin financing. Though at a moderate pace, the policy has a wide coverage, including the relaxation of purchase restrictions as for supply side, as well as the reduction of home mortgage rates and easing of talents residency registration as for demand side. The Group continued to maintain excellent performance in contracted sales in Guangzhou, with a contracted sales value of approximately RMB53.19 billion, accounting for approximately 42.5% of the Group's contracted sales value for the full year.

In 2022, strict tightening measures continued to apply to the Shenzhen property market. The supply and transaction volume of commodity housing recorded a decrease due to the effect of market environment, while the selling price continued to rise slightly. In 2022, contracted sales value in Shenzhen was approximately RMB0.42 billion, as the Group's existing projects held for sale in Shenzhen were remaining stocks.

In 2022, due to the overall downturn in the property market, the property market in Foshan, Dongguan, Zhongshan and Jiangmen experienced a decline in both supply and demand, with selling prices falling slightly and the overall performance relatively weak. In 2022, the contracted sales value of the Group in the foresaid four cities amounted to approximately RMB6.07 billion.

### EASTERN CHINA

In 2022, the Group has established operations in seven cities including Shanghai, Hangzhou, Suzhou, Jiaxing, Nantong, Nanjing and Ningbo within Eastern China, and has generated sales results in Shanghai, Hangzhou, Suzhou, Nanjing, Nantong and Ningbo. In 2022, the policies for property market in Shanghai were relatively stable. In the first half of the year, as affected by the pandemic, the property market was stagnant. With orderly easing of COVID-19 pandemic prevention and control measures, both supply and demand of the property market improved in the second half of the year, and the market gradually rebounded, with the selling price rising. Hangzhou recorded a low transaction volume in the first half of the year, with a decrease in the supply. In the second half of the year, however, the relaxation of purchase restrictions in the suburban market, boosted the housing purchases at certain times, with the supply, transaction volume and selling price all rising. Suzhou, Nanjing, Nantong and Ningbo all continued to introduce multi-dimensional loose policies to promote a stable recovery in the market, but the supply and transaction volume recorded a year-on-year decrease due to the effect of market downturn. In 2022, the Group achieved excellent sales results in Eastern China with contracted sales value of approximately RMB42.95 billion, representing a year-on-year increase of 65.7%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CENTRAL CHINA

In 2022, the Group newly entered Hefei, and together with Wuhan, Xiangyang, Zhengzhou, Changsha and Chenzhou, the Group has established operations in six cities within Central China. In 2022, regulatory measures were relatively relaxed in Wuhan, as evidenced by the lifting of restrictions on purchases, provision of home purchase subsidy and raise in the credit limit of the provident fund loan, but the market supply and demand in Wuhan were weak for the full year due to its high inventory and sluggish economy. Hefei adopted positive property policies, such as cancelling purchase restrictions in some areas and reducing the purchase barrier. The regional differentiation in sales results of the Group's projects was obvious. The property market in Changsha and Xiangyang maintained stable, thanks to the relaxation of regulatory policies. The property market in Zhengzhou and Chenzhou experienced downturns, with the overall market showing a decline in both volume and selling price. In 2022, the Group's contracted sales performed well in Central China, recorded contracted sales value of approximately RMB14.04 billion, representing a year-on-year increase of 38.1%.

### NORTHERN CHINA

The Group has established operations in five cities including Beijing, Shenyang, Qingdao, Ji'nan and Yantai in Northern China. In 2022, the property regulation in Beijing remained stable, while the market experienced a year-on-year decline in both supply and demand, but an overall situation appeared where supply has been unable to meet demand, with the selling price rising. Shenyang further eased the purchase restrictions, with the overall market showing a decline in both volume and selling price. With intensive introduction of a series of loose policies in Qingdao and Ji'nan, the property markets in these cities showed a steady increase in both volume and selling prices. The property market in Yantai maintained at a low level as there was a strong wait-and-see sentiment. In 2022, the contracted sales value of the Group in Northern China amounted to approximately RMB5.81 billion, representing a year-on-year increase of 24.7%.

### WESTERN CHINA

The Group has mainly established operations in three cities in Western China, including Chongqing, Chengdu and Xi'an, and has generated sales results in Chongqing and Chengdu. In 2022, the regulation of the property market in Chongqing gradually eased in respects of purchase restrictions and contract tax subsidies, but the market sentiment was low, with a decline in both volume and selling price. By adjusting the area of purchase restrictions for housing and adopting a number of policies to boost demand, the property market in Chengdu experienced a steady development, with a slight decline in the supply and transaction volume, while the selling price continued to rise. In 2022, the Group recorded contracted sales value of approximately RMB2.55 billion in Western China.

## MANAGEMENT DISCUSSION AND ANALYSIS

Contracted sales of the Group in 2022 are summarised as follows:

City	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
Guangzhou	1,395,600	53,188	38,100
Shenzhen	4,500	418	92,900
Foshan	97,500	2,316	23,800
Dongguan	63,200	1,899	30,000
Jiangmen	116,700	960	8,200
Zhongshan	60,700	897	14,800
<b>Subtotal (Greater Bay Area)</b>	<b>1,738,200</b>	<b>59,678</b>	<b>34,300</b>
Shanghai	170,700	10,991	64,400
Hangzhou	579,000	23,606	40,800
Suzhou	221,400	5,015	22,700
Nantong	7,500	174	23,200
Nanjing	74,900	2,577	34,400
Ningbo	23,700	589	24,900
<b>Subtotal (Eastern China Region)</b>	<b>1,077,200</b>	<b>42,952</b>	<b>39,900</b>
Wuhan	217,500	4,268	19,600
Hefei	215,200	5,149	23,900
Xiangyang	60,400	456	7,500
Zhengzhou	21,700	370	17,100
Changsha	299,400	3,731	12,500
Chenzhou	11,900	70	5,900
<b>Subtotal (Central China Region)</b>	<b>826,100</b>	<b>14,044</b>	<b>17,000</b>
Beijing	3,600	136	37,800
Shenyang	37,100	341	9,200
Qingdao	183,500	2,809	15,300
Yantai	11,600	104	9,000
Ji'nan	134,800	2,415	17,900
<b>Subtotal (Northern China Region)</b>	<b>370,600</b>	<b>5,805</b>	<b>15,700</b>
Chongqing	28,900	458	15,800
Chengdu	98,000	2,092	21,300
<b>Subtotal (Western China Region)</b>	<b>126,900</b>	<b>2,550</b>	<b>20,100</b>
<b>Total</b>	<b>4,139,000</b>	<b>125,029</b>	<b>30,200</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

## RECOGNISED SALES

In 2022, the value of the recognised sales was approximately RMB69.01 billion, representing a year-on-year increase of 26.1%. GFA of the recognised sales was 2.87 million sq.m., representing a year-on-year increase of 26.9% and the average selling price was approximately RMB24,100 per sq.m., basically remaining flat as compared to previous year.

Recognised sales of the Group in 2022 are summarised as follows:

City	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
Guangzhou	1,216,800	39,876	32,800
Shenzhen	87,800	7,477	85,200
Foshan	82,700	1,726	20,900
Jiangmen	76,000	448	5,900
Zhongshan	18,700	276	14,800
<b>Subtotal (Greater Bay Area)</b>	<b>1,482,000</b>	<b>49,803</b>	<b>33,600</b>
Hangzhou	399,900	6,525	16,300
Suzhou	288,800	4,717	16,300
Jiaxing	800	9	11,300
<b>Subtotal (Eastern China Region)</b>	<b>689,500</b>	<b>11,251</b>	<b>16,300</b>
Wuhan	56,100	853	15,200
Changsha	313,600	3,174	10,100
<b>Subtotal (Central China Region)</b>	<b>369,700</b>	<b>4,027</b>	<b>10,900</b>
Shenyang	115,300	1,906	16,500
Qingdao	206,600	2,003	9,700
Yantai	3,100	16	5,200
<b>Subtotal (Northern China Region)</b>	<b>325,000</b>	<b>3,925</b>	<b>12,100</b>
Chengdu	700	7	10,000
<b>Subtotal (Western China Region)</b>	<b>700</b>	<b>7</b>	<b>10,000</b>
<b>Total</b>	<b>2,866,900</b>	<b>69,013</b>	<b>24,100</b>

## UNRECOGNISED SALES

As of 31 December 2022, the unrecognised sales value amounted to approximately RMB178.97 billion, representing an increase of 18.8% as compared to that as of the beginning of the year, and the unrecognised sales GFA was approximately 5.75 million sq.m., representing an increase of 0.8% as compared to that as of the beginning of the year. The average selling price was approximately RMB31,100 per sq.m., representing an increase of 17.8% as compared to that as of the beginning of the year.

## LANDBANK

In 2022, the Group has newly acquired 37 land parcels located in Guangzhou, Shenzhen, Foshan, Zhongshan, Shanghai, Hangzhou, Nanjing, Hefei, Zhengzhou, Changsha, Chongqing and Chengdu with a total GFA of approximately 6.95 million sq.m..

## MANAGEMENT DISCUSSION AND ANALYSIS

The land parcels newly acquired of the Group in 2022 are summarised as follows:

No.	Project	Equity Holding	Total GFA (sq.m.)
1	Guangzhou Tianhe Grand Mansion	95.48%	241,700
2	Guangzhou Pazhou South TOD	46.78%	429,100
3	Guangzhou Xingang Road East Land	95.48%	128,800
4	Guangzhou Nanhua Land	9.55%	28,400
5	Guangzhou Zinc Plate Plant Land	52.42%	218,700
6	Guangzhou Baiyun Guanglong Land II	95.48%	90,600
7	Guangzhou Xingye Avenue Land	9.55%	399,700
8	Nansha Ocean One (previous name: Nansha Hengli Island Land II)	95.48%	87,900
9	Nansha Meishan Land	95.48%	494,100
10	Nansha Qingsheng Land	95.00%	153,700
11	Shenzhen Bao'an Center Land	9.55%	80,600
12	Shenzhen Coast Walk (previous name: Shenzhen Bao'an Xixiang Land)	9.55%	96,500
13	Nanhai Starry Wenhan	4.85%	96,000
14	Nanhai Imperial Pearl (previous name: Nanhai Shishan Land)	9.50%	176,400
15	Zhongshan Yuexiu Grand Palace	48.45%	197,800
16	Shanghai City Gather	47.50%	125,400
17	Shanghai Urban Prism	47.50%	268,200
18	Hangzhou Celestial Ocean	24.47%	219,600
19	Hangzhou Celestial Palace	47.98%	73,800
20	Hangzhou Cloud Palace	19.00%	213,200
21	Hangzhou Opus Mansion	46.55%	75,200
22	Hangzhou Joy Paragon (previous name: Hangzhou Jinnan New Town Land I)	95.00%	69,200
23	Hangzhou Joy Mansion (previous name: Hangzhou Jinnan New Town Land II)	95.00%	76,900
24	Hangzhou Twinkle Mansion (previous name: Hangzhou Qingshanhu Sci-tech City Land)	50.31%	142,800
25	Hangzhou Infinite Island (previous name: Hangzhou Yuhang Gouzhuang Land)	51.00%	370,700
26	Nanjing Grand Mansion	98.00%	89,100
27	Hefei Starry Junlan (previous name: Hefei Yaohai Land)	99.64%	194,900
28	Hefei Tan Gim	31.35%	169,300
29	Hefei Feixi Land I	32.88%	225,100
30	Hefei Feixi Land II	32.88%	171,500
31	Zhengzhou Yuexiu Future Mansion	48.45%	410,500
32	Zhengzhou Jinshui Land	76.00%	112,000
33	Changsha Scenery Culture	28.50%	235,900
34	Changsha Mountain Mansion	9.50%	196,300
35	Chongqing Galaxy Garden	48.69%	329,700
36	Chengdu Empyrean Winking	95.00%	64,700
37	Chengdu Lake Mansion	95.00%	196,600
	<b>Total</b>		<b>6,950,600</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

As of 31 December 2022, the landbank of the Group reached approximately 28.45 million sq.m., located in 30 cities in China and the regional layout continued to improve. Geographically, Greater Bay Area, Eastern China, Central China, Northern China, Western China accounted for approximately 49.8%, 16.1%, 20.0%, 8.9% and 5.2%, respectively.

The Group's landbank structure continues to be optimized and is sufficient to meet its sustainable development needs in the future.

The landbank of the Group is summarised as follows:

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
1	Guangzhou Tianhe Grand Mansion	241,600	134,900	106,700
2	Guangzhou Pazhou South TOD	429,100	429,100	–
3	Guangzhou Xingang Road East Land	128,800	58,700	70,100
4	Guangzhou Nanhua Land	28,400	–	28,400
5	Guangzhou Starry Haizhu Bay	185,800	185,800	–
6	Guangzhou Galaxy Bay	497,200	335,300	161,900
7	Guangzhou Zinc Plate Plant Land	218,700	–	218,700
8	Guangzhou Joy Cloud	192,800	192,800	–
9	Guangzhou Joy Lake	402,500	402,500	–
10	Guangzhou Joy Golden Sands	303,400	303,400	–
11	Guangzhou Baiyun Starry City (previous name: Guangzhou Baiyun Guanglong Land I)	1,037,300	217,800	819,500
12	Guangzhou Baiyun Guanglong Land II	90,600	–	90,600
13	Guangzhou Skyline Mansion	154,400	154,400	–
14	Guangzhou Oasis Mansion	165,200	165,200	–
15	Guangzhou Infinity TOD	613,900	613,900	–
16	Guangzhou Star Wave	234,400	234,400	–
17	Guangzhou Grand Mansion	302,800	302,800	–
18	Guangzhou Grand Mansion II	402,800	402,800	–
19	Guangzhou Xingye Avenue Land	399,700	–	399,700
20	Guangzhou Starry Wenxi	63,500	63,500	–
21	Guangzhou University Town Starry City	325,400	325,400	–
22	Guangzhou Panyu Jinan University Land II	329,700	–	329,700
23	Guangzhou University Town Grand Mansion	319,400	319,400	–
24	Guangzhou Car Town	50,900	50,900	–
25	Guangzhou Talent Garden	61,400	61,400	–
26	Guangzhou Voyage TOD	208,400	208,400	–
27	Guangzhou Melody TOD	465,100	465,100	–
28	Guangzhou Fantasy TOD	280,100	280,100	–
29	Guangzhou TOD Town	583,600	583,600	–
30	Guangzhou Mountain Living	137,100	137,100	–



## MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
31	Nansha Southern Le Sand	514,500	97,400	417,100
32	Nansha Tianyu Square	50,300	50,300	—
33	Nansha International Financial Center	141,200	141,200	—
34	Nansha Joy Bay	101,100	101,100	—
35	Nansha Flourishing Bay	214,800	214,800	—
36	Nansha Ocean One (previous name: Nansha Hengli Island Land II)	87,900	87,900	—
37	Nansha Golden Bay	188,500	188,500	—
38	Nansha Joy Bay	149,700	149,700	—
39	Nansha Meishan Land	494,100	114,000	380,100
40	Nansha Qingsheng Land	153,700	75,900	77,800
41	Huadu Elegant Mansion	70,600	70,600	—
42	Huadu Royal Mansion	15,100	15,100	—
43	Guangzhou Galaxy TOD	906,600	620,600	286,000
44	Zengcheng Joy Mountain	85,000	85,000	—
45	Conghua Glade Village	161,800	138,100	23,700
46	Shenzhen Bao'an Center Land	80,600	80,600	—
47	Shenzhen Coast Walk (previous name: Shenzhen Bao'an Xixiang Land)	96,500	96,500	—
48	Nanhai Starry Mansion	187,200	187,200	—
49	Nanhai Starry Wenhan	96,000	—	96,000
50	Nanhai Lake View Mansion	110,600	110,600	—
51	Nanhai Imperial Pearl (previous name: Nanhai Shishan Land)	176,400	122,000	54,400
52	Nanhai River Mansion	74,000	74,000	—
53	Dongguan Cloud Lake	89,500	89,500	—
54	Dongguan Joy Bay	199,300	199,300	—
55	Jiangmen Yuexiu Binjiang Enjoy City	700	700	—
56	Jiangmen Yuexiu Binjiang Grand City	49,000	49,000	—
57	Jiangmen Starry Guanlan	403,800	176,700	227,100
58	Zhongshan Yuexiu Empyrean	157,400	157,400	—
59	Zhongshan Yuexiu Grand Palace	197,800	197,800	—
60	Hong Kong Yau Tong Project	72,100	—	72,100
	<b>Subtotal (Greater Bay Area)</b>	<b>14,179,800</b>	<b>10,320,200</b>	<b>3,859,600</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
61	Shanghai City Gather	125,400	62,600	62,800
62	Shanghai Urban Prism	268,200	90,000	178,200
63	Shanghai Grand Harmony	168,400	168,400	–
64	Hangzhou Starry City	196,100	–	196,100
65	Hangzhou Celestial Ocean	219,600	109,800	109,800
66	Hangzhou Celestial Palace	73,800	73,800	–
67	Hangzhou Cloud Palace	213,200	213,200	–
68	Hangzhou Era Mansion (previous name: Hangzhou Gongshu Land)	142,100	142,100	–
69	Hangzhou Enjoy Mansion	421,900	421,900	–
70	Hangzhou Opus Mansion	75,200	75,200	–
71	Hangzhou Joy Paragon (previous name: Hangzhou Jinnan New Town Land I)	69,200	69,200	–
72	Hangzhou Joy Mansion (previous name: Hangzhou Jinnan New Town Land II)	76,900	76,900	–
73	Hangzhou Twinkle Mansion (previous name: Hangzhou Qingshanhu Sci-tech City Land)	142,800	142,800	–
74	Hangzhou Infinite Island (previous name: Hangzhou Yuhang Gouzhuang Land)	370,700	127,700	243,000
75	Suzhou Joy Years	164,000	164,000	–
76	Suzhou Eastern Cloud	104,200	104,200	–
77	Suzhou Joy Cloud	129,500	129,500	–
78	Suzhou Taicang Never Land	626,100	312,000	314,100
79	Nantong Luminous Mansion	168,100	168,100	–
80	Nanjing Grand Mansion	89,100	89,100	–
81	Nanjing Art Cloud	103,400	103,400	–
82	Nanjing Art Times	133,700	133,700	–
83	Nanjing Treasure	237,700	237,700	–
84	Nanjing Jade Mansion	130,500	130,500	–
85	Ningbo Joy Cloud	119,800	119,800	–
	<b>Subtotal (Eastern China Region)</b>	<b>4,569,600</b>	<b>3,465,600</b>	<b>1,104,000</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
86	Wuhan International Financial City	222,400	222,400	–
87	Wuhan Hanyang Starry Winking	617,300	340,200	277,100
88	Wuhan Starry Garden	71,500	71,500	–
89	Wuhan Yuexiu Mansion	70,800	70,800	–
90	Wuhan Yuexiu Garden	215,800	215,800	–
91	Xiangyang Starry City	371,300	371,300	–
92	Xiangyang Dongjin Land	148,200	148,200	–
93	Hefei Starry Junlan (previous name: Hefei Yaohai Land)	194,900	194,900	–
94	Hefei Tan Gim	169,300	169,300	–
95	Hefei Feixi Land I	225,100	225,100	–
96	Hefei Feixi Land II	171,500	171,500	–
97	Zhengzhou Yuexiu Future Mansion	410,500	410,500	–
98	Zhengzhou Jinshui Land	112,000	112,000	–
99	Zhengzhou Elegant Mansion	137,900	137,900	–
100	Changsha Scenery Culture	235,900	235,900	–
101	Changsha Smart Science City	259,500	259,500	–
102	Changsha Qin'ai Lane	1,100	1,100	–
103	Changsha Mountain Mansion	196,300	–	196,300
104	Changsha Starry City	479,900	479,900	–
105	Changsha Joy Star	517,400	291,000	226,400
106	Chenzhou Starry City	848,300	331,300	517,000
	<b>Subtotal (Central China Region)</b>	<b>5,676,900</b>	<b>4,460,100</b>	<b>1,216,800</b>
107	Beijing Hill Mansion	329,200	329,200	–
108	Shenyang Starry Winking	16,500	16,500	–
109	Shenyang Hill Lake	236,900	37,300	199,600
110	Qingdao Magnificent Bay	37,400	37,400	–
111	Qingdao Inner Peace (previous name: Qingdao Licang Qingyin Highway East Land)	666,300	379,500	286,800
112	Qingdao Starry City	308,000	167,400	140,600
113	Qingdao Yuexiu Starry City	157,200	157,200	–
114	Qingdao Pingdu Southern New Town Land II	268,200	–	268,200
115	Yantai Joy Mansion	146,700	146,700	–
116	Ji'nan Hillside Mansion	237,800	237,800	–
117	Ji'nan Baimai Delighted Mansion	132,300	132,300	–
	<b>Subtotal (Northern China Region)</b>	<b>2,536,500</b>	<b>1,641,300</b>	<b>895,200</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
118	Chongqing Impressive Lake	206,300	206,300	–
119	Chongqing Avant Garde	147,400	147,400	–
120	Chongqing Avant Jade	39,300	39,300	–
121	Chongqing Galaxy Garden	329,700	76,100	253,600
122	Chengdu Empyreal Winking	64,700	64,700	–
123	Chengdu Lake Mansion	196,600	98,900	97,700
124	Xi'an Oriental Mansion (previous name: Xi'an Xixian Land)	374,700	374,700	–
125	Bijie Baili Land	23,800	23,800	–
126	Haikou Simapo Island Project	100,500	–	100,500
	<b>Subtotal (Western China Region)</b>	<b>1,483,000</b>	<b>1,031,200</b>	<b>451,800</b>
	<b>Total</b>	<b>28,445,800</b>	<b>20,918,400</b>	<b>7,527,400</b>

## Construction progress

The Group strived to accelerate development efficiency and turnover rate. In 2022, project development was in line with the Group's schedule. New commencement of construction and completion projects are summarised as follows:

Construction progress	2022 Actual GFA (sq.m.)	2023 Planned GFA (sq.m.)
	New commencement of construction	8,587,900
Completion*	5,568,800	7,528,300

\* Completion for consolidation GFA in 2022(A) and 2023(E) are 3.75 million sq.m. and 4.76 million sq.m. respectively.

## OTHER GAINS, NET

Other gains, net for 2022 amounted to approximately RMB211 million, mainly including miscellaneous income of penalty of approximately RMB79 million and net fair value gains on revaluation of investment properties of approximately RMB125 million. 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### OTHER GAINS, NET — INVESTMENT PROPERTIES

As at 31 December 2022, the Group owned investment properties under lease of approximately 658,000 sq.m. in total, of which offices, commercial properties, car parks and others accounted for approximately 37.6%, 40.4% and 22.0%, respectively. The Group recorded rental revenue of approximately RMB325 million in 2022, representing a decrease of 49% year-on-year, mainly due to the disposal of Yuexiu Financial Tower at the end of 2021, for which there was no rental income in 2022.

In 2022, the Group recorded net fair value gains on revaluation of investment properties held at the end of year of approximately RMB125 million, mainly including Guangzhou ICC recording fair value gains of approximately RMB276 million for the year; Wuhan International Financial City recorded fair value losses of approximately RMB144 million for the year due to the effect of market environment.

### SELLING AND MARKETING COSTS

In 2022, the Group's selling and marketing costs were approximately RMB2,041 million, representing an increase of 28.4% year-on-year, mainly due to the increase of the revenue during the year. Selling and marketing costs accounted for 2.8% of the revenue for the year, which was in line with that of last year.

### ADMINISTRATIVE EXPENSES

The Group's administrative expenses amounted to approximately RMB1,769 million, representing an increase of 9.0% year-on-year. The administrative expenses accounted for 2.4% of the revenue for the year, down by 0.4 percentage point from 2.8% 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 RMB916 million, representing a decrease of 15.1% from RMB1,080 million for 2021, mainly due to a year-on-year increase of interest expense on capitalization resulted from a higher overall turnover rate of projects as the Group accelerated its land development during the year.

### SHARE OF PROFIT FROM ASSOCIATES

In 2022, the net loss from associates attributable to the Group was approximately RMB260 million (2021: net profit of approximately RMB297 million), mainly including losses on the investment in Yuexiu REIT of approximately RMB180 million, which was attributable to the losses incurred by Yuexiu REIT for the year due to the impact of exchange rate fluctuations.

In 2022, the total distributable amount of Yuexiu REIT amounted to approximately RMB533 million, representing a decrease of 33.2% on a year-on-year basis, and the cash distribution attributable to the Group amounted to approximately RMB221 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BASIC EARNINGS PER SHARE

In 2022, basic earnings per share attributable to the equity holders of the Company (based on the weighted average number of ordinary shares in issue) were RMB1.2767 (2021: RMB1.1590).

### FINAL DIVIDEND

The Board has proposed the payment of a final dividend for 2022 of HKD0.307 per share, which is equivalent to RMB0.272 per share (2021: HKD0.328 per share which was equivalent to RMB0.265 per share). Together with the interim dividend of HKD0.319 per share which was equivalent to approximately RMB0.275 per share, total dividends for the year ended 31 December 2022 amounted to HKD0.626 per share which was equivalent to approximately RMB0.547 per share. The record date for ascertaining the shareholders' entitlement to the final dividend and the payment date for the final dividend will be announced separately.

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.

### SPECIAL DIVIDEND IN THE FORM OF DISTRIBUTION IN SPECIE

In addition, to reward shareholders for their unwavering support, on the 30th anniversary of listing and the 40th anniversary of the establishment of Yuexiu Property, the Board has resolved to declare a special dividend (the "**Special Dividend**") in the form of a distribution in specie (the "**Distribution in Specie**") of certain units (the "**Units**") of Yuexiu Real Estate Investment Trust ("**Yuexiu REIT**") (Stock Code: 405) held by the Group, to the qualifying shareholders in proportion to their respective shareholdings in the Company on the basis of 62 Units for every 1,000 Shares held by the qualifying shareholders, subject to the financial statements of the Company for the financial year ended 31 December 2022 being laid before the Company at the forthcoming annual general meeting.

The Board is of a view that shareholders may benefit from the ability to directly participate in the future development of Yuexiu REIT by obtaining the Units pursuant to the Distribution in Specie. Upon completion of the Distribution in Specie, Yuexiu REIT will continue to be an associate of the Company with continuous support provided by the Company.

Subject to overseas legal and regulatory restrictions, if any, it should be noted that it may not be possible or practicable to distribute units in Yuexiu REIT to certain overseas shareholders of the Company. Further announcement(s) to be made by the Company will include details of the arrangements for such shareholders and also the record date of the Distribution in Specie which will be determined by the Board.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 2022, the Group obtained new borrowings of approximately RMB59.90 billion, including onshore borrowings of approximately RMB52.40 billion and offshore borrowings of approximately RMB7.50 billion. As at 31 December 2022, total borrowings amounted to approximately RMB88.30 billion (31 December 2021: RMB75.53 billion), cash and cash equivalents and charged bank deposits amounted to approximately RMB35.12 billion, and the net gearing ratio was 62.7%. Borrowings due within one year accounted for approximately 18% of the total borrowings (31 December 2021: 39%); fixed-rate borrowings accounted for approximately 51% of the total borrowings (31 December 2021: 57.6%). The Group's average effective borrowing interest rate for the year decreased by 10 bpts to 4.16% per annum from 4.26% per annum for 2021.

As at 31 December 2022, among the Group's total borrowings, approximately 52% was RMB denominated bank borrowings and other borrowings (31 December 2021: 49%), 10% was Hong Kong dollar denominated bank borrowings (31 December 2021: 12%), 15% was Hong Kong dollar and US dollar denominated medium-to-long term notes (31 December 2021: 16%), 23% was RMB denominated medium-to-long term notes (31 December 2021: 23%).

### WORKING CAPITAL

As at 31 December 2022, the Group's working capital (current assets less current liabilities) amounted to approximately RMB105.46 billion (31 December 2021: approximately RMB80.18 billion). The Group's current ratio (current assets divided by current liabilities) was 1.6 times (31 December 2021: 1.4 times). Cash and cash equivalents amounted to approximately RMB21.85 billion (31 December 2021: RMB32.77 billion). Charged bank deposits amounted to approximately RMB13.27 billion (31 December 2021: RMB7.73 billion). Undrawn committed bank facilities amounted to approximately RMB48.05 billion.

## MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL AND FINANCIAL STRUCTURE ANALYSIS

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

	As at	
	31 December 2022 RMB'000	31 December 2021 RMB'000
Borrowings and notes		
Denominated in RMB	66,015,520	54,058,411
Denominated in HKD	10,456,797	10,661,131
Denominated in USD	11,826,017	10,814,592
Total borrowings and notes	88,298,334	75,534,134
Bank overdrafts	29	30
Total debts	88,298,363	75,534,164
<b>Ageing analysis:</b>		
Within one year	15,744,272	29,801,844
In the second year	24,001,885	15,711,742
In the third to fifth year	43,376,890	25,900,724
Beyond five years	5,175,316	4,119,854
Total borrowings	88,298,363	75,534,164
Lease liabilities	891,594	871,203
Less: Cash and cash equivalents	(21,846,458)	(32,766,455)
Net borrowings	67,343,499	43,638,912
Total equity	84,792,741	74,366,749
Total capitalisation	152,136,240	118,005,661
Gearing ratio	44.3%	37.0%



## 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 2022, among the total borrowings of the Group, approximately 39% was floating rate bank loans denominated in Renminbi, approximately 10% was floating rate bank loans denominated in Hong Kong dollars, approximately 13% was fixed rate bank loans and other borrowings denominated in Renminbi, approximately 23% was medium-to-long term fixed rate bonds denominated in Renminbi, approximately 15% was medium-to-long term fixed rate notes denominated in US dollars and Hong Kong dollars.

In 2022, the Federal Reserve raised interest rates significantly in order to control high inflation. At present, inflation has eased but did not meet the expectation yet. It is expected that the Federal Reserve will continue to hike interest rates until the middle of 2023, which is uncertain, and decision will be made ultimately based on inflation data. Currently, the interest rates of Hong Kong dollar is obviously lagging behind its US counterparts, which is rare. However, Hong Kong dollar interest rates are expected to continue to rise and catch up with the level of US dollar interest rates. The ratio of fixed rate financing against the total financing of the Group is approximately 51%. Offshore floating rate borrowings are mainly borrowings denominated in Hong Kong dollars. As the IRS quotes of Hong Kong dollars in the market generally reflected interest rate hike expectation, the Group did not arrange interest-rate hedging instruments during the reporting year. The Group will continue to track the IRS quotes in the market to appropriately hedge borrowing interest rate exposure at a reasonable cost. The average effective borrowing interest rate during the year was approximately 4.16% per annum, decreased by 10 basis points from 4.26% per annum for the year of 2021.

With respect to Renminbi interest rates, the PBOC has introduced relatively loose and prudent monetary policies in 2022 to stimulate economic recovery and enhance the management and control of the property market exposure. Currently, the inflation rate remains at a reasonable level, and it is expected to implement slight reserve requirement ratio or interest rate cuts in 2023, aiming to promote overall economic recovery.

With respect to US dollar interest rates, in 2022, in the face of persistent high inflation, the Federal Reserve adopted monetary tightening policy, including raising interest rates significantly and reducing the purchase of bonds. At present, the inflation rate has fallen but far from the target of 2%. The market expects the tightened monetary policy may lead to a recession in the United States by the end of 2023 to the beginning of next year. Notwithstanding the above, as the United States economic data remains obviously stronger than expected, some experts are still of the view that the monetary policy would continue to be tightened. However, generally there is a lag period for tightened monetary policy and economic slowdown. As such, it is expected that the Federal Reserve may stop hiking interest rates in the middle of the year, and it will review the economic situation and inflation before considering the monetary policy to be taken in the next stage.

With respect to Hong Kong dollar interest rates, Hong Kong dollar interest rate followed the upward trend of US dollar interest rate in the second half of 2022, but still lagging behind. The spreads between Hong Kong dollar and US dollar interest rates have been nearly 2% since the beginning of 2023. The liquidity of Hong Kong dollar was still sufficient, which as the market estimated, was due to weak demands for short-term Hong Kong dollar loans, and the fact that the banks excessively took long-term high interest Hong Kong dollar deposits at the end of last year. It is expected that the HKD-USD interest rate spreads will narrow with the drop in the inter-bank balances denominated in Hong Kong dollar and Hong Kong dollar interest rates will follow the upward trend of US dollar interest rate.

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

## 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 and control of the foreign exchange exposure. As at 31 December 2022, among the borrowings denominated in foreign currencies, approximately HKD9.42 billion (equivalent to approximately RMB8.42 billion) was bank borrowings denominated in Hong Kong dollar, approximately USD1.7 billion (equivalent to approximately RMB11.83 billion) was medium-to-long term notes denominated in US dollars, and approximately HKD2.28 billion (equivalent to approximately RMB2.04 billion) was notes denominated in Hong Kong dollars. Approximately 25% (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 the borrowings denominated in foreign currencies equivalent to approximately RMB11.0 billion. The Group currently has limited foreign exchange exposure with controllable exchange rate risks.

In 2022, export data remained satisfactory in China. Since China relaxed the pandemic prevention and control measures at the end of the year, the impact of the pandemic has subsided at a fast pace. The market estimates that the China's economy will rebound in 2023 from the low point. However, in the face of a number of challenges, there is still an uncertainty over the stabilization of the real estate market, the preservation of export growth, the upgrade of domestic consumption and etc. In addition, the escalation of the Russia-Ukraine conflict may have a greater impact and trigger a more severe crisis, and whether supply chain disruptions can be improved, all remain a major challenge for the economy in 2023. Moreover, due to next year's US presidential election, intensified China-US conflict and asynchronous monetary policy of China and the United States, it is estimated that the interest rate of Renminbi against US dollars will still be fluctuate in 2023, but may be more stable as compared to 2022. The interest rate of Renminbi against US dollars is likely to experience a slight increase.

The Group will continue to keep track of developments in the foreign exchange market, appropriately adopt financial instruments to manage its foreign exchange exposure, strike a balance between foreign exchange risk and hedging cost, and continuously optimize its debt structure to manage its foreign exchange exposure.

### COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2022, the Group did not have capital commitments in respect of purchases of property, plant and equipment (31 December 2021: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 2022, the total contingent liabilities relating to these guarantees amounted to approximately RMB28.39 billion (31 December 2021: RMB29.52 billion).

As at 31 December 2022, certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB10,913 million (31 December 2021: RMB8,366 million) in respect of loans borrowed by joint ventures and associates of the Group, among which, guarantee of approximately RMB4,048 million was utilised and guarantee of approximately RMB6,865 million was not utilised yet.

### EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had approximately 18,400 employees (30 June 2022: 17,980 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.

### CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code throughout the year ended 31 December 2022.

### REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the audit committee of the Company. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

### 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 2022, the aggregate balance of the loans provided was HKD9,440,000,000. Such Loan Agreements will expire from 10 March 2023 to 1 September 2025.

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 2022.

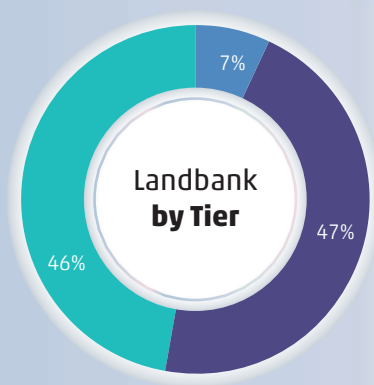
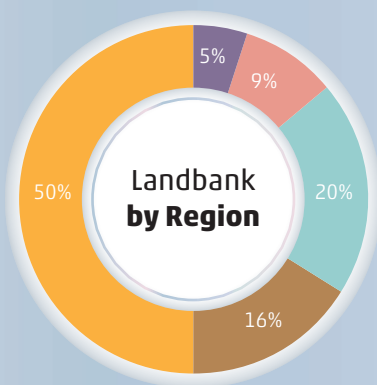


# PROPERTY DEVELOPMENT

REGION		GFA (sq.m.)
<b>Greater Bay Area</b>	<b>49.8%</b>	<b>14,179,800</b>
Guangzhou		12,188,900
Shenzhen		177,100
Foshan		644,200
Dongguan		288,800
Jiangmen		453,500
Zhongshan		355,200
Hong Kong		72,100
<b>Eastern China Region</b>	<b>16.1%</b>	<b>4,569,600</b>
Shanghai		562,000
Hangzhou		2,001,500
Suzhou		1,023,800
Nantong		168,100
Nanjing		694,400
Ningbo		119,800
<b>Central China Region</b>	<b>20.0%</b>	<b>5,676,900</b>
Wuhan		1,197,800
Xiangyang		519,500
Hefei		760,800
Zhengzhou		660,400
Changsha		1,690,100
Chenzhou		848,300
<b>Northern China Region</b>	<b>8.9%</b>	<b>2,536,500</b>
Beijing		329,200
Shenyang		253,400
Qingdao		1,437,100
Yantai		146,700
Ji'nan		370,100
<b>Western China Region</b>	<b>4.9%</b>	<b>1,382,500</b>
Chongqing		722,700
Chengdu		261,300
Xi' an		374,700
Bijie		23,800
<b>Hainan</b>	<b>0.3%</b>	<b>100,500</b>
Haikou		100,500
<b>Total</b>	<b>100%</b>	<b>28,445,800</b>

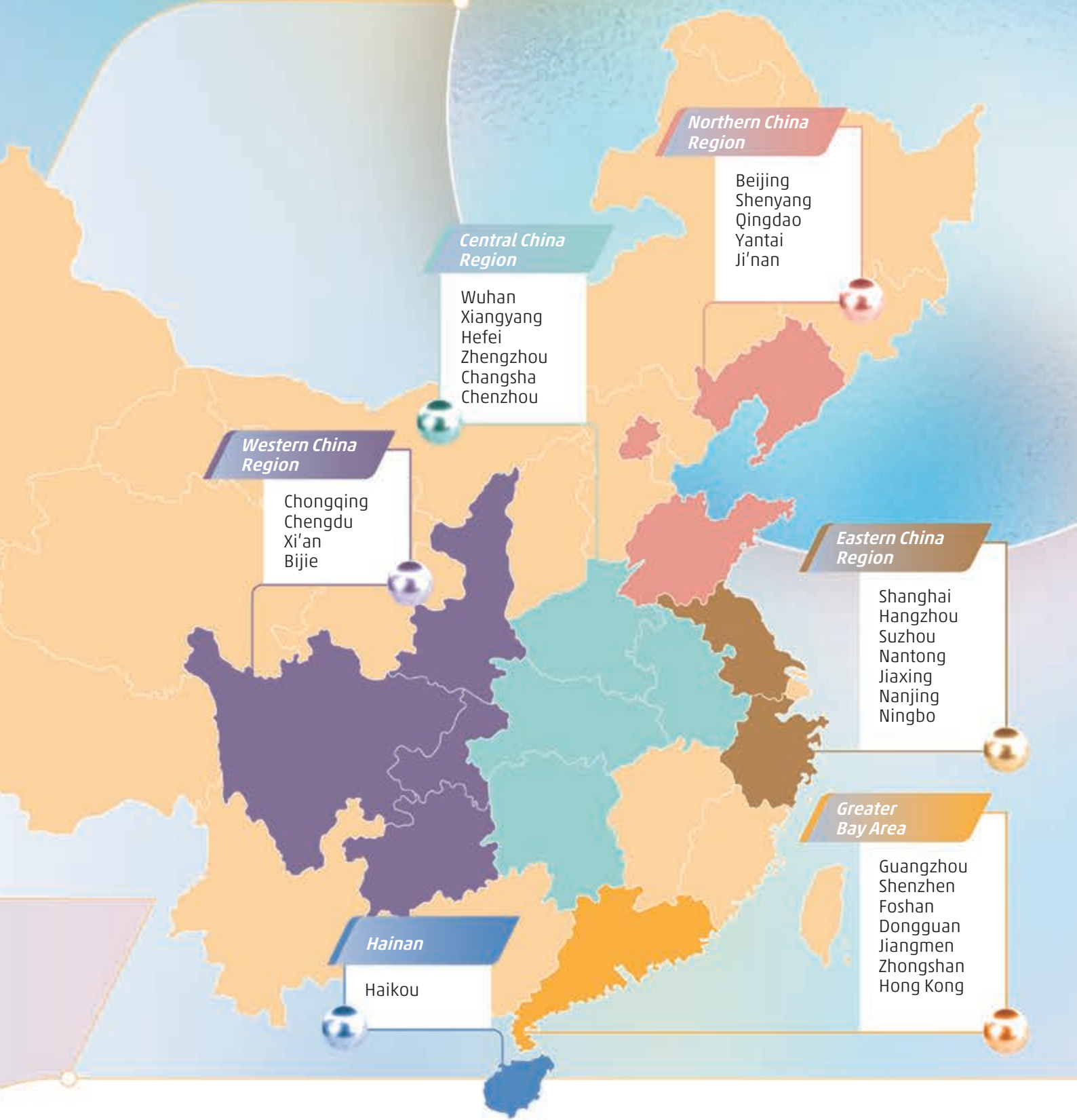


- Greater Bay Area
- Eastern China Region
- Central China Region
- Northern China Region
- Western China Region



- Tier 1
- Tier 2
- Tier 3 & 4

PROPERTY DEVELOPMENT



PROPERTY DEVELOPMENT

# GREATER BAY AREA

## GUANGZHOU TIANHE GRAND MANSION

LANDBANK GFA: 241,600 sq.m.



## GUANGZHOU PAZHOU SOUTH TOD

LANDBANK GFA: 429,100 sq.m.



## GUANGZHOU GRAND MANSION

LANDBANK GFA: 302,800 sq.m.





PROPERTY DEVELOPMENT



**GUANGZHOU UNIVERSITY TOWN  
GRAND MANSION**

LANDBANK GFA: 319,400 sq.m.



**GUANGZHOU BAIYUN  
STARRY CITY**

LANDBANK GFA: 1,037,300 sq.m.



**NANSHA INTERNATIONAL  
FINANCIAL CENTER**

LANDBANK GFA: 141,200 sq.m.



PROPERTY DEVELOPMENT

# GREATER BAY AREA

## NANSHA JOY BAY

LANDBANK GFA: 149,700 sq.m.



## GUANGZHOU ICC

LANDBANK GFA: 229,400 sq.m.

## SHENZHEN COAST WALK

LANDBANK GFA: 96,500 sq.m.





PROPERTY DEVELOPMENT



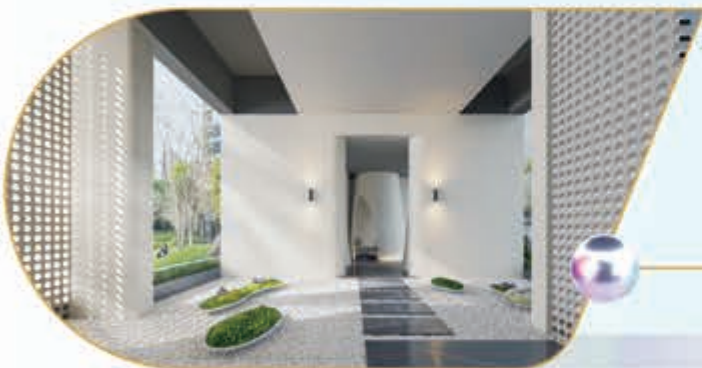
**NANHAI IMPERIAL PEARL**

LANDBANK GFA: 176,400 sq.m.



**DONGGUAN JOY BAY**

LANDBANK GFA: 199,300 sq.m.



**ZHONGSHAN YUEXIU GRAND PALACE**

LANDBANK GFA: 197,800 sq.m.



PROPERTY DEVELOPMENT

# EASTERN CHINA REGION

## SHANGHAI UBRAN PRISM

LANDBANK GFA: 268,200 sq.m.



## HANGZHOU ERA MANSION

LANDBANK GFA: 142,100 sq.m.

## HANGZHOU INFINITE ISLAND

LANDBANK GFA: 370,700 sq.m.



PROPERTY DEVELOPMENT



**SUZHOU JOY YEARS**

LANDBANK GFA: 164,000 sq.m.



**NANJING GRAND MANSION**

LANDBANK GFA: 89,100 sq.m.



**NINGBO JOY CLOUD**

LANDBANK GFA: 119,800 sq.m.





PROPERTY DEVELOPMENT

# CENTRAL CHINA REGION

## WUHAN INTERNATIONAL FINANCIAL CITY

LANDBANK GFA: 222,400 sq.m.



## WUHAN STARRY GARDEN

LANDBANK GFA: 71,500 sq.m.

## HEFEI STARRY JUNLAN

LANDBANK GFA: 194,900 sq.m



PROPERTY DEVELOPMENT



**HEFEI TAN GIM**

LANDBANK GFA: 169,300 sq.m.



**ZHENGZHOU JINSHUI LAND**

LANDBANK GFA: 112,000 sq.m.



**CHANGSHA MOUNTAIN MANSION**

LANDBANK GFA: 196,300 sq.m.





## PROPERTY DEVELOPMENT

# NORTHERN AND WESTERN CHINA REGION

## BEIJING HILL MANSION

LANDBANK GFA: 329,200 sq.m.



## QINGDAO STARRY CITY

LANDBANK GFA: 308,000 sq.m.

## JI'NAN HILLSIDE MANSION

LANDBANK GFA: 237,800 sq.m.



PROPERTY DEVELOPMENT



**CHONGQING GALAXY GARDEN**

LANDBANK GFA: 329,700 sq.m.



**CHENGDU LAKE MANSION**

LANDBANK GFA: 196,600 sq.m.

**XI'AN ORIENTAL MANSION**

LANDBANK GFA: 374,700 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 2022, 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, 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 and took the lead to announce the Company's first post-COVID-19 annual results via "onsite + telephone conference" in Hong Kong, to maintain a smooth communication with investors around the world, as well as held general meetings, roadshows, investor conferences 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 and deeply 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.






## INVESTOR RELATIONS REPORT

While communicating the Group's business information to the outside world, the Group also pays attention to feedbacks from the capital market and business traction, 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.

## Key Investor Relations Activities in 2022



January	○	CICC Investment Strategy Forum
March	○	2021 Annual Results Presentation of Yuexiu Property 2021 Annual Results Announcement Roadshow of Yuexiu Property
May	○	Greater Bay Area Investor Exchange Forum of CICC Rail Transit Projects Study and Research Conference of Yuexiu Property CIMB Bank Investment Strategy Forum
June	○	Northeast Securities Investment Strategy Forum Guangzhou Market Investor Offline Research Conference of Yuexiu Property Credit Suisse HK Corporate Day Citi Securities Investment Strategy Forum
July	○	Industrial Securities Investment Strategy Forum Minsheng Securities Investment Strategy Forum
August	○	2022 Interim Results Presentation of Yuexiu Property 2022 Interim Results Roadshow of Yuexiu Property
September	○	Offline Investor Research and Exchange Conference of Yuexiu Property
October	○	Goldman Real Estate Market Exchange Forum
November	○	Nomura Investment Strategy Forum BofAML Investment Strategy Forum SWSC Investment Strategy Forum Sinolink Securities Investment Strategy Forum
December	○	Industrial Securities Investment Strategy Forum Haitong Securities Investment Strategy Forum CSC Investment Strategy Forum Guosheng Securities Investment Strategy Forum Everbright Securities Investment Strategy Forum



# AWARDS AND RECOGNITIONS



**Listed Company Awards of Excellence 2022**

Hong Kong Economic Journal

**China Property Award of Supreme Excellence 2022**

Organizing Committee of China Property Award of Supreme Excellence

**High Value and Steady Development Enterprises - 2022 China Real Estate Value Ranking**

National Business Daily

**Top 13 of 2022 China Top 100 Real Estate Enterprises**

China Index Academy

**Top 20 of Most Valuable Brand of Real Estate Development Enterprises 2022**

E-house Real Estate Research Institute

**Top 19 Real Estate Enterprise of Comprehensive Capability 2022**

Ehconsulting

**2022 China TOD Benchmark Company**

China Times

**Most Influential ESG Brand 2022**

Finance China

**Top 20 Influential Real Estate Enterprises 2022**

Guandian Index Academy

**TOP 30 China Real Estate (Commercial) Development Enterprises of 2022 in Comprehensive Capability**

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

The Group's Annual Report for the Year of 2021 Was Awarded:

**IADA Award-Interior Design-Real Estate Development - Honour**

**IADA Award-Integrated Presentation - Real Estate Development - Bronze**

**IADA Award-Cover Design - Building&Construction -Bronze**

## DIRECTORS' PROFILES

### EXECUTIVE DIRECTORS

**Mr Lin Zhaoyuan**, aged 53, was appointed as 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 a director, vice chairman, 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 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 and 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 52, was appointed as 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, 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 54, was appointed as 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, organizing industrial development and financing coordination, optimizing and deepening the customer resources management, etc. of the Yue Xiu Group and 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") and the chairman of the board of directors of Yue Xiu Securities Holdings Company Limited; 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 Capital Holdings Group Co., Ltd. (廣州越秀資本控股集團股份有限公司) (formerly known as Guangzhou Yuexiu Financial Holdings Group Co., Ltd. "廣州越秀金融控股集團股份有限公司") ("GZYCHL"), a company listed on the Shenzhen Stock Exchange (Stock Code: 987). 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, a 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 51, was appointed as 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 Limited. Ms Chen has participated in establishing 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 44, was appointed as 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 GZYCHL, Guangzhou Yuexiu Capital Holdings Company 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 56, was appointed as 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 75, 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 68, 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), Ever Harvest Group Holdings Limited (Stock Code: 1549) and Best Mart 360 Holdings Limited (Stock Code: 2360). The shares of the companies mentioned above are listed on the Stock Exchange. He was an independent non-executive director of Medicskin Holdings Limited (stock Code: 8307) until his resignation on 15 November 2022.

**Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau**, aged 75, 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, 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 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 to The Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Throughout the year ended 31 December 2022, 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 Group'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 Group 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 2022.

For a list of directors during the year ended 31 December 2022 and up to the date of this annual report, please refer to page 72 of the Report of the Directors. The updated list of directors is also available on the Company's website ([www.yuexiuproperty.com](http://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 the implementation of the policy to ensure its effectiveness and application from time to time.

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

During the year ended 31 December 2022, 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.

None of the independent non-executive directors of the Company has been appointed for a specific term. However, in accordance with the Company's Articles of Association, all directors of the Company, including independent non-executive directors, are subject to retirement by rotation at least once every three years. All the independent non-executive directors of the Company retired by rotation, offered themselves for re-election, and were re-elected during the past three years.

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 Group as well as the general, statutory and regulatory obligations of being a director to ensure that he/she is fully sufficiently aware of his/her 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 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 digital strategy, current economic situation, latest amendments to the Listing Rules and anti-corruption. 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 Directors</i>		
Ouyang Changcheng (resigned on 10 March 2022)	—	—
Zhang Yibing (appointed on 10 March 2022)	√	√
<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 2022, 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	3/3
Liu Yan	3/4	3/3
<i>Non-Executive Directors</i>		
Ouyang Changcheng (Note)	—	—
Zhang Yibing	2/4	1/3
<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

Note: Mr. Ouyang Changcheng resigned as a non-executive Director on 10 March 2022.

*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 Group 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.



## CORPORATE GOVERNANCE REPORT

Pursuant to Articles 143 of the Company's Articles of Association, the Directors or other officers of the Company shall be indemnified against all costs, charges, losses, expenses and liabilities which he may sustain or incur in or about the execution and discharge of his duties or in relation thereto, including any liability incurred by him. The Company has arranged directors and officer liability insurances for its directors and officers. The relevant provisions of the Articles of Association of the Company and the directors' and officers' liability insurance are currently in force and were in force throughout the Year.

### 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](http://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.

## CORPORATE GOVERNANCE REPORT

The Audit Committee held two meetings during the year ended 31 December 2022 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

### 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/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Group as well as market practice and conditions. The Remuneration Committee is also responsible for reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

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

Members	Meetings 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

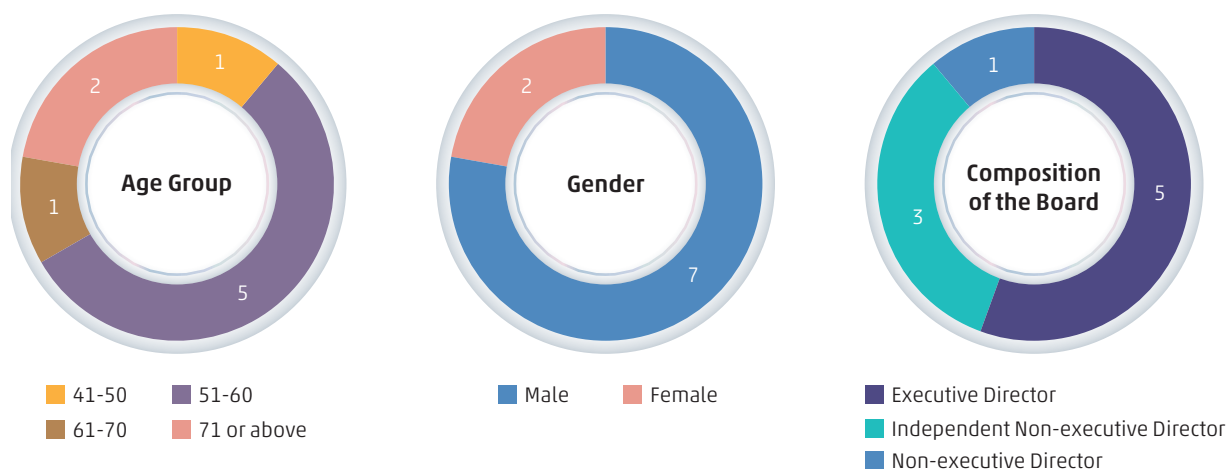
One meeting was held in 2022 to review and make recommendations on the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

## 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 to the benefits of diversity on the Board. The Board currently comprises diversified members, including nine 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 to 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	Meetings 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 2022 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

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

Members	Meeting Attended
<i>Executive Directors</i>	
Lin Zhaoyuan	1/1
Lin 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 ESG Committee held one meeting during the year ended 31 December 2022 to review on progress of the ESG issue.

### 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 2022.

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 2022, 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 2022.



## CORPORATE GOVERNANCE REPORT

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 consolidated 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 2022 amounted to approximately RMB8,530,000 and RMB11,879,000 respectively. The non-audit services conducted mainly include acquisition services, bond offering services, consulting and tax services.

### 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 is designed to manage rather than eliminate the risk of failure to achieve business objects; and 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 guidelines and procedures 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 2022, 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.

## CORPORATE GOVERNANCE REPORT

### 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.

To promote effective communication, the Company also maintains a website at [www.yuexiuproperty.com](http://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 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 Board has reviewed the Shareholders' communication policy conducted during the Year and was satisfied with the effectiveness of the shareholders' communication policy conducted.

## CORPORATE GOVERNANCE REPORT

### PROCEDURES FOR RAISING ENQUIRIES

To ensure effective communication between the Company and the Shareholders:

- (1) Shareholders may direct their questions about their shareholdings to the Company's share registrar in Hong Kong.
- (2) Shareholders may at any time send their enquires and concerns to the Board in writing to the Capital Management

Department of the Company whose contact details are as follows:

Capital Management Department

Yuexiu Property Company Limited

26th Floor

Yue Xiu Building

160 Lockhart Road

Wanchai, Hong Kong

- (3) Shareholders may also make enquiries with the Board at the general meetings of the Company.

### DIVIDEND POLICY

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 macro-economic 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 2022, 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 2022.

### 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 220 to 240.

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 108.

The Directors have declared an interim dividend and have recommended the payment of a final dividend in respect of the year ended 31 December 2022. They are summarised as follows:

	RMB'000
Interim dividend of HKD0.319 equivalent to RMB0.275 per ordinary share paid on 18 November 2022	851,525
Proposed final dividend of HKD0.307 equivalent to RMB0.272 per ordinary share	842,236
	<u>1,693,761</u>

In addition, the Board has resolved to declare a special dividend (the "Special Dividend") in the form of a distribution in specie of certain unit (the "Units") of Yuexiu Real Estate Investment Trust ("Yuexiu REIT") (Stock Code: 405) held by the Group, to the qualifying shareholders in proportion to their respective shareholdings in the Company on the basis of 62 Units for every 1,000 Shares held by the qualifying shareholders, subject to the financial statements of the Company for the financial year ended 31 December 2022 being laid before the Company at the forthcoming annual general meeting.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15 May 2023 to Thursday, 18 May 2023, 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 18 May 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Friday, 12 May 2023.

In addition, the register of members of the Company will be closed from Saturday, 10 June 2023 to Tuesday, 13 June 2023, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend and the Special Dividend. In order to qualify for the final dividend and the Special 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 Friday, 9 June 2023.

### 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 2022 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 RMB3,797 million (2021: RMB3,022 million).

### DISTRIBUTABLE RESERVES

As at 31 December 2022, the distributable reserves, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap.622), of the Company available for distribution amounted to RMB3,008 million (2021: RMB1,327 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 Yibing<sup>1</sup> (appointed with effect from 10 March 2022)

Mr Ouyang Changcheng<sup>1</sup> (resigned with effect from 10 March 2022)

Mr Yu Lup Fat Joseph<sup>2</sup>

Mr Lee Ka Lun<sup>2</sup>

Mr Lau Hon Chuen Ambrose<sup>2</sup>

<sup>1</sup> *Non-executive Director*

<sup>2</sup> *Independent non-executive Directors*

The Directors' Profiles are set out on pages 55 to 57.

### ROTATION AND RE-ELECTION OF DIRECTORS

Ms Chen Jing, Ms Liu Yan and Mr Lee Ka Lun 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.

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](http://www.yuexiuproperty.com)).

### DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of Directors' emoluments and emoluments of five highest paid individuals of the Company are set out in notes 14 and 15 to the consolidated financial statements, respectively.

Directors and senior management of the Company may receive emoluments in the form of fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of the Directors and senior management, as well as the performance of the Group. No Director is involved in deciding his or her own remuneration.

## REPORT OF THE DIRECTORS

**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.

**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:

(1)

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
23 September 2019	Chong Hing Bank Limited ("Chong Hing Bank")	A fellow subsidiary	The Company entered into a bank deposits master agreement with Chong Hing Bank on 23 September 2019 ("2020 Bank Deposits Agreement") to renew the term of the bank deposits master agreement with Chong Hing Bank on 16 May 2017, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank and its subsidiaries on any given day would not exceed RMB8,500 million, RMB10,000 million and RMB12,000 million for the years ended 31 December 2020, 2021 and 2022 respectively	The aggregate balance of bank deposits amounted to RMB2,506,444,177 as at 31 December 2022  The highest daily aggregate amount of bank deposits during the year ended 31 December 2022 amounted to RMB8,447,117,692

## REPORT OF THE DIRECTORS

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
3 November 2022	Chong Hing Bank	A fellow subsidiary	The Company entered into another bank deposits master agreement with Chong Hing Bank on 3 November 2022 ("2023 Bank Deposits Agreement") to renew the term of the 2020 Bank Deposits Agreement, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank and its subsidiaries on any given day would not exceed RMB13,000 million, RMB14,500 million and RMB16,000 million for the years ending 31 December 2023, 2024 and 2025 respectively.	

## REPORT OF THE DIRECTORS

(2)

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
5 January 2022	Chong Hing Bank	A fellow subsidiary	<p>The Company entered into a foreign exchange framework agreement with Chong Hing Bank on 5 January 2022 ("2022 Foreign Exchange Framework Agreement") to renew the spot contracts and forward contracts with the Chong Hing Bank group during the term of 3 years commencing from 1 January 2019, pursuant to which the Group entered into FX Transactions (namely, Spot Contracts and Forward Contracts) with the Chong Hing Bank group during the term of 3 years commencing from 1 January 2022. With respect to the spot contracts for the year ended 31 December 2022 and the years ending 31 December 2023 and 2024, the aggregate amount of the Spread of those spot contracts are subject to the annual caps of HKD2,280,000, HKD2,840,000 and HKD3,550,000 respectively. With respect to the forward contracts for the year ended 31 December 2022 and the years ending 31 December 2023 and 2024, the aggregate amount of hedging cost of those forward contracts are subject to the annual caps of HKD96,730,000, HKD120,910,000 and HKD151,140,000 respectively.</p>	<p>Total Spread of Spot Contract: HKD346,000</p> <p>Total Hedging Cost of Forward Contract: HKD10,383,000</p>

## REPORT OF THE DIRECTORS

(3)

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 entered 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 became subsidiaries of the Company and continued to provide property management and other ancillary services to Guangzhou Metro and its associates. The abovementioned transactions constituted 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 ("2020 GZ Metro Property Management and Related Services Framework Agreement") to govern the transactions contemplated thereunder. The term of which commenced 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 were RMB22.0 million, RMB264.0 million and RMB316.8 million from 30 November 2020 up to 31 December 2020 and for the years ended 31 December 2021 and 2022 respectively.</p>	RMB268,387,000



## REPORT OF THE DIRECTORS

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
22 November 2022	Guangzhou Metro	The substantial shareholder of the Company	<p>On 22 November 2022, Yuexiu Services Group Limited ("Yuexiu Services") (an indirect non wholly-owned subsidiary of the Company) entered into the 2023 GZ Metro Property Management and Related Services Framework Agreement with Guangzhou Metro ("2023 GZ Metro Property Management and Related Services Framework Agreement") to renew 2020 GZ Metro Property Management and Related Services Framework Agreement, pursuant to which the Yuexiu Services Group may provide, and Guangzhou Metro and its associates may procure, the 2023 GZ Metro Property Management and Related Services for a term of three years commencing from 1 January 2023.</p> <p>The annual caps for the 2023 GZ Metro Property Management and Related Services Framework Agreement for the years ending 31 December 2023, 2024 and 2025 are RMB335,219,000, RMB420,547,000 and RMB504,657,000 respectively.</p>	

## REPORT OF THE DIRECTORS

(4)

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
7 June 2021	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	On 7 June 2021, Yuexiu Services entered into the (i) the Property Management Services Framework Agreement; (ii) the Commercial Operation and Management Services Framework Agreement; (iii) the Value-Added Services Framework Agreement; and (iv) the Market Positioning Consultancy and Tenant Sourcing Services Framework Agreement with Guangzhou Yue Xiu and the Company, the Yuexiu Services Group has been providing property management and value-added services to the non-commercial properties and commercial properties of Guangzhou Yue Xiu, the Company and their respective associates under the aforesaid framework agreements (the "Yuexiu Services Framework Agreements").	
22 November 2022	(i) Guangzhou Yue Xiu and (ii) companies jointly held by Guangzhou Metro and the Company ("Guangzhou Metro and the Company JV")	(i) The ultimate holding company of the Company and (ii) connected subsidiary of the Company	On 22 November 2022, Yuexiu Services entered into the 2022 Property Management and Value-Added Services Framework Agreement with Guangzhou Yue Xiu and the Company ("2022 Property Management and Value-Added Services Framework Agreement") to renew and consolidate the Yuexiu Services Framework Agreements, pursuant to which the Yuexiu Services Group may provide, and Guangzhou Yue Xiu, the Company and their respective associates (including Guangzhou Metro & the Company JVs) may procure, the Property Management and Value-Added Services for a term commencing on the effective date of the agreement and ending on 31 December 2024.	

## REPORT OF THE DIRECTORS

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
			<p>The annual caps for Guangzhou Yue Xiu for the year ended 31 December 2022 and the years ending 31 December 2023 and 2024 for the Property Management Services are RMB3,535,000, RMB36,229,000 and RMB43,357,000 respectively; for the Commercial Operation and Management Services are RMB17,004,000, RMB 87,867,000 and RMB92,009,000 respectively; for the Value-added Services are RMB17,542,000, RMB24,854,000 and RMB 33,766,000, respectively; for the Market Positioning, Consultancy and Tenant Sourcing Services are RMB 20,176,000, RMB 22,318,000 and RMB 24,134,000, respectively.</p>	<p>Guangzhou Yue Xiu: Property Management Services: RMB347,000</p> <p>Commercial Operation and Management Services: RMB12,742,000</p> <p>Value-added Services: RMB14,666,000</p> <p>Market Positioning, Consultancy and Tenant Sourcing Services: -</p>
			<p>The annual caps for Guangzhou Metro and the Company JV for the year ended 31 December 2022 and the years ending 31 December 2023 and 2024 for the Property Management Services are RMB43,000, RMB294,000 and RMB362,000 respectively; for the Commercial Operation and Management Services are RMB3,000,000, RMB 3,630,000 and RMB 4,175,000 respectively; for the Value-added Services are RMB 58,564,000, RMB 92,183,000 and RMB 131,855,000 respectively.</p>	<p>Guangzhou Metro and the Company JV: Property Management Services: RMB 30,000</p> <p>Commercial Operation and Management Services: RMB 2,497,000</p> <p>Value-added Services: RMB23,288,000</p>

## REPORT OF THE DIRECTORS

(5)

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
9 December 2022	Guangzhou Yue Xiu	The ultimate holding company of the Company	<p>On 9 December 2022, the Company and Guangzhou Yue Xiu entered into the Construction Services Framework Agreement pursuant to which the Group agreed to provide to Guangzhou Yue Xiu Entities the Construction Services.</p> <p>The Annual Caps under the Construction Services Framework Agreement are RMB50,000,000, RMB63,000,000 and RMB80,000,000 for the year ended 31 December 2022 and the years ending 31 December 2023 and 2024, respectively.</p>	RMB27,304,549

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 7 April 2022, 廣州越秀華城房地產開發有限公司 (Guangzhou Yuexiu Huacheng Real Estate Development Co., Ltd.\*), which is a non-wholly owned subsidiary of the Company (the "Purchaser") and 廣州市城市建設開發有限公司 (Guangzhou City Construction & Development Co. Ltd.) ("GCCD"), which is indirectly owned as to 95% by the Company and 5% by Guangzhou Yue Xiu have entered into the transaction documents with, among others, Fancy Hope Investment Limited (美萊投資有限公司) (the "Seller"), a wholly-owned subsidiary of Guangzhou Yue Xiu, and Guangzhou Yue Xiu, pursuant to which, the Purchaser has conditionally agreed to acquire entire equity interest in 廣州泉力實業發展有限公司 (Guangzhou Quanli Property Co., Ltd.\*) (the "Target Holdco") and GCCD has conditionally agreed to acquire the Loan rights of the Target Holdco and 廣州市品臻房地產開發有限公司 (Guangzhou Pinzhen Property Development Co., Ltd.\*) ("Target Company").

## REPORT OF THE DIRECTORS

On 3 November 2022, the Company and Guangzhou Yue Xiu entered into the Master Lease Agreement pursuant to which the Group shall from time to time lease or sub-lease (as the case may be) properties in the People's Republic of China that are owned or leased by the Group to the Guangzhou Yue Xiu Entities for use as dormitories for employees of the Guangzhou Yue Xiu Entities after refurbishment work performed by the Group on the Lease Properties. The Annual Caps for the Lease Transactions are RMB31,000,000, RMB63,000,000 and RMB70,000,000 for the years ending 31 December 2023, 2024 and 2025, respectively.

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

\* For identification purpose only

Other related party transactions disclosed in note 45(b) to the consolidated financial statements also constitute connected transactions or continuing connected transactions (as the case may be) entered into or continued by the Group during the Reporting Year and are regarded as "exempted transaction" or "de minimis transaction", pursuant to the Listing Rules.

### **BANK LOANS AND OTHER BORROWINGS**

Analysis of bank loans and other borrowings of the Group as well as information on charges on the Group's assets as at 31 December 2022 are set out in note 33 and note 42 to the consolidated financial statements.

### **DEBENTURES ISSUED**

During the Year, the Group issued corporate bonds in an aggregate principal amount of RMB9,840 million for repaying the bank loans and bonds payable of the Group. Details of the bonds payable of the Group are set out in note 33 to the consolidated financial statements.

### **INTERESTS OF DIRECTORS/CHIEF EXECUTIVE**

As at 31 December 2022, 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	1,946,560	0.063
Mr Lin Feng (Note 2)	Beneficial owner/Beneficiary of a trust/Spouse interest	1,605,559	0.052
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	660,000	0.021
Mr Lau Hon Chuen Ambrose	Beneficial owner	968,240	0.031

Note 1: Mr Lin Zhaoyuan is interested in 1,946,560 Shares, out of which 934,746 Shares are owned by him as beneficial owner, 1,011,814 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 1,605,559 Shares, out of which 589,678 Shares are owned by him as beneficial owner, 995,881 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 2022, 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 2022, 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 2022, 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 2022, 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.)

Save as disclosed herein, as at 31 December 2022, 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.

## REPORT OF THE DIRECTORS

### SHARE INCENTIVE SCHEME

The Company adopted the Share Incentive Scheme (the "Share Incentive Scheme") on 2 December 2016 (the "Adoption Date") in order to (i) provide any Senior Manager selected by the Board (the "Selected Senior Management Participants") with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain such individuals to work with the Company; and (iii) provide additional incentive for them to achieve performance goals and promote the pursuit of long-term interests of the Company and its shareholders, with a view to achieving the objective of aligning the interests of the Selected Senior Management Participants with those of the shareholders of the Company. Pursuant to the scheme rules of the Share Incentive Scheme (the "Scheme Rules"), the Board may from time to time at its absolute discretion select any Senior Manager to be a Selected Senior Management Participant and determine the amount, to be applied for the purchase of ordinary shares of the Company (the "Shares") under the Share Incentive Scheme (the "Reference Awarded Sum") in respect of each Selected Senior Management Participant. The Senior Managers agree that, if they are selected by the Board to be Selected Senior Management Participants, they would like to apply the part of their bonus entitlements accrued for the financial periods ended 31 December of each year and their Bonus Entitlement, which would otherwise have been payable in cash, to purchase Shares under the Share Incentive Scheme.

The Share Incentive Scheme shall be valid and effective for nine years commencing from the Adoption Date (i.e. 2 December 2016) (the "Scheme Period"), subject to any early termination as may be determined by the Board. Pursuant to the Scheme Rules, BOCI-Prudential Trustee Limited (the "Trustee"), shall apply the Reference Awarded Sum received from the Company towards the purchase of the maximum number of Shares from the market and shall hold such Shares on trust during the Scheme Period. The relevant Shares which are purchased by the Trustee using the Reference Awarded Sum as determined by the Board (the "Scheme Shares") and their related income will be released to the relevant Selected Senior Management Participants in accordance with the release schedules as set out in the Scheme Rules. The vesting period of the Scheme Shares will be vested in three equal tranches from the second to the fourth year after the date of approval of the Scheme Shares by the Board.

The total number of Shares awarded under the Share Incentive Scheme shall not exceed 3% (i.e., 92,893,682 shares after the effect of Share Consolidation) (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. The Share Incentive Scheme does not mention the maximum number of Shares for each participant under the Share Incentive Scheme. Details of the Scheme Rules are set out in the announcement of the Company dated 2 December 2016.

During 2022, a total of 2,183,210 shares, representing 0.07% of the Company's total number of issued shares as at 1 January 2022, were awarded or allocated to Selected Senior Management Participants.

Since the Adoption Date and up to the date of this report, a total of 20,980,015 shares had been awarded under the Share Incentive Scheme, representing about 0.68% of the number of the Company's shares in issue on the Adoption Date. The total number of Shares which is available for being further awarded under the Share Incentive Scheme (i.e., 71,913,667 shares) represents 2.32% of the number of the Company's shares as at 31 December 2022. The vesting of the awarded shares is subject to the conditions as set out in the Share Incentive Scheme and the fulfillment of such conditions as specified by the Board.

As at 31 December 2022, taking into account the Shares acquired out of the dividends from the Shares held under the trust, there were 8,753,112 shares held in trust under the Share Incentive Scheme (excluding shares vested but not yet transferred to awardees).

## REPORT OF THE DIRECTORS

The details of the interests of the Selected Senior Management Participants under the Share Incentive Scheme during the year ended 31 December 2022 are as below:-

	Date of award	Number of awarded shares	Vesting period <sup>1</sup>	Number of shares					Closing price of the Shares before the vesting date (\$)	
				Balance as at 1 January 2022	Shares acquired during the year	Vested during the year	Lapsed during the year	Cancelled during the year		Balance as at 31 December 2022
<b>Directors</b>										
Lin Zhaoyuan	26 Jun 2019	146,072	3 Sep 2020 - 8 Jul 2022	48,691	-	48,691	-	-	-	9.96
	9 Oct 2019	339,774	3 Sep 2020 - 8 Jul 2022	113,258	-	113,258	-	-	-	9.96
	26 Mar 2020	185,419	13 Apr 2021 - 13 Apr 2023	123,613	-	61,806	-	-	61,807	7.93
	30 Sep 2020	376,138	27 Nov 2021 - 17 Oct 2023	250,759	-	125,379	-	-	125,380	9.26
	26 Apr 2021	104,726	27 Apr 2022 - 27 Apr 2024	104,726	-	34,908	-	-	69,818	7.93
	7 Oct 2021	636,672	7 Dec 2022 - 1 Dec 2024	636,672	-	212,224	-	-	424,448	9.13
	23 May 2022	330,361 <sup>2</sup>	1 Jul 2023 - 1 Jul 2025	-	330,361	-	-	-	330,361	-
Lin Feng	26 Jun 2019	125,631	3 Sep 2020 - 8 Jul 2022	41,877	-	41,877	-	-	-	9.96
	9 Oct 2019	269,044	3 Sep 2020 - 8 Jul 2022	89,682	-	89,682	-	-	-	9.96
	26 Mar 2020	170,622	13 Apr 2021 - 13 Apr 2023	113,748	-	56,874	-	-	56,874	7.93
	30 Sep 2020	376,137	27 Nov 2021 - 17 Oct 2023	250,758	-	125,378	-	-	125,380	9.26
	26 Apr 2021	96,369	27 Apr 2022 - 27 Apr 2024	96,369	-	32,123	-	-	64,246	7.93
	7 Oct 2021	636,672	7 Dec 2022 - 1 Dec 2024	636,672	-	212,224	-	-	424,448	9.13
	23 May 2022	324,933 <sup>2</sup>	1 Jul 2023 - 1 Jul 2025	-	324,933	-	-	-	324,933	-

## REPORT OF THE DIRECTORS

Date of award	Number of awarded shares	Vesting period <sup>1</sup>	Number of shares					Closing price of the Shares before the vesting date (\$)		
			Balance as at 1 January 2022	Shares acquired during the year	Vested during the year	Lapsed during the year	Cancelled during the year		Balance as at 31 December 2022	
<b>Senior Managers</b>										
2 Dec 2016	1,692,933	–	750,544	–	–	–	–	750,544	–	
14 Nov 2017	1,508,579	–	62,649	–	–	–	–	62,649	–	
28 Mar 2018	567,883	–	–	–	–	–	–	–	–	
12 Jul 2018	1,900,152	–	73,950	–	–	–	–	73,950	–	
26 Jun 2019	753,030	3 Sep 2020 – 8 Jul 2022	251,011	–	251,011	–	–	–	9.96	
9 Oct 2019	1,606,147	3 Sep 2020 – 8 Jul 2022	611,544	–	377,252	–	–	234,292	9.96	
26 Mar 2020	1,176,744	13 Apr 2021 – 13 Apr 2023	784,495	–	392,249	–	–	392,246	7.93	
30 Sep 2020	2,020,408	27 Nov 2021 – 17 Oct 2023	1,346,938	–	516,387	–	–	830,551	9.26	
26 Apr 2021	516,739	27 Apr 2022 – 27 Apr 2024	516,739	–	172,244	–	–	344,495	7.93	
7 Oct 2021	3,590,914	7 Dec 2022 – 1 Dec 2024	3,590,914	–	1,062,140	–	–	2,528,774	9.13	
23 May 2022	1,527,916 <sup>2</sup>	1 Jul 2023 – 1 Jul 2025	–	1,527,916	–	–	–	1,527,916	–	
<b>Total</b>	<b>20,980,015</b>	<b>–</b>	<b>10,495,609</b>	<b>2,183,210</b>	<b>3,925,707</b>	<b>–</b>	<b>–</b>	<b>8,753,112</b>		

## Notes:

1. The Award Shares and the related income are vested in three equal tranches in the second to fourth year after the grant.
2. The closing price of the Shares immediately before the date of award on 23 May 2022 was HKD8.32 per share.
3. During 2022, the total fair value of the Award Shares granted was HKD5,188,070.85.
4. The weighted average closing price of the Shares immediately before the dates on which the awards were vested in 2022 was HKD9.12 per share.

## REPORT OF THE DIRECTORS

## SHARE AWARD SCHEME

The Company adopted the Share Award Scheme (the "Share Award Scheme") on 17 March 2017 ("SA Adoption Date") in order to (i) provide any employee selected by any person or group of persons (the "Selected Participants") approved by the Board from time to time and delegated with the power and authority by the Board to administer the Share Award Scheme (the "Board Delegation") with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain such individuals to work with Guangzhou City Construction & Development Co. Ltd. (廣州市城市建設開發有限公司) (the "GCCD") (indirectly owned as to 95% by 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 GCCD and the Group, with a view to achieving the objective of increasing the value of the Group and aligning the interests of the Selected Participants with those of the shareholders of the Company. The eligible participant is any employee of GCCD or a member of the Group (as the case may be), or any other person the Board Delegation (in consultation with the GCCD Board) shall determine to be an eligible employee for the purpose of the Scheme. Pursuant to the Scheme Rules, the Board Delegation (after consultation with and having taken into account the recommendations of the board of directors of GCCD) may from time to time at its absolute discretion select any Employee to be a Selected Participant and determine and allocate the number of ordinary shares of the Company (the "Shares") to be granted to a Selected Participant pursuant to an Award in accordance with the Scheme Rules.

The Share Award Scheme shall be valid and effective for nine years commencing from the SA Adoption Date (i.e. 17 March 2017) (the "Scheme Period"), subject to any early termination as may be determined by the Board. Subject to the Restrictions, GCCD will cause to be paid to BOCI-Prudential Trustee Limited (the "Trustee") the monies approved by the Board Delegation (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 GCCD towards the purchase of the maximum number of Shares from the market and shall hold such Shares on trust during the Scheme Period. The relevant shares which are purchased by the Trustee using the Purchase Monies as determined by the Board Delegation (the "Award Shares") and their related income will vest in the relevant Selected Participant in accordance with the vesting schedules and terms as set out in the Scheme Rules. The vesting period of the Scheme Shares will be vested in three equal tranches from the second to the fourth year after the date of approval of the Scheme Shares by the Board.

The total number of Shares awarded under the Share Award Scheme shall not exceed 3% (i.e., 92,893,682 shares after the effect of Share Consolidation) (the "SA Scheme Limit") of the number of Shares in issue as at the SA Adoption Date, and the Board may from time to time "refresh" the Scheme Limit provided that the total number of Award 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. The Share Award Scheme does not mention the maximum number of Shares for each participant under the Share Award Scheme. Details of the Share Award Scheme Rules are set out in the announcement of the Company dated 17 March 2017.

During 2022, a total of 7,908,718 shares, representing 0.26% of the Company's total number of issued shares as at 1 January 2022, were awarded or allocated to selected Senior Management Participants.

Since the SA Adoption Date and up to the date of this report, a total of 53,698,624 shares had been awarded under the Share Award Scheme, representing about 1.73% of the number of the Company's shares in issue on the SA Adoption Date. The total number of Shares which is available for being further awarded under the Share Award Scheme (i.e., 39,195,058 shares) represents 1.27% of the number of the Company's shares as at 31 December 2022. The vesting of the Awarded Shares is subject to the conditions as set out in the Share Award Scheme and the fulfillment of such conditions as specified by the Board.

As at 31 December 2022, taking into account the Shares acquired out of the dividends from the Shares held under the trust, there were 26,333,927 shares held in trust under the Share Award Scheme (excluding shares vested but not yet transferred to awardees).

Further details of the Share Award Scheme are set out in note 36 to the Consolidated Financial Statements.

## REPORT OF THE DIRECTORS

The details of the interests of the Selected Participants under the Share Award Scheme during the year ended 31 December 2022 are as below:-

Date of award	Number of awarded shares	Vesting period <sup>1</sup>	Number of shares					Balance as at 31 December 2022	Closing price of the Shares before the vesting date (\$)
			Balance as at 1 January 2022	Shares acquired during the year	Vested during the year	Lapsed during the year	Cancelled during the year		
<b>Employees</b>									
14 Nov 2017	3,438,493	–	154,874	–	–	–	–	154,874	–
6 Jul 2018	5,418,155	–	491,844	–	–	–	–	491,844	–
9 Oct 2019	6,333,132	3 Sep 2020 – 8 Jul 2022	2,408,206	–	1,896,873	–	–	511,333	9.96
30 Sep 2020	10,257,061	27 Nov 2021 – 17 Oct 2023	6,927,126	–	3,374,541	–	–	3,552,585	9.26
7 Oct 2021	20,343,065	7 Dec 2022 – 1 Dec 2024	20,343,065	–	6,628,492	–	–	13,714,573	9.13
23 May 2022	7,908,718 <sup>2</sup>	1 Jul 2023 – 1 Jul 2025	–	7,908,718	–	–	–	7,908,718	–
<b>Total</b>	<b>53,698,624</b>	<b>–</b>	<b>30,325,115</b>	<b>7,908,718</b>	<b>11,899,906</b>	<b>–</b>	<b>–</b>	<b>–</b>	

## Notes:

- 1 The Award Shares and the related income are vested in three equal tranches in the second to fourth year after the grant.
- 2 The closing price of the Shares immediately before the date of award on 23 May 2022 was HKD8.32 per share.
- 3 During 2022, the total fair value of the Award Shares granted was HKD70,804,227.12.
- 4 The weighted average closing price of the Shares immediately before the dates on which the awards were vested in 2022 was HKD9.30 per share.

## EQUITY LINKED AGREEMENT

No equity-linked agreements were entered into by the Company during 2022 or subsisted at the end of 2022.

## 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 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 as at the latest practicable date prior to the issue of this report.



## REPORT OF THE DIRECTORS

**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 were less than 30% of the Group's total sales and purchases for the year ended 31 December 2022.

**AUDITOR**

The consolidated financial statements have been audited by PricewaterhouseCoopers ("PwC"), Certified Public Accountants and Registered Public Interest Entity Auditor.

PwC has served as the auditor of the Company more than 30 years since the initial listing of shares of the Company on The Stock Exchange of Hong Kong Limited in December 1992. The Board considers that the rotation of auditor after an appropriate period of time is a good corporate practice. On 15 March 2023, the Board has resolved, with the recommendation of its audit committee, to propose the appointment of Ernst & Young as the new auditor effective immediately following the retirement of PwC at the conclusion of the annual general meeting, subject to the approval of shareholders of the Company at the annual general meeting.

The Company has received a letter from PwC confirming that there are no circumstances connected with their retirement that need to be brought to the attention of the Company's members or creditors. The Board has confirmed that there is no disagreement between PwC and the Company, and there are no matters in respect of the proposed change of Auditor that need to be brought to the attention of holders of securities of the Company.

On behalf of the Board

**Lin Zhaoyuan**

*Chairman*

Hong Kong, 15 March 2023

# 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 manage risks within the range of risk appetite so as to provide reasonable assurance for achieving the goals of the Group.

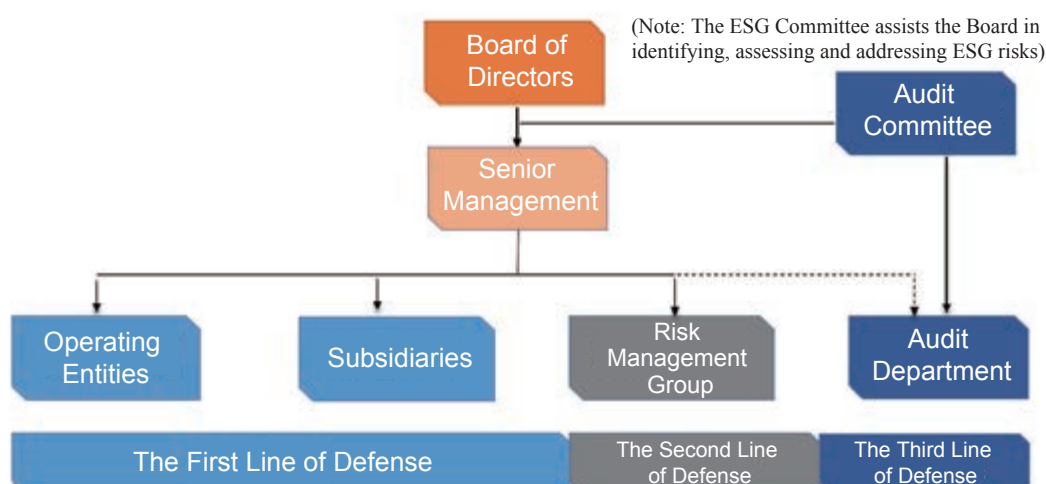
## II. RISK APPETITE

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 the total assets turnover ratio;
3. Market risk refers to the drastic changes in the capital market and fund market and has a significant impact on the financing 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 failure of internal response of the group, 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 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.

## RISK MANAGEMENT REPORT

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 system, and confirm with the Board (and its Audit Committee), and to construct the enterprise risk management culture.
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 organization, collaboration and coordination 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, taking into account the external data 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.

## RISK MANAGEMENT REPORT

### 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 arising from risks. On this basis, risk management strategies, monitoring model 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, sets 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 collects first-hand key risk information on its own, and submits 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 deviate 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 control 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 2022

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 adhered to the principle of "performance improvement and certainty of profit" to ensure that new investments match the Company's strategic orientation, project profitability expectations and resource output efficiency. The Group also expedited its response to major macro strategies, policies and regional planning announced by central and local governments and strengthened urban research; maintained strict investment standards and investment resilience to effectively support the Company's strategic development; facilitated the sales of inventory, comprehensively collated and analyzed the inventory unit information of each project, formulated targeted strategies and measures, and strengthened the research and scheduling of supply, payment collection and marketing strategies.

For financial and liquidity risks, through interaction between business and financial functions, the Group strengthened scheduling, strictly controlled income and expenses, secured payment collection, reduced financing costs and strictly controlled expenditure. 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 iterations of the standard construction period with "one city, one policy". It strengthened lean management capabilities and focused on improving the "internal power" of production and operation.

## RISK MANAGEMENT REPORT

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 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.

### VII. 2023 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 risk appetite management system. 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.

## RISK MANAGEMENT REPORT

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
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"> <li>1. Establish a rapid response and adjustment mechanism for major macro-strategies, policies and regional plans announced by the central and local governments.</li> <li>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.</li> <li>3. Reasonably match product types to reduce the impact of other black swan events.</li> </ol>

## RISK MANAGEMENT REPORT

Risk	Risk Description	Risk Management and Control Measures Intended to be optimized
Investment feasibility study and decision-making risk	<p>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.</p>	<ol style="list-style-type: none"> <li>1. Adhere to the principle of "performance improvement and certainty of profit" to ensure that new investments match the Company's strategic orientation, project profitability expectations and resource output efficiency.</li> <li>2. Maintain strict investment standards and income requirements, maintain high investment quality and a reasonable investment rhythm, and implement a resource coordination mechanism.</li> <li>3. Monitor the return and risk of investment projects in a dynamic manner.</li> </ol>
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>1. The Group arranges a reasonable match of assets and liabilities denominated in foreign currency to control foreign exchange exposure.</li> <li>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.</li> </ol>

## RISK MANAGEMENT REPORT

Risk	Risk Description	Risk Management and Control Measures Intended to be optimized
Product positioning risk	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	<ol style="list-style-type: none"> <li>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> <li>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> <li>3. Strengthen the whole process management of the project aiming at "improving quality control".</li> <li>4. Position the project more accurately according to the consumption atmosphere in the vicinity of the project and the driving force of the segment.</li> </ol>

## 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="1038 487 1439 659">1. The Group continues to improve its operating capabilities, build commercial brand influence, refine and strengthen projects, and realize return on asset value.</li> <li data-bbox="1038 681 1439 821">2. Accurately position the commercial projects, actively expand investment pipelines, and improve business operation capacity and profitability.</li> <li data-bbox="1038 842 1439 1015">3. Through external data, analyze the impact of the enterprise composition and enterprise aggregation effect of the trade area on business operations.</li> </ol>



# 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 108 to 219, comprise:

- the consolidated balance sheet as at 31 December 2022;
- 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 2022, 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) and 18 to the consolidated financial statements</p> <p>Management has estimated the fair value of the Group's investment properties to be RMB11,124 million at 31 December 2022, with a revaluation gain for the year ended 31 December 2022 recorded in the consolidated statement of profit or loss of RMB125 million. The fair value of investment properties held by Yuexiu Real Estate Investment Trust, an associate, amounted to RMB37,702 million (attributable to the Group amounted to RMB15,605 million) at 31 December 2022, with a revaluation loss for the year ended 31 December 2022 recorded in the consolidated statement of profit or loss of RMB96 million (attributable to the Group amounted to RMB40 million).</p>	<p>Our procedures in relation to management's valuation of investment properties included:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Evaluating the independent external valuers' qualifications, expertise, competence, capabilities and objectivity;</li> <li>• 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;</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
<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>	<ul style="list-style-type: none"> <li>• Assessing, on a sample basis, the appropriateness of the key assumptions based on our knowledge of the property industry and the assistance from our in-house valuation experts;</li> <li>• Checking, on a sample basis, the underlying data of area, tenancy term and occupancy against the supporting evidence and checked the mathematical accuracy of the valuations; and</li> <li>• Assessing the adequacy of the disclosures related to the valuations of investment properties in the context of the applicable financial reporting framework.</li> </ul> <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), 23 and 24 to the consolidated financial statements</p> <p>The Group had properties under development and properties held for sale of RMB187,129 million and RMB31,293 million, respectively, as at 31 December 2022. 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"> <li>• Understanding, evaluating and testing the internal controls over the assessment of net realisable value 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;</li> <li>• 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;</li> <li>• 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</li> <li>• Checking management's adjustments to recoverable amounts of the underlying property projects if their carrying amounts are below net realisable value.</li> <li>• Assessed the adequacy of the disclosures related to impairment of properties under development and completed properties held for sale in the context of the applicable financial reporting framework.</li> </ul> <p>We found the net realisable value of properties under development and properties held for sale were supported by the available evidence.</p>

## INDEPENDENT AUDITOR'S REPORT

### 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.

### 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.

## INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAAs, 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.
- 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.



## INDEPENDENT AUDITOR'S REPORT

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, 15 March 2023

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 RMB'000	2021 RMB'000
Revenue	5	72,415,643	57,378,861
Cost of sales	6	(57,610,027)	(44,896,396)
Gross profit		14,805,616	12,482,465
Sales of investment properties		–	18,865
Carrying amounts of investment properties sold		–	(11,666)
Gain on sales of investment properties		–	7,199
Other gains, net	7	211,266	1,500,448
Selling and marketing costs	6	(2,041,242)	(1,589,675)
Administrative expenses	6	(1,769,337)	(1,623,478)
Operating profit		11,206,303	10,776,959
Finance income	8	636,540	729,597
Finance costs	9	(916,036)	(1,079,526)
Share of profit/(loss) of			
– joint ventures	19	162,976	117,932
– associates	20	(260,149)	297,475
Profit before taxation		10,829,634	10,842,437
Taxation	10	(4,692,266)	(5,568,798)
Profit for the year		6,137,368	5,273,639
Attributable to:			
– Equity holders of the Company		3,953,352	3,588,929
– Non-controlling interests		2,184,016	1,684,710
		6,137,368	5,273,639
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	11	1.2767	1.1590

The notes on pages 117 to 219 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 RMB'000	2021 RMB'000
Profit for the year		6,137,368	5,273,639
Other comprehensive income:			
<u>Items that may be reclassified to profit or loss</u>			
Exchange differences on translation of foreign operations		(394,878)	(73,275)
Gains/(losses) on cash flow hedges	34	590,368	(115,980)
Costs of hedging	34	(611,841)	(130,421)
Hedging (gains)/losses reclassified to profit or loss	34	(530,790)	190,226
Share of other comprehensive loss of an associate accounted for using the equity method		(249,366)	–
<u>Items that will not be reclassified to profit or loss</u>			
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax		19,944	(147,484)
Other comprehensive loss for the year, net of tax		(1,176,563)	(276,934)
Total comprehensive income for the year		4,960,805	4,996,705
Attributable to:			
– Equity holders of the Company		2,777,150	3,320,017
– Non-controlling interests		2,183,655	1,676,688
		4,960,805	4,996,705

The notes on pages 117 to 219 form an integral part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2022

	Note	2022 RMB'000	2021 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	4,748,183	3,896,133
Right-of-use assets	17	3,987,324	4,026,733
Investment properties	18	11,123,737	10,982,210
Intangible assets	22	521,234	428,829
Properties under development	23	8,677,923	5,185,027
Interests in joint ventures	19	5,787,070	6,597,248
Interests in associates	20	23,841,285	16,951,174
Financial assets at fair value through other comprehensive income	21	1,023,964	1,033,583
Derivative financial instruments	34	15,697	–
Deferred tax assets	38	2,651,493	1,950,402
		<b>62,377,910</b>	<b>51,051,339</b>
<b>Current assets</b>			
Properties under development	23	178,450,964	153,720,888
Properties held for sale	24	31,293,125	26,639,579
Contract costs	25	1,080,517	1,201,153
Prepayments for land use rights		7,059,107	10,381,810
Trade and note receivables	26	569,686	125,785
Other receivables, prepayments and deposits	27	24,649,320	25,309,247
Prepaid taxation		5,752,895	4,926,038
Charged bank deposits	28	13,271,994	7,732,591
Cash and cash equivalents	29	21,846,458	32,766,455
		<b>283,974,066</b>	<b>262,803,546</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and note payables	30	1,641,773	1,612,842
Contract liabilities	31	74,472,323	73,177,086
Other payables and accrued charges	32	76,318,514	67,173,384
Borrowings	33	15,744,272	29,801,844
Lease liabilities	17	178,709	177,195
Derivative financial instruments	34	212,258	–
Taxation payable		9,941,743	10,678,441
		<b>178,509,592</b>	<b>182,620,792</b>
<b>Net current assets</b>		<b>105,464,474</b>	<b>80,182,754</b>
<b>Total assets less current liabilities</b>		<b>167,842,384</b>	<b>131,234,093</b>

## CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2022

	Note	2022 RMB'000	2021 RMB'000
<b>Non-current liabilities</b>			
Borrowings	33	72,554,091	45,732,320
Lease liabilities	17	712,885	694,008
Deferred tax liabilities	38	6,116,776	5,955,143
Deferred revenue		273,624	50,241
Derivative financial instruments	34	184,073	411,599
Other payables	32	3,208,194	4,024,033
		<u>83,049,643</u>	<u>56,867,344</u>
<b>Net assets</b>		<u>84,792,741</u>	<u>74,366,749</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	35	18,035,015	18,035,015
Shares held under share award scheme	36	(175,520)	(193,282)
Other reserves	37	2,016,281	2,557,363
Retained earnings	37	27,553,847	25,836,974
		<u>47,429,623</u>	<u>46,236,070</u>
Non-controlling interests		37,363,118	28,130,679
<b>Total equity</b>		<u>84,792,741</u>	<u>74,366,749</u>

On behalf of the Board

**Lin Zhaoyuan**  
Director

**Lin Feng**  
Director

The notes on pages 117 to 219 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 RMB'000	2021 RMB'000
<b>Operating profit</b>		<b>11,206,303</b>	10,776,959
Adjustments for:			
Depreciation and amortisation	6	428,810	345,507
Amortisation of deferred revenue		(1,794)	(1,794)
Fair value gain on revaluation of investment properties, net	18	(125,185)	(298,568)
Provision for impairment of properties under development and properties held for sale	6	1,422,395	1,647,789
(Gain)/loss on disposal of property, plant and equipment		(132)	183
Net impairment losses on financial assets		1,825	–
Gain on sales of investment properties		–	(7,199)
Gain on disposal of subsidiaries		–	(1,220,136)
Gain on disposal of a joint venture		–	(15,812)
Remeasurement gains on interests in an associate		–	(5,626)
Operating cash flows before movements in working capital		<b>12,932,222</b>	11,221,303
Increase in properties under development, properties held for sale and prepayments for land use rights		(13,343,902)	(30,822,970)
Decrease/(increase) in contract costs		120,636	(578,516)
(Increase)/decrease in trade and note receivables, other receivables, prepayments and deposits		(1,514,474)	156,687
Increase in trade and note payables, contract liabilities, other payables and accrued charges		16,028,990	23,874,892
Net exchange difference for working capital		143,358	(77,731)
Net cash generated from operations		<b>14,366,830</b>	3,773,665
Interest received		310,200	337,364
Interest paid		(4,191,940)	(3,221,758)
Hong Kong profits tax paid		(3,604)	(1,227)
China taxation paid		(6,762,112)	(5,563,751)
<b>Net cash generated from/(used in) operating activities</b>		<b>3,719,374</b>	(4,675,707)

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

Note	2022 RMB'000	2021 RMB'000
<b>Investing activities</b>		
Purchases of property, plant and equipment, investment properties and intangible assets	(1,166,216)	(1,272,395)
Proceeds from sales of property, plant and equipment	60,909	987
Proceeds from sale of investment properties	–	18,865
(Increase)/decrease in charged bank deposits	(5,539,403)	1,092,069
Acquisition of subsidiaries, net cash paid	(5,172)	–
Proceeds from disposal of subsidiaries, net of cash disposed	3,532,008	3,756,143
Acquisition of and capital injection in joint ventures and associates	(7,779,034)	(3,252,694)
Proceeds from liquidation and disposal of joint ventures	3,951	49,759
Payment to joint ventures and associates	(5,483,779)	(5,682,223)
Cash receipt from joint ventures and associates	8,666,747	1,939,133
Dividends received from associates	625,824	370,509
Decrease in amounts due from fellow subsidiaries	6,175	–
Decrease in amounts due from related companies	20,049	1,929
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)
<b>Net cash used in investing activities</b>	<b>(7,057,941)</b>	<b>(6,519,492)</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 RMB'000	2021 RMB'000
<b>Financing activities</b>			
Proceeds from the initial public offering of a subsidiary		–	1,676,702
Payments of listing expenses deducted against equity		–	(44,365)
Capital contribution from non-controlling interests		4,127,939	5,878,922
Dividends paid to equity holders of the Company		(1,771,691)	(1,640,758)
Dividends paid to non-controlling interests		(43,920)	(554,405)
(Decrease)/increase in balances with joint ventures and associates		(1,563,216)	3,092,966
Decrease in balances with a shareholder		(4,477,611)	(3,854,918)
(Decrease)/increase in amounts due to related companies		(34,503)	12,836
Decrease in amounts due to fellow subsidiaries		(248,620)	(21,875)
Decrease in amounts due to ultimate holding company		–	(796,268)
Increase in amounts due to the immediate holding company		2,133,018	1,864,427
Decrease in balances with entities with significant influence over subsidiaries		(580,895)	–
(Decrease)/increase in balances with non-controlling interests and related parties of non-controlling interests		(10,847,507)	3,724,798
Proceeds from bank borrowings		43,235,190	28,474,354
Repayment of bank borrowings		(35,141,655)	(21,148,249)
Proceeds from other borrowings		17,616,108	15,143,329
Repayment of other borrowings		(15,131,000)	(14,250,490)
Repayments to financial institutions under supplier finance arrangements		(4,713,751)	(1,150,691)
Payment for derivative financial instruments		–	(385,397)
Payment for lease liabilities		(271,598)	(227,502)
Decrease in bank overdraft		(1)	(2)
<b>Net cash (used in)/from financing activities</b>		<b>(7,713,713)</b>	<b>15,793,414</b>
(Decrease)/increase in cash and cash equivalents		(11,052,280)	4,598,215
Cash and cash equivalents at the beginning of year		32,766,425	28,213,669
Exchange gain/(loss) on cash and cash equivalents		132,284	(45,459)
<b>Cash and cash equivalents at the end of year</b>		<b>21,846,429</b>	<b>32,766,425</b>
Analysis of balances of cash and cash equivalents			
Bank balances and cash	29	21,846,458	32,766,455
Bank overdrafts	33	(29)	(30)
		<b>21,846,429</b>	<b>32,766,425</b>

The notes on pages 117 to 219 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	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 2022	18,035,015	(193,282)	28,394,337	28,130,679	74,366,749
<b>Comprehensive income</b>					
Profit for the year	—	—	3,953,352	2,184,016	6,137,368
<b>Other comprehensive income/(loss)</b>					
Currency translation differences	—	—	(394,878)	—	(394,878)
Gains on cash flow hedges	—	—	590,368	—	590,368
Costs of hedging	—	—	(611,841)	—	(611,841)
Hedging gains reclassified to profit or loss	—	—	(530,790)	—	(530,790)
Share of other comprehensive loss of an associate accounted for using the equity method	—	—	(249,366)	—	(249,366)
Change in the fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	20,305	(361)	19,944
Total other comprehensive loss	—	—	(1,176,202)	(361)	(1,176,563)
<b>Total comprehensive income</b>	—	—	2,777,150	2,183,655	4,960,805
<b>Transactions with owners</b>					
Dividends	—	—	(1,765,048)	(364,874)	(2,129,922)
Capital injection to subsidiaries	—	—	—	5,000,139	5,000,139
Capital reduction in a subsidiary	—	—	—	(48,511)	(48,511)
Non-controlling interests arising on acquisition of subsidiaries	—	—	—	2,462,030	2,462,030
Transaction with non-controlling interests	—	—	163,689	—	163,689
Acquisition of shares under share award scheme (note 36)	—	(61,023)	—	—	(61,023)
Shares granted to employees (note 36)	—	78,785	—	—	78,785
Total transactions with owners	—	17,762	(1,601,359)	7,048,784	5,465,187
At 31 December 2022	18,035,015	(175,520)	29,570,128	37,363,118	84,792,741

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to equity holders of the Company			Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Shares held under share award scheme RMB'000	Reserves RMB'000		
Balance at 1 January 2021	18,035,015	(121,282)	25,833,924	20,528,458	64,276,115
<b>Comprehensive income</b>					
Profit for the year	—	—	3,588,929	1,684,710	5,273,639
<b>Other comprehensive income/(loss)</b>					
Currency translation differences	—	—	(73,275)	—	(73,275)
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
Change in the fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	(139,462)	(8,022)	(147,484)
Total other comprehensive loss	—	—	(268,912)	(8,022)	(276,934)
<b>Total comprehensive income</b>	—	—	3,320,017	1,676,688	4,996,705
<b>Transactions with owners</b>					
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 subsidiaries	—	—	—	38,236	38,236
Acquisition of shares under share award scheme (note 36)	—	(121,528)	—	—	(121,528)
Shares granted to employees (note 36)	—	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

The notes on pages 117 to 219 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 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 15 March 2023.

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 entities in the real estate industry such as delay in the construction and delivery of properties, dropping rental revenue and occupancy rate of investment properties, increasing allowance for expected credit losses on trade and other receivables, dropping 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 of the date these consolidated financial statements, 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 or annual improvements to existing standards for the first time for their annual reporting period commencing 1 January 2022:*

HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts- Cost of Fulfilling a Contract
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
Annual improvements to HKFRS standards 2018 - 2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 4 <sup>1</sup>
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Group has assessed the impact of the adoption of the abovementioned amendments or annual improvements that are effective for the first time for this year. The adoption of these amendments or annual improvements did not result in any significant impact on the results and financial portion 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 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
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 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9-Comparative Information	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**2.1 Basis of preparation** (Continued)

*(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: (Continued)*

The above new standards and amendments to existing standards and interpretation are effective for annual periods beginning on or after 1 January 2023 and have not been early 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.

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## 2.3 Business combinations (Continued)

Acquisition-related costs are expensed as incurred.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.8 Investment properties (Continued)**

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.

**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 2 to 5 years.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## 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.

## 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.11 Investments and other financial assets (Continued)***(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/loss, 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.

*(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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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.

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 37. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## 2.14 Derivatives and hedging activities (Continued)

*(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 receivables**

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 the normal operating cycle of the business.

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## 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.

*(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.

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## 2.22 Current and deferred income tax (Continued)

*(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.

*(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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## 2.23 Employee benefits (Continued)

*(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 36.

*(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 property purchasers 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 are rights to invoice.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## 2.25 Revenue recognition (Continued)

*(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.

## 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## 2.26 Leases (Continued)

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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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 contact 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 Mainland 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 RMB1,139 million (2021: RMB2,052 million) and borrowings of approximately RMB1,099 million (2021: RMB1,872 million) which were denominated in HKD and cash and bank balances of approximately RMB143 million (2021: RMB190 million) and borrowings of approximately RMB 8,342 million (2021: RMB7,631 million) which were dominated in USD as at 31 December 2022. The Group has entered into several forward exchange contracts to hedge its exposure to foreign currency risk during the year ended 31 December 2022.

At 31 December 2022, if RMB had strengthened/weakened by 5 percent against HKD and USD with all other variables held constant (assuming no capitalisation of exchange difference), post-tax profit for the year would have been approximately RMB9 million higher/lower (2021: post-tax profit RMB34 million higher/lower), mainly as a result of the net 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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

## 3.1 Financial risk factors (Continued)

## (a) Market risk (Continued)

## (i) Foreign exchange risk (Continued)

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

	2022 RMB'000	2021 RMB'000
Foreign currency forwards		
Carrying amount	(390,131)	(374,197)
Notional amount	8,829,401	7,440,381
Maturity date	Oct 2023- Jan 2026	Oct 2023- Jan 2026
Hedge ratio (note)	1:1	1:1
Changes in fair value of the hedging instruments used for measuring ineffectiveness for the year	606,577	(115,980)
Changes in value of hedged item used to determine hedge ineffectiveness for the year	(590,368)	115,980
Weighted average contracted forward rate for outstanding hedging instruments (including forward points) – USD1: RMB	7.09	7.09
Weighted average contracted forward rate for outstanding hedging instruments (including forward points) – HKD1: RMB	0.86	<u>Not applicable</u>

Note: The foreign currency forwards are denominated in the same currency as the committed loan payable, 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 2022, fixed interest rate borrowings accounted for approximately 51% (2021: 58%) of the total borrowings.

At 31 December 2022, 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 RMB54 million lower/higher (2021: post-tax profit RMB72 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 investment 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 Mainland 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 RMB70 million in 2022 (2021: RMB67 million).

*(b) Credit risk*

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

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

To manage this risk, 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 repayment. If a purchaser defaults on the payment 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. 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 41.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

## 3.1 Financial risk factors (Continued)

*(b) Credit risk (Continued)*

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.

## 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 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. Trade receivables without known insolvencies are assessed on a collective basis based on shared credit risk characteristics. As at 31 December 2022, loss allowance of RMB31 million (31 December 2021: RMB29 million) was provided for according to the simplified approach.

As at 31 December 2022, certain customers were in delinquency of payments and their respective trade receivable balances amounting to approximately RMB9 million (2021: RMB9 million) were 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 2022 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 2022, 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 and construction projects, 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 immaterial.

*(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 29) 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 2022					
Borrowings (principal amount plus interest)	18,795,153	26,413,592	46,790,082	5,933,168	97,931,995
Trade and note payables (note 30)	1,641,773	–	–	–	1,641,773
Other payables and accrued charges (excluding accrued employee benefits costs and value-added tax payables and other taxes payables)	71,223,882	2,370,708	1,005,474	–	74,600,064
Lease liabilities	216,589	179,613	280,435	377,461	1,054,098
Derivative financial instruments	212,258	51,890	132,183	–	396,331
<b>Total</b>	<b>92,089,655</b>	<b>29,015,803</b>	<b>48,208,174</b>	<b>6,310,629</b>	<b>175,624,261</b>
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 30)	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
<b>Total</b>	<b>96,621,721</b>	<b>19,205,142</b>	<b>30,826,320</b>	<b>5,465,313</b>	<b>152,118,496</b>

## 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 2022 and 2021 were as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Total borrowings (note 33)	88,298,363	75,534,164
Lease liabilities (note 17)	891,594	871,203
Less: Cash and cash equivalents (note 29)	(21,846,458)	(32,766,455)
Net debt	67,343,499	43,638,912
Total equity (including non-controlling interests)	84,792,741	74,366,749
Total capital	152,136,240	118,005,661
Gearing ratio	44.3%	37.0%

The total capital amount is subject to externally imposed capital requirement and the Group has complied with the capital requirement during the year. The increase in the gearing ratio during 2022 is primarily due to the increase in the Group's borrowing for the continuous stable growth in the Group's 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 2022	Level 2 RMB'000	Level 3 RMB'000
<b>Financial assets</b>		
Derivative financial instrument – foreign currency forwards (note 34)	15,697	–
Financial assets at FVOCI (note 21)	–	1,023,964
<b>Financial liabilities</b>		
Derivative financial instrument – foreign currency forwards (note 34)	396,331	–
At 31 December 2021	Level 2 RMB'000	Level 3 RMB'000
<b>Financial assets</b>		
Financial assets at FVOCI (note 21)	–	1,033,583
<b>Financial liabilities</b>		
Derivative financial instrument – foreign currency forwards (note 34)	411,599	–

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

## 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)

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.

**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 either (1) the Guideline Public Company Method by using the appropriate market multiples of comparable public company peers in the same or a similar industry; or (2) the Summation Method by the addition of the separate values of its component parts.

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

Refer to note 21 for the changes in recurring fair value measurement of financial assets of FVOCI in level 3 for the year ended 31 December 2022 and 2021.

## 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

The Group measures its financial assets at FVOCI at fair value. The level 3 financial assets at 31 December 2022 were revalued by Jones Lang LaSalle Incorporated ("JLL"), independent qualified valuers with recognised relevant professional qualification not related to the Group.

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 and applicable Price Earning Ratio. 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.

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		Valuation technique	Unobservable input	Weighted average
	2022	RMB'000			
Unlisted equity security	2,835		Summation Method	Value of each asset/liability	N/A
Unlisted equity security	1,021,129		Guideline Public Company Method	(1) Discount of lack of marketability (2) Applicable Price Earnings Ratio	(1) 40% (2) 11.39

Description	Fair value at 31 December		Valuation technique	Unobservable input	Weighted average
	2021	RMB'000			
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

## 3.3 Fair value estimation (Continued)

## (a) Financial assets and liabilities (Continued)

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

## (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).

	<b>Level 3</b>	
	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Investment properties (note 18)	<u>11,123,737</u>	<u>10,982,210</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

## 3.3 Fair value estimation (Continued)

*(b) Non-financial assets and liabilities (Continued)***(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 2022 and 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 2022 and 2021.

**(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;
- 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;
- 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 for investment property under development.

## 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)

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 2022 RMB'000	Valuation technique	Unobservable inputs	Range of unobservable inputs
Completed investment properties in Mainland China	237,720	Comparison method	Market price	RMB15,400/sqm to RMB26,000/sqm
	10,185,163	Income capitalisation method	(1) Market rent (2) Capitalisation rate	(1) RMB43/sqm/mth to RMB673/sqm/mth (2) 3.8% to 7.5%
Completed investment properties in Hong Kong	46,115	Comparison method	Market price	HKD4,762/sq.ft to HKD16,782/sq.ft
	654,739	Income capitalisation method	(1) Market rent (2) Capitalisation rate	(1) HKD7/sq.ft/mth to HKD166/sq.ft/mth (2) 2.8% to 5%

Description	Fair value at 31 December 2021 RMB'000	Valuation technique	Unobservable inputs	Range of unobservable inputs
Completed investment properties in Mainland China	238,470	Comparison method	Market price	RMB15,400/sqm to RMB26,000/sqm
	10,065,385	Income capitalisation method	(1) Market rent (2) Capitalisation rate	(1) RMB48/sqm/mth to RMB672/sqm/mth (2) 3.8% to 7.5%
Completed investment properties in Hong Kong	43,966	Comparison method	Market price	HKD3,574/sq.ft to HKD19,584/sq.ft
	634,389	Income capitalisation method	(1) Market rent (2) Capitalisation rate	(1) HKD7/sq.ft/mth to HKD200/sq.ft/mth (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)**

Relationships of unobservable inputs to fair value are as follows:

- The higher market price, the higher fair value;
- The higher market rent, the higher fair value;
- The higher rate of capitalisation rate, the lower fair value.

**(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 2022. 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.

## 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

**(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 Mainland 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.

**(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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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
<b>Year ended 31 December 2022</b>					
Revenue	68,728,194	2,486,205	370,312	4,918,462	76,503,173
Inter-segment revenue	–	(645,241)	(45,731)	(3,396,558)	(4,087,530)
Revenue from external customers	<u>68,728,194</u>	<u>1,840,964</u>	<u>324,581</u>	<u>1,521,904</u>	<u>72,415,643</u>
Revenue from contracts with customers:					
Recognised at a point in time	68,728,194	246,194	–	1,110,766	70,085,154
Recognised over time	–	1,593,986	–	411,138	2,005,124
Revenue from other sources:					
Rental income	–	784	324,581	–	325,365
Segment results	<u>10,654,041</u>	<u>182,507</u>	<u>233,557</u>	<u>125,081</u>	<u>11,195,186</u>
Depreciation and amortisation	<u>(252,275)</u>	<u>(78,962)</u>	<u>–</u>	<u>(97,573)</u>	<u>(428,810)</u>
Fair value gains on revaluation of investment properties, net	<u>–</u>	<u>–</u>	<u>125,185</u>	<u>–</u>	<u>125,185</u>
Share of profit/(loss) of:					
– joint ventures	164,054	116	–	(1,194)	162,976
– associates	<u>(133,240)</u>	<u>–</u>	<u>(181,307)</u>	<u>54,398</u>	<u>(260,149)</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
<b>Year ended 31 December 2021</b>					
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
<b>As at 31 December 2022</b>					
Segment assets	286,672,467	5,471,358	11,123,737	3,815,865	307,083,427
Interests in joint ventures	5,729,844	933	–	56,293	5,787,070
Interests in associates	14,419,635	–	8,488,196	933,454	23,841,285
Total reportable segments' assets	<u>306,821,946</u>	<u>5,472,291</u>	<u>19,611,933</u>	<u>4,805,612</u>	<u>336,711,782</u>
Total reportable segments' assets include:					
Additions to non-current assets (note)	<u>1,047,223</u>	<u>92,682</u>	<u>–</u>	<u>311,093</u>	<u>1,450,998</u>
<b>As at 31 December 2021</b>					
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>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 SEGMENT INFORMATION (Continued)

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Segment results	11,195,186	9,713,203
Unallocated operating costs (note)	(74,964)	(138,124)
Other gains, net (excluding fair value gains on revaluation of investment properties)	86,081	1,201,880
Operating profit	11,206,303	10,776,959
Finance income (note 8)	636,540	729,597
Finance costs (note 9)	(916,036)	(1,079,526)
Share of profit/(loss) of:		
– joint ventures (note 19)	162,976	117,932
– associates (note 20)	(260,149)	297,475
Profit before taxation	10,829,634	10,842,437

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

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Total reportable segments' assets	336,711,782	302,377,403
Deferred tax assets (note 38)	2,651,493	1,950,402
Prepaid taxation	5,752,895	4,926,038
Corporate assets (note)	1,235,806	4,601,042
Total assets	346,351,976	313,854,885

Note: Corporate assets represent property, plant and equipment, 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 Mainland China and more than 90% of the carrying values of the Group's non-current assets excluding deferred income tax are situated in Mainland China.

For the year ended 31 December 2022, the Group does not have any single customer with the transaction value over 10% of the Group's total external sales (2021: none).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6 EXPENSES BY NATURE

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

	2022 RMB'000	2021 RMB'000
Cost of properties sold included in cost of sales	53,931,462	41,548,047
Employee benefit expenses (note 13)	2,419,755	1,949,808
Selling and promotion expenses	2,022,173	1,565,264
Other tax and surcharge	514,231	480,280
Direct operating expenses arising from investment properties	166,947	162,406
Provision for impairment of properties under development and properties held for sale	1,422,395	1,647,789
Expense related to short-term leases (note 17)	97,285	74,363
Depreciation of property, plant and equipment (note 16)	127,544	88,308
Depreciation of right-of-use assets	247,019	209,579
Amortisation of intangible assets (note 22)	54,247	47,620
Auditor's remuneration		
– Audit services		
– the Company	4,800	4,800
– others	3,730	3,680
– Non-audit services	11,879	7,192
Other expenses	397,139	320,413
	<u>61,420,606</u>	<u>48,109,549</u>

## 7 OTHER GAINS, NET

	2022 RMB'000	2021 RMB'000
Fair value gains/(losses) on revaluation of investment properties held at the end of the year, net	125,185	(904,034)
Gains related to Gain Force Investments Ltd ("Gain Force") and its subsidiaries (note(a))	–	2,439,056
Others	86,081	(34,574)
	<u>211,266</u>	<u>1,500,448</u>

Note:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8 FINANCE INCOME

	2022 RMB'000	2021 RMB'000
Interest income from bank deposits	327,715	332,954
Interest income from loans to related parties (excluding bank deposits) (note 45(b))	168,925	221,942
Interest income on amount due from non-controlling interest ("NCI") and related parties of NCI	125,613	136,459
Other interest income	14,287	38,242
	<b>636,540</b>	<b>729,597</b>

## 9 FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on bank borrowings and overdrafts	1,804,446	1,430,664
Interest on other borrowings	1,971,098	1,927,703
Interest on loan from related parties (note 45(b))	409,432	543,441
Interest on borrowings from NCI and related parties of NCI	307,811	331,060
Interest expense on lease liabilities (note 17)	37,961	25,607
Net fair value (gains)/losses on derivative financial instruments (note 34)	(46,900)	22,950
Net foreign exchange losses/(gains) on financing activities	229,490	(180,270)
Total finance costs incurred	<b>4,713,338</b>	<b>4,101,155</b>
Less: amount capitalised as investment property under construction, properties under development and property, plant and equipment (note (a))	<b>(3,797,302)</b>	<b>(3,021,629)</b>
	<b>916,036</b>	<b>1,079,526</b>

Note:

- (a) Borrowing costs capitalised during the year are calculated by applying a weighted average capitalisation rate of 4.33 percent per annum (2021: 4.74 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 (2021: 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 Mainland China at the rate of 25 percent (2021: 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.

- (c) China land appreciation tax is levied at progressive rates ranging from 30 percent to 60 percent (2021: 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:

	2022 RMB'000	2021 RMB'000
Current taxation		
China enterprise income tax and corporate withholding income tax	2,764,739	2,971,872
China land appreciation tax	2,437,422	3,033,433
	<u>5,202,161</u>	<u>6,005,305</u>
Deferred taxation		
Origination and reversal of temporary difference	(697,847)	(539,969)
China land appreciation tax	(17,522)	(36,058)
Corporate withholding income tax on undistributed profits	205,474	139,520
	<u>(509,895)</u>	<u>(436,507)</u>
	<u>4,692,266</u>	<u>5,568,798</u>

- (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 Mainland China, where majority of the Group's operations were carried out, is as follows:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10 TAXATION (Continued)

	2022 RMB'000	2021 RMB'000
Profit before taxation less share of profit/(loss) of associates and joint ventures	10,926,807	10,427,030
Calculated at China enterprise income tax rate of 25 percent (2021: 25 percent)	2,731,702	2,606,758
Effect of different taxation rates	72,933	79,275
Income not subject to taxation	(1,828)	(272)
Expenses not deductible for taxation purposes	179,123	33,700
Net effect of tax loss not recognised and utilisation of previously unrecognised tax losses	388,312	148,524
Effect of land appreciation tax deductible for calculation of income tax purposes	(604,975)	(749,344)
Corporate withholding income tax	(492,901)	452,782
	2,272,366	2,571,423
Land appreciation tax	2,419,900	2,997,375
Taxation charges	4,692,266	5,568,798

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

	2022			2021		
	Before tax	Tax charges	After tax	Before tax	Tax charges	After tax
Fair value (losses)/gains of financial assets at FVOCI	(9,619)	29,563	19,944	(213,919)	66,435	(147,484)

## 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.

	2022	2021
Profit attributable to equity holders of the Company (RMB'000)	3,953,352	3,588,929
Weighted average number of ordinary shares in issue ('000)	3,096,456	3,096,456
Basic earnings per share (RMB)	1.2767	1.1590

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11 EARNINGS PER SHARE (Continued)

**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 years ended 31 December 2022 and 2021, diluted earnings per share is equal to basic earnings per share.

## 12 DIVIDENDS

The Board proposed a final dividend of HKD0.307 per ordinary share, totaling approximately RMB842 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 18 May 2023. These financial statements do not reflect this dividend payable.

	2022 RMB'000	2021 RMB'000
Interim, paid, of HKD0.319 equivalent to RMB0.275 (2021: HKD0.326 equivalent to RMB0.271) per ordinary share	851,525	839,140
Final, proposed, of HKD0.307 equivalent to RMB0.272 (2021: HKD0.328 equivalent to RMB0.265) per ordinary share	842,236	820,561
	<u>1,693,761</u>	<u>1,659,701</u>

The exchange rates used to translate interim and final dividend per share from HKD to RMB above were the average middle exchange rates announced by the People's Bank of China for the last five consecutive business days preceding the date of dividend proposed by the Board.

In addition, the Board has proposed the special dividend ("Special Dividend") in the form of the distribution in specie of certain units of Yuexiu REIT held by the Group, to the qualifying shareholders in proportion to their respective shareholdings in the Company on the basis of 62 units for every 1,000 shares held by the qualifying shareholders, subject to the financial statements of the Company for the financial year ended 31 December 2022 being laid before the Company at the forthcoming annual general meeting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 13 EMPLOYEE BENEFIT EXPENSES

	2022 RMB'000	2021 RMB'000
Wages, salaries and bonus	2,920,674	2,995,456
Pension costs (defined contribution plans)	185,545	147,427
Medical benefits costs (defined contribution plans)	90,918	85,049
Social security costs	266,149	245,001
Staff welfare	113,880	99,315
Termination benefits	26,103	–
	<b>3,603,269</b>	<b>3,572,248</b>
Less: capitalised in properties under development, investment properties under construction, contract costs and property, plant and equipment	<b>(1,183,514)</b>	<b>(1,622,440)</b>
	<b>2,419,755</b>	<b>1,949,808</b>

**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 2022, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2021: 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 Mainland 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 2022**

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	–	1,843	3,315	120	52	3,208	–	–	8,538
LIN Feng	–	1,707	3,347	120	52	3,208	–	–	8,434
LI Feng	–	1,490	2,204	120	52	–	–	–	3,866
CHEN Jing	–	1,490	2,204	120	52	–	–	–	3,866
LIU Yan	–	1,490	2,204	120	52	–	–	–	3,866
ZHANG Yibing	283	–	–	–	–	–	–	–	283
YU Lup Fat Joseph	404	–	–	–	–	–	–	–	404
LEE Ka Lun	335	–	–	–	–	–	–	–	335
LAU Hon Chuen Ambrose	335	–	–	–	–	–	–	–	335
<b>Total</b>	<b>1,357</b>	<b>8,020</b>	<b>13,274</b>	<b>600</b>	<b>260</b>	<b>6,416</b>	<b>–</b>	<b>–</b>	<b>29,927</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

## (a) Directors' emoluments (Continued)

31 December 2021

Emoluments paid or received in respect of a person's services as a director, whether of the Company or its subsidiary undertaking

Name of Director	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	Total RMB'000
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
<b>Total</b>	<b>1,312</b>	<b>8,020</b>	<b>10,386</b>	<b>600</b>	<b>240</b>	<b>8,363</b>	<b>–</b>	<b>–</b>	<b>28,921</b>

Notes:

- (i) Discretionary bonuses are determined by the Group's financial performance.
- (ii) Other benefits include share incentive 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 (2021: 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 (2021: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

**(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 (2021: 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 (2021: Nil).

## 15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

No directors waived emoluments in respect of the year ended 31 December 2022 (2021: 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 2022 are also directors (2021: same).

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

Emolument bands (in HKD)	Number of individuals	
	2022	2021
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
	<b>5</b>	<b>5</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Construction in progress RMB'000	Leasehold improvements, furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
<b>Year ended 31 December 2022</b>					
Opening net book amount	1,478,584	2,258,016	156,348	3,185	3,896,133
Exchange differences	1,170	–	916	229	2,315
Additions	13,785	938,287	83,500	2,484	1,038,056
Disposals	(30,808)	(734)	(28,478)	(757)	(60,777)
Depreciation (note 6)	(92,479)	–	(32,838)	(2,227)	(127,544)
Closing net book amount	<u>1,370,252</u>	<u>3,195,569</u>	<u>179,448</u>	<u>2,914</u>	<u>4,748,183</u>
At 31 December 2022					
Cost	1,786,001	3,195,569	345,067	50,796	5,377,433
Accumulated depreciation and impairment	(415,749)	–	(165,619)	(47,882)	(629,250)
Net book amount	<u>1,370,252</u>	<u>3,195,569</u>	<u>179,448</u>	<u>2,914</u>	<u>4,748,183</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
<b>Year ended 31 December 2021</b>					
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	–	–	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	<u>(326,206)</u>	–	<u>(130,133)</u>	<u>(58,396)</u>	<u>(514,735)</u>
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>

Note:

- (a) Refer to note 42 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 consolidated balance sheet shows the following amounts relating to leases:

	Land use rights RMB'000 (note (a))	Leased properties RMB'000	Total RMB'000
Right-of-use assets			
At 1 January 2022	3,176,739	849,994	4,026,733
Additions	–	273,470	273,470
Termination	–	(19,442)	(19,442)
Depreciation	(55,701)	(237,736)	(293,437)
At 31 December 2022	<u>3,121,038</u>	<u>866,286</u>	<u>3,987,324</u>
At 1 January 2021	3,224,510	702,815	3,927,325
Acquisition of a subsidiary	–	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>

Note:

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Lease liabilities		
Current	178,709	177,195
Non-current	712,885	694,008
	<u>891,594</u>	<u>871,203</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17 LEASES (Continued)

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

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

	2022 RMB'000	2021 RMB'000
Depreciation of land use rights	(55,701)	(47,771)
Less: amount capitalised as construction in progress under property, plant and equipment	46,418	46,418
	<u>(9,283)</u>	<u>(1,353)</u>
Depreciation of leased properties	(237,736)	(208,226)
Interest expense (included in finance cost)	(37,961)	(25,607)
Expense relating to short-term leases (included in cost of sales, selling and marketing costs, and administrative expenses)	(97,285)	(74,363)

## (iii) Amounts recognised in the statement of cash flows

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

	2022 RMB'000	2021 RMB'000
Payment for lease liabilities (financing activities)	271,598	227,502
Payment for short-term leases (operating activities)	<u>97,285</u>	<u>74,363</u>

## 18 INVESTMENT PROPERTIES

	Completed investment properties		
	Mainland China RMB'000	Hong Kong RMB'000	Total RMB'000
Opening balance at 1 January 2022	10,303,855	678,355	10,982,210
Exchange differences	—	16,342	16,342
Fair value gains, net (note (a))	<u>119,028</u>	<u>6,157</u>	<u>125,185</u>
Closing balance at 31 December 2022	<u>10,422,883</u>	<u>700,854</u>	<u>11,123,737</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18 INVESTMENT PROPERTIES (Continued)

	Completed investment properties		Investment properties under development	
	Mainland China	Hong Kong	Mainland China	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance at 1 January 2021	12,203,965	699,971	3,172,300	16,076,236
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	(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>

(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 39.

Refer to note 42 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:

	2022 RMB'000	2021 RMB'000
In Hong Kong:		
Leases of between 10 to 50 years	700,854	678,355
Outside Hong Kong (note):		
Leases of between 10 to 50 years	10,422,883	10,303,855
	<u>11,123,737</u>	<u>10,982,210</u>

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

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

	2022 RMB'000	2021 RMB'000
Rental income from operating leases	324,581	642,427
Direct operating expenses from properties that generated rental income	137,633	140,536
Direct operating expenses from properties that did not generate rental income	29,314	21,870
Fair value gains on revaluation of investment properties, net	<u>125,185</u>	<u>298,568</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19 INTERESTS IN JOINT VENTURES

	2022 RMB'000	2021 RMB'000
Investments in joint ventures		
At 1 January	3,432,754	3,320,434
Additions	193,296	425,284
Capital reduction	(40,000)	–
Losing control of subsidiaries due to NCI's capital injection	–	497,548
Liquidation of joint ventures	(3,951)	(33,947)
Conversion to a subsidiary	(75,220)	–
Dividend declared by joint ventures	–	(894,497)
Share of profit	162,976	117,932
At 31 December	<u>3,669,855</u>	<u>3,432,754</u>
Amounts due from joint ventures (note 45(c))	<u>2,117,215</u>	<u>3,164,494</u>
Total	<u><u>5,787,070</u></u>	<u><u>6,597,248</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 2022 and 2021, there was no joint venture individually material to the Group.

Details of the Group's joint ventures as at 31 December 2022 are set out on page 237 to 238.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19 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.

	2022 RMB'000	2021 RMB'000
Assets		
Non-current assets	230,200	57,631
Current assets	12,884,719	15,739,199
	<u>13,114,919</u>	<u>15,796,830</u>
Liabilities		
Non-current liabilities	(1,744,938)	(2,427,951)
Current liabilities	(7,700,126)	(9,936,125)
	<u>(9,445,064)</u>	<u>(12,364,076)</u>
Net assets	<u>3,669,855</u>	<u>3,432,754</u>
Revenue	4,502,319	3,110,155
Expenses	(4,268,988)	(2,938,971)
Profit before taxation	233,331	171,184
Taxation	(70,355)	(53,252)
Profit for the year	<u>162,976</u>	<u>117,932</u>

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

The Group's joint ventures did not have any significant capital commitments as at 31 December 2022 (2021: nil).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20 INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets		
At 1 January	14,007,683	11,282,273
Addition	8,078,548	3,062,648
Capital reduction	(195,510)	–
Dividend declared by associates	(674,334)	(518,013)
Share of (loss)/profit	(260,149)	297,475
Share of other comprehensive loss	(249,366)	–
Exchange difference	353,315	(116,700)
	<u>21,060,187</u>	<u>14,007,683</u>
Deferred units (note)	714,415	924,696
Amounts due from associates (note 45(c))	<u>2,066,683</u>	<u>2,018,795</u>
Interests in associates	<u><u>23,841,285</u></u>	<u><u>16,951,174</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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20 INTERESTS IN ASSOCIATES (Continued)

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

	2022 RMB'000	2021 RMB'000
Revenue	2,140,833	4,130,047
Expense	<u>(2,344,408)</u>	<u>(3,678,809)</u>
(Loss)/profit before taxation	(203,575)	451,238
Taxation	<u>(56,574)</u>	<u>(153,763)</u>
(Loss)/profit after tax	<u>(260,149)</u>	<u>297,475</u>
Assets		
Non-current assets	20,185,686	19,022,611
Current assets	<u>39,659,534</u>	<u>20,244,378</u>
	<u>59,845,220</u>	<u>39,266,989</u>
Liabilities		
Non-current liabilities	(15,990,608)	(11,565,048)
Current liabilities	<u>(22,794,425)</u>	<u>(13,694,258)</u>
	<u>(38,785,033)</u>	<u>(25,259,306)</u>
Net assets	<u>21,060,187</u>	<u>14,007,683</u>

Details of the Group's significant associates as at 31 December 2022 are set out on page 239 to 240.

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 RMB6,159 million (2021: RMB4,971 million) which is listed on the Hong Kong Stock Exchange. The fair value of the interest in this associate amounted to approximately RMB4,199 million (2021: RMB4,545 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20 INTERESTS IN ASSOCIATES (Continued)

	2022 RMB'000	2021 RMB'000
Investment properties	37,702,232	37,657,000
Other non-current assets (excluding investment properties)	4,194,923	4,300,716
Cash and cash equivalents	1,333,773	1,453,356
Other current assets (excluding cash and cash equivalents)	305,703	232,310
<b>Total assets</b>	<b>43,536,631</b>	<b>43,643,382</b>
Non-current liabilities, other than net assets attributable to unitholders	(21,074,871)	(20,215,717)
Current liabilities	(5,367,136)	(7,722,653)
<b>Total liabilities, other than net assets attributable to unitholders</b>	<b>(26,442,007)</b>	<b>(27,938,370)</b>
<b>Net assets attributable to unitholders</b>	<b>(15,882,939)</b>	<b>(14,498,986)</b>
<b>Total liabilities</b>	<b>(42,324,946)</b>	<b>(42,437,356)</b>
<b>Net assets</b>	<b>1,211,685</b>	<b>1,206,026</b>
Revenue	1,872,860	1,796,686
Fair value (loss)/gain on investment properties	(95,813)	78,668
Depreciation and amortisation	(154,902)	(102,375)
Finance income	25,511	366,703
Finance expenses	(1,521,724)	(390,821)
Operating expenses	(804,674)	(747,286)
Change in fair value of derivative financial instruments	397,763	(65,680)
Others	–	33,225
<b>(Loss)/profit before taxation</b>	<b>(280,979)</b>	<b>969,120</b>
Taxation	(164,192)	(263,608)
<b>Post-tax (loss)/profit before transactions with unitholders</b>	<b>(445,171)</b>	<b>705,512</b>
Transactions with unitholders	1,089,435	(722,973)
<b>Profit/(loss) after income tax after transactions with unitholders</b>	<b>644,264</b>	<b>(17,461)</b>
Other comprehensive income	(626,159)	–
<b>Total comprehensive income/(loss)</b>	<b>18,105</b>	<b>(17,461)</b>
Dividends received by the Group from Yuexiu REIT in cash	(368,716)	(210,309)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20 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:

	2022 RMB'000	2021 RMB'000
Net assets attributable to unitholders as at 1 January	14,498,986	14,334,747
Issuance of units	3,359,022	111,478
Transactions with unitholders	(1,089,435)	722,973
Distributions paid to unitholders	(885,634)	(670,212)
Net assets attributable to unitholders at 31 December	15,882,939	14,498,986
Net assets attributable to deferred unitholders	(714,415)	(924,696)
Net assets attributable to normal unitholders	15,168,524	13,574,290
Interest in an associate	41.39%	40.11%
Carrying value before exchange reserve	6,278,655	5,444,648
Exchange reserve	(119,890)	(473,205)
Carrying value	6,158,765	4,971,443

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21 FINANCIAL ASSETS AT FVOCI

	2022 RMB'000	2021 RMB'000
Opening balance at 1 January	1,033,583	1,247,902
Transfer to a subsidiary	—	(400)
Decrease in fair value recognised in other comprehensive income related to equity investments	(9,619)	(213,919)
Closing balance at 31 December	<u>1,023,964</u>	<u>1,033,583</u>

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

The fair value of the common shares held is derived mainly 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 (2021:RMB9 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

## 22 INTANGIBLE ASSETS

	Goodwill (note (a)) RMB'000	Customer relationship RMB'000	Software RMB'000	Total RMB'000
Year ended 31 December 2022				
Opening net book amount	253,332	82,175	93,322	428,829
Additions	–	–	139,472	139,472
Acquisition of subsidiaries	7,076	–	104	7,180
Amortisation (note 6)	–	(9,413)	(44,834)	(54,247)
Closing net book amount	<u>260,408</u>	<u>72,762</u>	<u>188,064</u>	<u>521,234</u>
At 31 December 2022				
Cost	260,408	92,372	343,894	696,674
Accumulated amortisation	–	(19,610)	(155,830)	(175,440)
Net book amount	<u>260,408</u>	<u>72,762</u>	<u>188,064</u>	<u>521,234</u>
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>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22 INTANGIBLE ASSETS (Continued)

## (a) Impairment test for goodwill

The goodwill as at 31 December 2022 was arised from the acquisition of Guangzhou Metro Environmental Engineering Co., Ltd. ("GZMEE") and its subsidiary Guangzhou Metro Property Management Co., Ltd. ("GZMPM"), (collectively, the "GZMEE Group") in 2020 and the acquisition of the Guangzhou City Bingxin Property Management Co., Ltd. (the "BingXin Property Management") in 2022 with carrying amount of RMB253 million and RMB7 million respectively. Goodwill arising from acquisition of GZMEE Group and Bingxin Property Management is monitored by the management at the level of non-commercial property management and value-added services cash-generating-units (the "CGUs") respectively. Goodwill has been assessed based on the related CGUs for impairment testing.

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 2022 and 2021:

	2022	2021
<b>For GZMEE Group CGU:</b>		
Revenue (% annual growth rate)	7%-28%	10%-20%
Gross margin (% of revenue)	16%-18%	21%-23%
Long-term growth rate	3%	3%
Pre-tax discount rate	19.85%	19.29%
<b>For Bingxin Property Management CGU:</b>		
Revenue (% annual growth rate)	1%-32%	N/A
Gross margin (% of revenue)	28%-36%	N/A
Long-term growth rate	3%	N/A
Pre-tax discount rate	18.66%	N/A

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 2022, the directors of the Company determined that no impairment provision on goodwill was required as at 31 December 2022 (2021: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23 PROPERTIES UNDER DEVELOPMENT

	2022 RMB'000	2021 RMB'000
Amounts are expected to be completed		
– within the normal operating cycle included under current assets	178,450,964	153,720,888
– beyond the normal operating cycle included under non-current assets	8,677,923	5,185,027
	<u>187,128,887</u>	<u>158,905,915</u>
At cost		
– Properties without impairment provision	177,911,538	153,103,815
– Properties with impairment provision	10,226,515	7,262,768
Less: provision for impairment of properties under development	<u>(1,009,166)</u>	<u>(1,460,668)</u>
	<u>187,128,887</u>	<u>158,905,915</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 Mainland China.

Refer to note 42 for information on assets pledged as securities by the Group.

## 24 PROPERTIES HELD FOR SALE

	2022 RMB'000	2021 RMB'000
At cost		
– Properties without impairment provision	21,055,856	21,338,035
– Properties with impairment provision	12,000,373	6,444,993
Less: provision for impairment of properties held for sale	<u>(1,763,104)</u>	<u>(1,143,449)</u>
	<u>31,293,125</u>	<u>26,639,579</u>

Properties held for sale are mainly located in Mainland China.

Refer to note 42 for information on assets pledged as securities by the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25 CONTRACT COSTS

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

	2022 RMB'000	2021 RMB'000
Assets recognised from costs incurred to obtain a contract at 31 December	1,080,517	1,201,153
Amortisation recognised as selling expenses during the year	<u>(1,124,184)</u>	<u>(956,455)</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 recognised as expenses when the related revenue are recognised. Management has concluded that there was no impairment loss in relation to the costs capitalised.

## 26 TRADE AND NOTE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables from contracts with customers	549,126	164,078
Note receivables	60,986	–
Less: loss allowance	<u>(40,426)</u>	<u>(38,293)</u>
	<u>569,686</u>	<u>125,785</u>

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

As at 31 December 2022 and 2021, the ageing analysis of the trade and note receivables from the invoice date is as follows:

	2022 RMB'000	2021 RMB'000
Up to 1 year	551,081	135,490
1 to 2 years	41,480	13,071
2 to 3 years	6,295	6,712
Over 3 years	<u>11,256</u>	<u>8,805</u>
	<u>610,112</u>	<u>164,078</u>

As at 31 December 2022, a provision of approximately RMB40 million (2021: RMB38 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

## 27 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2022 RMB'000	2021 RMB'000
Amounts due from NCI and related parties of NCI (note (a))	9,703,553	5,404,527
Amounts due from related parties (note 45(c))	8,660,398	12,948,492
Deposits	993,612	774,966
Other receivables	2,452,700	4,381,131
	<b>21,810,263</b>	<b>23,509,116</b>
Prepaid value-added taxes and other taxes	2,459,094	1,525,054
Prepayments	379,963	275,077
	<b>24,649,320</b>	<b>25,309,247</b>

Note:

- (a) Out of the total amount of approximately RMB9,704 million (2021: RMB5,405 million), interest bearing balance amounted to approximately RMB923 million (2021: RMB816 million) as at 31 December 2022 which bears interest at weighted average rate of 3.10% (2021: 3.29%) per annum. The balance is receivable on demand.

The Group's other receivables, prepayments and deposits are mainly denominated in RMB.

## 28 CHARGED BANK DEPOSITS

Charged bank deposits mainly represented guarantee deposits for construction. 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

## 29 CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash at bank	21,844,832	32,727,277
Short-term bank deposits	1,626	39,178
	<u>21,846,458</u>	<u>32,766,455</u>

Cash and cash equivalents are denominated in the following currencies:

	2022 RMB'000	2021 RMB'000
HKD	1,356,705	2,051,652
RMB	20,339,056	30,517,567
USD	142,808	190,003
Others	7,889	7,233
	<u>21,846,458</u>	<u>32,766,455</u>

The Group's RMB balances are placed with banks in Mainland China. The conversion of these RMB denominated balances into foreign currencies in Mainland 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 1.50 percent (2021: 1.00 percent) per annum.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30 TRADE AND NOTE PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	718,751	394,758
Note payables	923,022	1,218,084
	<u>1,641,773</u>	<u>1,612,842</u>

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

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

	2022 RMB'000	2021 RMB'000
0 - 30 days	975,636	663,944
31 - 90 days	133,384	305,863
91 - 180 days	363,842	302,893
181 - 365 days	142,249	310,792
1 - 2 years	7,242	9,338
Over 2 years	19,420	20,012
	<u>1,641,773</u>	<u>1,612,842</u>

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

## 31 CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Contract liabilities	<u>74,472,323</u>	<u>73,177,086</u>

- (a) Revenue recognised in 2022 that was included in the contract liabilities balance at 31 December 2021 amounted to approximately RMB55,506 million (2021: RMB26,556 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 31 CONTRACT LIABILITIES (Continued)

- (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.

## 32 OTHER PAYABLES AND ACCRUED CHARGES

	2022 RMB'000	2021 RMB'000
Accrual for construction related costs	27,676,446	23,286,386
Amounts due to related parties (note 45(c))	23,773,075	25,962,998
Amounts due to NCI and related parties of NCI (note (a))	8,770,343	8,124,671
Payables under supplier settlement scheme(note (b) and note 43)	9,709,019	4,148,013
Accrued employee benefits costs	1,711,145	1,647,752
Payables for value-added tax payables and other taxes	3,805,455	3,975,305
Other payables	4,081,225	4,052,292
	<b>79,526,708</b>	71,197,417
Less: non-current portion of amounts due to related parties, NCI and related parties of NCI	<b>(3,126,555)</b>	(4,024,033)
others	<b>(81,639)</b>	–
	<b>76,318,514</b>	<b>67,173,384</b>

Note:

- (a) Out of the total amount of approximately RMB8,770 million (2021: RMB8,125 million), the interest bearing balance amounted to approximately RMB 3,129 million (2021: RMB3,856 million) as at 31 December 2022 which bears interest at weighted average rate of 6.12% (2021: 6.95%) per annum. Except for an amount of approximately RMB3,592 million which is payable from 2023 to 2026 (31 December 2021: RMB2,708 million is payable from 2023 to 2025), the remaining balance is repayable on demand.
- (b) The Group has supplier settlement scheme with certain suppliers. According to the scheme, when the suppliers transfer the legal right to receive cash due from the Group to other entities, the Group's obligations due to suppliers are legally extinguished; and the Group reclassifies payables due to suppliers as "payables under supplier settlement scheme".

Majority of the Group's other payables and accrued charges are denominated in RMB.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33 BORROWINGS

	2022 RMB'000	2021 RMB'000
<b>Non-current</b>		
Long-term bank borrowings		
– Secured (c)	21,508,491	6,189,243
– Unsecured	17,529,392	17,170,766
Other borrowings (a)		
– Unsecured	33,516,208	22,372,311
	72,554,091	45,732,320
<b>Current</b>		
Bank overdrafts	29	30
Short-term bank borrowings		
– Unsecured	1,637,612	1,431,411
Current portion of long-term bank borrowings		
– Secured (c)	1,190,588	4,952,137
– Unsecured	3,244,980	6,291,103
Other borrowings (a)		
– Secured (c)	–	377,170
– Unsecured	9,671,063	16,749,993
	15,744,272	29,801,844
Total borrowings	88,298,363	75,534,164

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33 BORROWINGS (Continued)

## (a) Other borrowings

	2022 RMB'000	2021 RMB'000
PRC corporate bonds (i)	18,821,709	15,476,747
Medium term notes (ii)	13,867,495	12,682,037
Private placement note (iii)	1,799,067	1,798,520
Real estate debt investment schemes	8,699,000	9,542,170
Total other borrowings	<u>43,187,271</u>	<u>39,499,474</u>

## (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 was 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% was repaid in 2022.

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. An amount of RMB4,000 million corporate bonds was matured in 2022.

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 approximately 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 approximately RMB5,995 million.

In 2022, the Group issued aggregated nominal value of RMB9,840 million corporate bonds with interest rates of 2.78% to 3.43% per annum and with maturity of 5 years to 7 years. The net proceed, after deducting the issuance costs, amounted to approximately RMB9,830 million.

All PRC corporate bonds contain early redemption options, which means that, 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 2022 and 2021.

Guangzhou Yue Xiu Holdings Limited ("Guangzhou Yue Xiu"), the ultimate holding company, provides guarantee for all the above corporate bonds.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33 BORROWINGS (Continued)

## (a) Other borrowings (Continued)

*(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.

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 was matured in 2021.

In 2021, the Group issued medium term notes of USD800 million 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 approximately 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. In 2022, the Group adjusted the interest rate to 3.2% per annum for the remaining period.

- (b) As at 31 December 2022, borrowings of the Group amounting to RMB3,339 million (2021: RMB3,663 million) were jointly guaranteed by the Group, and NCI and related parties of NCI.

As at 31 December 2022, borrowings of the Group amounting to RMB1,793 million (2021: RMB1,197 million) were secured by equity interests of certain subsidiaries.

- (c) Information of securities of the secured borrowings is set out in note 42.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33 BORROWINGS (Continued)

(d) The maturity of borrowings is as follows:

	Bank borrowings and overdrafts		Other borrowings	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Within one year	6,073,209	12,674,681	9,671,063	17,127,163
In the second year	14,307,463	6,986,723	9,694,422	8,725,019
In the third to fifth year	22,639,106	15,073,520	20,737,784	10,827,204
Over five years	2,091,314	1,299,766	3,084,002	2,820,088
	<u>45,111,092</u>	<u>36,034,690</u>	<u>43,187,271</u>	<u>39,499,474</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.

The effective interest rates at the balance sheet date were as follows:

	2022			2021		
	HKD	RMB	USD	HKD	RMB	USD
Bank borrowings	1.95%	4.55%	1.14%	1.32%	4.59%	–
Other borrowings	6.22%	4.00%	4.00%	6.22%	4.26%	3.99%
Bank overdrafts	5.89%	–	–	5.89%	–	–

The carrying amounts of the borrowings are denominated in the following currencies:

	2022 RMB'000	2021 RMB'000
HKD	10,456,826	10,661,161
RMB	66,015,520	54,058,411
USD	11,826,017	10,814,592
	<u>88,298,363</u>	<u>75,534,164</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 34 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has the following derivative financial instruments:

	2022 RMB'000	2021 RMB'000
<b>Non-current assets</b>		
Capped forward foreign exchange contracts	3,274	–
Foreign currency forwards contracts	12,423	–
Total non-current derivative financial instrument assets	<u>15,697</u>	<u>–</u>
<b>Current liabilities</b>		
Capped forward foreign exchange contracts	(3,585)	–
Foreign currency forwards contracts	(208,673)	–
Total current derivative financial instrument liabilities	<u>(212,258)</u>	<u>–</u>
<b>Non-current liabilities</b>		
Capped forward foreign exchange contracts	(788)	(37,402)
Foreign currency forwards contracts	(183,285)	(374,197)
Total non-current derivative financial instrument liabilities	<u>(184,073)</u>	<u>(411,599)</u>

## (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 accounted for as held for trading with gains (losses) recognised in 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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 34 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

## (iii) Hedging reserves

The Group's hedging reserves disclosed in note 37 relate to the following hedging instruments:

	Cost of hedging reserve RMB'000	Cash flow hedge reserve Spot component of currency forwards RMB'000	Total hedge reserves RMB'000
<b>As at 1 January 2021</b>	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
<b>As at 31 December 2021</b>	<u>67,778</u>	<u>38,824</u>	<u>106,602</u>
<b>As at 1 January 2022</b>	67,778	38,824	106,602
Add: Change in fair value of hedging instrument recognised in OCI for the year	–	590,368	590,368
Add: Costs of hedging deferred and recognised in OCI	(611,841)	–	(611,841)
Less: Reclassified from OCI to profit or loss	113,965	(644,755)	(530,790)
<b>As at 31 December 2022</b>	<u>(430,098)</u>	<u>(15,563)</u>	<u>(445,661)</u>

## (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:

	2022 RMB'000	2021 RMB'000
Net gain/(loss) on foreign currency forward not qualifying as hedges included in financial costs (note 9)	46,900	(22,950)
Hedge ineffectiveness of foreign currency forwards - amount recognised in finance costs	16,209	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 35 SHARE CAPITAL

	Number of shares 2022 ('000)	Number of shares 2021 ('000)	Share capital 2022 RMB'000	Share capital 2021 RMB'000
As at 1 January	3,096,456	15,482,280	18,035,015	18,035,015
Share consolidation (note)	—	(12,385,824)	—	—
As at 31 December	<u>3,096,456</u>	<u>3,096,456</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.

## 36 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.

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 SHARES HELD UNDER SHARE AWARD SCHEME (Continued)

	Number of shares (‘000)	Cost of acquired shares RMB’000
At 1 January 2021	85,272	121,282
Share consolidation (note 35)	<u>(68,218)</u>	<u>–</u>
Shares after share consolidation	17,054	121,282
Acquisition of shares by the Trust	20,670	121,528
Shares granted to employees	<u>(7,004)</u>	<u>(49,528)</u>
At 31 December 2021	<u>30,720</u>	<u>193,282</u>
At 1 January 2022	<b>30,720</b>	<b>193,282</b>
Acquisition of shares by the Trust	<b>8,022</b>	<b>61,023</b>
Shares granted to employees	<u><b>(12,103)</b></u>	<u><b>(78,785)</b></u>
At 31 December 2022	<u><b>26,639</b></u>	<u><b>175,520</b></u>

12,102,576 shares were granted to the relevant selected participants during the year ended 31 December 2022 (2021: 7,004,000 shares). As at 31 December 2022, the total number of issued ordinary shares of the Company included 26,639,602 (2021: 30,720,421) shares held under the share award scheme.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 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 2022	1,817,173	(581,858)	618,965	106,602	596,481	25,836,974	28,394,337
Currency translation differences	–	(394,878)	–	–	–	–	(394,878)
Change in fair value of equity investment at FVOCI, net of tax	–	–	20,305	–	–	–	20,305
Gains on cash flow hedges	–	–	–	590,368	–	–	590,368
Costs of hedging	–	–	–	(611,841)	–	–	(611,841)
Hedging gains reclassified to profit or loss	–	–	–	(530,790)	–	–	(530,790)
Profit attributable to shareholders	–	–	–	–	–	3,953,352	3,953,352
Dividends paid	–	–	–	–	–	(1,765,048)	(1,765,048)
Transfer to appropriation	471,431	–	–	–	–	(471,431)	–
Share of other comprehensive loss of an associate accounted for using the equity method	–	–	–	–	(249,366)	–	(249,366)
Transaction with non-controlling interests	–	–	–	–	163,689	–	163,689
At 31 December 2022	<u>2,288,604</u>	<u>(976,736)</u>	<u>639,270</u>	<u>(445,661)</u>	<u>510,804</u>	<u>27,553,847</u>	<u>29,570,128</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 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 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, net of tax	–	–	(139,462)	–	–	–	(139,462)
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>

## Notes:

## (a) Statutory reserves

Statutory reserves represent enterprise expansion and general reserve funds set up by the subsidiaries in Mainland China. As stipulated by regulations in Mainland China, the Company's subsidiaries established and operated in Mainland 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 until the accumulated balance of such reserves reaches 50% of their registered capital. 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

## 38 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:

	2022 RMB'000	2021 RMB'000
Beginning of the year	4,004,741	5,964,061
Credit to profit or loss during the year (note 10)	(509,895)	(436,507)
Disposal of subsidiaries	–	(1,457,015)
Deferred taxation charged to equity (note 10)	(29,563)	(66,435)
Exchange differences	–	637
End of the year	<u>3,465,283</u>	<u>4,004,741</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 and revaluation of properties RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2022	693,552	372,245	976,397	2,042,194
Credited/(charged) to profit or loss during the year	90,179	804,302	(261,294)	633,187
At 31 December 2022	<u>783,731</u>	<u>1,176,547</u>	<u>715,103</u>	<u>2,675,381</u>
At 1 January 2021	440,500	167,986	777,619	1,386,105
Credited to profit or loss during the year	253,052	204,259	198,778	656,089
At 31 December 2021	<u>693,552</u>	<u>372,245</u>	<u>976,397</u>	<u>2,042,194</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38 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 2022	3,202,828	238,981	219,270	2,385,856	6,046,935
Exchange differences	–	–	–	–	–
(Credited)/charged to profit or loss during the year	137,088	–	(219,270)	205,474	123,292
Credited to reserves	–	(2,405)	–	(27,158)	(29,563)
At 31 December 2022	<u>3,339,916</u>	<u>236,576</u>	<u>–</u>	<u>2,564,172</u>	<u>6,140,664</u>
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>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38 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:

	2022 RMB'000	2021 RMB'000
Deferred tax assets	2,675,381	2,042,194
Set-off of deferred tax liabilities pursuant to set-off provisions	(23,888)	(91,792)
	<u>2,651,493</u>	<u>1,950,402</u>
Deferred tax liabilities	(6,140,664)	(6,046,935)
Set-off of deferred tax liabilities pursuant to set-off provisions	23,888	91,792
	<u>(6,116,776)</u>	<u>(5,955,143)</u>
Deferred income tax liabilities, net	<u>(3,465,283)</u>	<u>(4,004,741)</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 2022, the Group had unrecognised deferred tax benefits of approximately RMB1,137 million (2021: RMB748 million) in respect of tax losses of approximately RMB4,994 million (2021: RMB3,441 million). Tax losses amounting to RMB3,681 million (2021: RMB2,128 million) will expire at various dates up to and including 2027 (2021: 2026). The remaining tax losses have no expiry date.

## 39 NON-CANCELLABLE OPERATING LEASES

At 31 December 2022, the Group had future minimum rental payments receivable under certain non-cancellable leases as follows:

	2022 RMB'000	2021 RMB'000
Not later than one year	416,715	341,323
Later than one year and not later than five years	987,365	842,609
Later than five years	172,741	194,319
	<u>1,576,821</u>	<u>1,378,251</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 40 SIGNIFICANT NON-CASH INVESTING AND FINANCING TRANSACTIONS

During the year ended 31 December 2022, amount due to NCI of RMB872,200,000 was converted as capital injection from NCI in a subsidiary according to contract signed between the subsidiary and the NCI.

During the year ended 31 December 2022, amount due from a joint venture was offset against amount due to same joint venture by RMB879,497,000 according to contract signed between the Group and the joint venture.

For supplier settlement scheme, please refer to note 32 and note 43.

## 41 GUARANTEES

	2022 RMB'000	2021 RMB'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note (a))	28,385,590	29,521,899
Guarantee for banking and loan facility granted to associates and joint ventures (note (b))	10,913,450	8,365,654
	<b>39,299,040</b>	<b>37,887,553</b>

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 2022, certain subsidiaries of the Group provided guarantees up to a limit of approximately RMB10,913 million (2021: RMB8,366 million) in respect of loans borrowed by certain joint ventures and associates of the Group, among which guarantees of approximately RMB4,048 million (2021: RMB3,953 million) were utilised and guarantees of approximately RMB6,865 million (2021: RMB4,413 million) were not utilised yet.

## 42 SECURITIES FOR BANKING FACILITIES AND BORROWINGS

At 31 December 2022, certain banking facilities and borrowings granted to the Group were secured by 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 RMB34,897 million (2021: RMB18,817 million), RMB40 million (2021: RMB1,787 million), RMB4,274 million (2021: RMB364 million) and RMB556 million (2021: RMB706 million) respectively. As at 31 December 2021, certain right-of-use assets with aggregate carrying value of RMB7 million were also pledged as collateral of the Group's borrowings.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 43 LIABILITIES FROM FINANCING ACTIVITIES

	Borrowings due within 1 year		Derivative financial instruments	Payables under supplier settlement scheme	Lease liabilities	Other payables	Total
	(excluding overdraft)	Borrowings due after 1 year					
	RMB'000	RMB'000					
<b>Liabilities from financing activities as at 1 January 2022</b>	(29,801,814)	(45,732,320)	(411,599)	(4,148,013)	(871,203)	(34,087,669)	(115,052,618)
Financing cash flows	23,091,120	(33,669,763)	–	4,713,751	271,598	15,619,334	10,026,040
Foreign exchange adjustments	(431,500)	(1,625,510)	–	–	–	–	(2,057,010)
Transfer between borrowings due within 1 year and after 1 year	(8,565,855)	8,565,855	–	–	–	–	–
New leases	–	–	–	–	(273,470)	–	(273,470)
Interest expense on lease liabilities	–	–	–	–	(37,961)	–	(37,961)
Acquisition of subsidiaries (b)	–	–	–	–	–	(7,910,056)	(7,910,056)
Changes in fair values	–	–	(21,473)	–	–	–	(21,473)
Other changes (a)	(36,194)	(92,353)	36,741	(10,274,757)	19,442	1,502,677	(8,844,444)
<b>Liabilities from financing activities as at 31 December 2022</b>	<b>(15,744,243)</b>	<b>(72,554,091)</b>	<b>(396,331)</b>	<b>(9,709,019)</b>	<b>(891,594)</b>	<b>(24,875,714)</b>	<b>(124,170,992)</b>

	Borrowings due within 1 year		Derivative financial instruments	Payables under supplier settlement scheme	Lease liabilities	Other payables	Total
	(excluding overdraft)	Borrowings due after 1 year					
	RMB'000	RMB'000					
<b>Liabilities from financing activities as at 1 January 2021</b>	(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)
Interest expense on 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)
<b>Liabilities from financing activities as at 31 December 2021</b>	<b>(29,801,814)</b>	<b>(45,732,320)</b>	<b>(411,599)</b>	<b>(4,148,013)</b>	<b>(871,203)</b>	<b>(34,087,669)</b>	<b>(115,052,618)</b>

Note:

- (a) Other changes include non-cash transactions, mainly including accrued interest expense, payables recognized under supplier settlement scheme, offsetting amounts due to related parties against dividend receivable due from related parties and conversion of amounts due to NCI as capital injection from NCI to subsidiaries.
- (b) During the year ended 31 December 2022, certain properties under development were acquired by the Group through acquisition of subsidiaries, which was classified as asset deal for accounting purpose, with total consideration of RMB5,736,840,000. Liabilities of RMB7,910,056,000 were assumed in such acquisition of subsidiaries.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44 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 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	10,050,586	10,340,747	9,159,952	9,990,950	20,149	12,016
Current liabilities	2,223,766	2,787,321	4,963,208	5,926,391	3,212,527	3,034,439
Current net assets/(liabilities)	7,826,820	7,553,426	4,196,744	4,064,559	(3,192,378)	(3,022,423)
Non-current assets	38,130	23,450	188,224	188,464	4,132,502	4,064,105
Non-current liabilities	–	177,169	–	–	636,352	617,000
Non-current net (liabilities)/assets	38,130	(153,719)	188,224	188,464	3,496,150	3,447,105
Net assets	7,864,950	7,399,707	4,384,968	4,253,023	303,772	424,682
Accumulated NCI	3,853,826	3,625,856	2,148,634	2,083,981	151,886	212,341

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	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	2,970,696	8,301,271	1,341,508	104,970	75	–
Profit/(loss) for the year	465,243	1,137,637	221,945	84,489	(120,910)	(168,633)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income/(loss)	465,243	1,137,637	221,945	84,489	(120,910)	(168,633)
Profit/(loss) allocated to NCI	227,970	557,442	108,753	41,400	(60,455)	(84,317)
Dividends paid to NCI	–	–	44,100	–	–	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44 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	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from/ (used in) operating activities	127,265	5,232,246	1,635,053	1,814,763	(30,766)	(57,878)
Cash flows used in investing activities	—	(1,817,881)	—	(759,009)	—	(890)
Cash flows (used in)/ from financing activities	(1,070,949)	(2,783,215)	(2,594,508)	(740,234)	29,500	58,848
Net (decrease)/ increase in cash and cash equivalents	(943,684)	631,150	(959,455)	315,520	(1,266)	80

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		廣州市品善房地產 開發有限公司	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	13,252,525	17,489,869	7,920,203	9,198,294	7,204,782	9,635,303
Current liabilities	6,586,137	10,242,910	7,563,550	9,236,199	3,140,754	7,346,856
Current net assets/(liabilities)	6,666,388	7,246,959	356,653	(37,905)	4,064,028	2,288,447
Non-current assets	1,892,833	2,078,217	2,475,420	2,267,532	2,266,167	2,075,677
Non-current liabilities	1,920,124	2,313,409	208,805	336,802	1,464,380	606,173
Non-current net (liabilities)/assets	(27,291)	(235,192)	2,266,615	1,930,730	801,787	1,469,504
Net assets	6,639,097	7,011,767	2,623,268	1,892,825	4,865,815	3,757,951
Accumulated NCI	929,474	981,647	1,285,401	927,484	2,384,249	1,841,396

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44 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		廣州市品善房地產開發有限公司	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	2,263,261	1,543,093	4,285,461	4,123,933	5,253,347	1,257,090
(Loss)/profit for the year	(372,670)	(389,672)	730,443	723,276	1,107,864	205,427
Other comprehensive income	–	–	–	–	–	–
Total comprehensive (loss)/income	(372,670)	(389,672)	730,443	723,276	1,107,864	205,427
(Loss)/profit allocated to NCI	(52,173)	(54,554)	357,917	354,405	542,853	100,659
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		廣州市品善房地產開發有限公司	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities	1,618,992	2,619,744	3,346,848	3,919,465	1,525,583	2,408,292
Cash flows (used in)/ from investing activities	–	(1,069,151)	–	1,067,839	–	429,936
Cash flows used in financing activities	(2,016,368)	(1,483,670)	(3,626,076)	(4,631,311)	(1,743,837)	(2,741,570)
Net (decrease)/increase in cash and cash equivalents	(397,376)	66,923	(279,228)	355,993	(218,254)	96,658

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44 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 2022	31 December 2021	31 December 2022	31 December 2021
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	10,319,042	9,569,262	5,386,819	5,540,961
Current liabilities	6,510,579	5,541,707	2,611,395	2,709,665
Current net assets	3,808,463	4,027,555	2,775,424	2,831,296
Non-current assets	9,611	23,740	369	12,124
Non-current liabilities	146,384	662,637	353,927	585,214
Non-current net liabilities	(136,773)	(638,897)	(353,558)	(573,090)
Net assets	3,671,690	3,388,658	2,421,866	2,258,206
Accumulated NCI	1,799,128	1,660,442	1,186,714	1,106,521

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	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	2,808,817	—	1,195,451	—
Profit/(loss) for the year	283,032	(34,777)	163,660	(8,188)
Other comprehensive income	—	—	—	—
Total comprehensive income/(loss)	283,032	(34,777)	163,660	(8,188)
Profit/(loss) allocated to NCI	138,686	(17,041)	80,193	(4,012)
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	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities	3,000,440	3,380,997	702,641	1,393,237
Cash flows used in investing activities	—	(826,141)	—	(90,015)
Cash flows used in financing activities	(3,699,854)	(2,131,843)	(1,117,354)	(1,097,571)
Net (decrease)/increase in cash and cash equivalents	(699,414)	423,013	(414,713)	205,651

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 SIGNIFICANT RELATED PARTY TRANSACTIONS

## (a) Related parties

The Company's ultimate holding company is Guangzhou Yue Xiu Holdings Limited, which was incorporated in Mainland 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 2022:

Significant related parties	Relationship with the Company
Guangzhou Yue Xiu	Ultimate holding company
Yue Xiu Enterprises (Holdings) Limited	Immediate holding company
Guangzhou Metro Group Co., Ltd ("Guangzhou Metro")	A shareholder
Yuexiu REIT	An associate
佛山市南海區越佳房地產開發有限公司	An associate
佛山市南海區龍光駿惠房地產有限公司	An associate
合肥和冉房地產開發有限公司	An associate
廣州穗昭置業有限公司	An associate
江門越盛房地產開發有限公司	An associate
濟南元賀置業有限公司	An associate
肥西和順地產有限公司	An associate
長沙長越房地產開發有限公司	An associate
廣州敏秀房地產開發有限公司	A joint venture
廣州智能裝備科技創意園有限公司	A joint venture
武漢安和盛泰房地產開發有限公司	A joint venture
湖北宏秀房地產開發有限公司	A joint venture
西咸新區紫塬泊漢置業有限公司	A joint venture
長沙悅夢置業有限公司	A joint venture
Chong Hing Bank Limited	A fellow subsidiary
Guangzhou Paper Group Ltd. ("Guangzhou Paper")	A fellow subsidiary
Guangzhou City Construction & Development Holdings Co., Ltd. ("GCCD")	A fellow subsidiary
美萊投資有限公司	A fellow subsidiary
廣州市越秀賓館有限公司	A fellow subsidiary



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

## (b) Transactions with related parties

	2022 RMB'000	2021 RMB'000
(I) Interest income (note 8)		
– associates	117,411	147,653
– joint ventures	51,514	74,289
	<u>168,925</u>	<u>221,942</u>
– a fellow subsidiary (bank deposit)	34,166	42,812
	<u>203,091</u>	<u>264,754</u>
(II) Interest expense (note 9)		
– a shareholder	(66,488)	(337,028)
– immediate holding company	(218,747)	(172,833)
– associates	(3,660)	(18,896)
– an entity with significant influence over certain subsidiaries	(9,438)	(9,438)
– ultimate holding company	(87,057)	–
– a fellow subsidiary	(24,042)	(5,246)
	<u>(409,432)</u>	<u>(543,441)</u>
(III) Addition of right-of-use assets		
– fellow subsidiaries	7,259	38,397
– associates	179,841	10,179
	<u>187,100</u>	<u>48,576</u>
(IV) Rental income		
– fellow subsidiaries	7,958	22,719
– ultimate holding company	–	289
– an associate	1,346	–
	<u>9,304</u>	<u>23,008</u>
(V) Short-term leases rental expenses		
– associates	(31,684)	(42,927)
– a shareholder	(1,959)	(766)
	<u>(33,643)</u>	<u>(43,693)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

## (b) Transactions with related parties (Continued)

	2022 RMB'000	2021 RMB'000
(VI) Consideration for acquisitions of subsidiaries and associates (note)		
– a fellow subsidiary	30,400	–
– ultimate holding company	4,045,953	2,292,786
	<u>4,076,353</u>	<u>2,292,786</u>

Note:

During the year ended 31 December 2022, the Group acquired entire equity interest of an investment holding company (the "Target Holdco"), which held an investment in an associate, from a fellow subsidiary. Total consideration amounted to approximately RMB4,076,353,000, which comprised of equity consideration of RMB30,400,000 and settlement of Target Holdco's amounts due to the ultimate holding company of RMB 4,045,953,000.

	2022 RMB'000	2021 RMB'000
(VII) Revenue from sales of materials		
– associates	107,541	7,437
– joint ventures	188,220	70,947
	<u>295,761</u>	<u>78,384</u>
(VIII) Property management services income		
– a shareholder	253,195	207,690
– associates	36,484	18,072
– joint ventures	39,510	10,168
– fellow subsidiaries	21,529	868
	<u>350,718</u>	<u>236,798</u>
(IX) Construction services income		
– associates	47,333	20,668
– joint ventures	11,938	25,738
– fellow subsidiaries	25,759	4,042
	<u>85,030</u>	<u>50,448</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

## (b) Transactions with related parties (Continued)

	2022 RMB'000	2021 RMB'000
(X) Others		
Consideration of disposal of subsidiaries to an associate	–	7,873,065
Tenancy service fees income from an associate	27,670	24,966
Naming right expense to an associate	(20,000)	(20,000)

The price of above transactions were determined in accordance with the terms as agreed among the relevant contracting parties.

## (c) Balances with related parties

	Note	2022 RMB'000	2021 RMB'000
Amount due from recorded in current assets			
– associates	(i), (ii)	1,246,376	6,632,683
– joint ventures	(ii), (iii)	655,358	1,759,631
– related companies	(i), (ii)	–	20,049
– fellow subsidiaries	(i), (ii)	11,652	17,827
– entity with significant influence over certain subsidiaries	(i), (ii)	5,099,197	4,518,302
– a shareholder	(i), (ii)	1,647,815	–
Amount due from recorded in non-current assets	(iv)		
– joint ventures		2,117,215	3,164,494
– associates		2,066,683	2,018,795
Amount due to			
– immediate holding company	(ii), (v)	(7,844,337)	(5,639,367)
– associates	(ii), (vi)	(13,083,376)	(12,952,084)
– joint ventures	(ii), (vii)	(1,982,479)	(3,183,133)
– related companies	(i), (ii)	–	(34,503)
– fellow subsidiaries	(i), (ii)	(231,410)	(480,029)
– a shareholder	(ii), (viii)	(398,516)	(3,450,363)
– entities with significant influence over certain subsidiaries	(ii), (ix)	(232,957)	(223,519)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

## (c) Balances with related parties

	Note	2022 RMB'000	2021 RMB'000
Deposits in a fellow subsidiary	(x)	2,506,444	3,028,159
Bank borrowing from a fellow subsidiary	(xi)	(997,640)	(153,600)
Borrowing due to ultimate holding company		–	(2,500,000)
Lease liabilities	(xii)		
– immediate holding company		–	(31)
– associates		(178,481)	(12,619)
– a shareholder		–	(1,836)
– fellow subsidiaries		(227,892)	(201,269)
Trade receivables from	(xiii)		
– a shareholder		44,557	59,868
– joint ventures		157,367	13,691
– associates		86,079	3,536
– fellow subsidiaries		14,620	158
Note receivables from associates	(xiv)	49,373	–

Except for the amount denominated in HKD and USD listed below, other balance with related party are denominated in RMB.

	2022 RMB'000	2021 RMB'000
Denominated in HKD		
Amount due from a joint venture	21,563	19,736
Amount due to an associate	–	(217,062)
Amount due to immediate holding company	–	(379,157)
Lease liabilities to immediate holding company	–	(31)
Bank deposit in a fellow subsidiary	70,775	583,865
Denominated in USD		
Bank deposit in a fellow subsidiary	3,454	3,162
Amount due from an associate	638,982	573,813

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

## (c) Balances with related parties (Continued)

## 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) Except for the amounts of approximately RMB105,717,000 (2021:RMB65,083,000), which are unsecured and interest bearing at a weighted average rate of 10.47% (2021:8.5%) per annum respectively, the remaining balances are unsecured, interest free and receivable on demand.
- (iv) These balances are included in interest in joint ventures and interest in associates. Except for the amounts of approximately RMB1,782,075,000 (2021: RMB1,176,992,000), which are unsecured and interest bearing at a weighted average rate of 7.47% (2021: 8.03%) per annum, the remaining balances are unsecured and interest free.
- (v) The balances as at 31 December 2022 are unsecured, interest free and repayable on demand. Interest incurred for loans from immediate holding company during the year ended 31 December 2022 was charged at 5.3% per annum.
- (vi) Except for the amounts of approximately RMB451,706,000 (2021: RMB246,469,000), which are unsecured and interest bearing at a weighted average rate of 5.36% (2021:5.07%) per annum, the remaining balances are unsecured, interest free and repayable on demand.
- (vii) Except for an amount of approximately RMB62,700,000, which is unsecured and interest bearing at 8% per annum respectively, the remaining balances are unsecured and interest free (2021: The balances are unsecured, interest free and repayable on demand.).
- (viii) The amounts due to a shareholder, Guangzhou Metro, which is unsecured, interest free and repayable in 2026 (2021: Out of the total, an amount of RMB3,227,347,000 is interest bearing at 6.5% per annum and repayable from 2022 to 2025 and the remaining balance is interest free.).
- (ix) Except for an amount of approximately RMB163,311,000 (2021: RMB163,311,000), which is unsecured and interest bearing at 5.7% (2021: 5.7%) per annum, the remaining balances are unsecured, interest free and repayable on demand.
- (x) These balances are deposits maintained with fellow subsidiaries on normal commercial terms.
- (xi) These balances were unsecured and interest bearing at 4.78% (2021: 4.54%) per annum.
- (xii) The Group leases office premises associates and fellow subsidiaries. The monthly rents payable by the Group during the leasing terms are determined with reference to the prevailing market prices.
- (xiii) The balance is receivable from Guangzhou Metro, joint ventures, associates and fellow subsidiaries for the provision of property management services, construction services, agency services or materials on normal commercial terms.
- (xiv) The balance is note receivables from associates for the provision of materials on normal commercial terms.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 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:

	2022 RMB'000	2021 RMB'000
Fees	1,357	1,312
Other emoluments:		
Basis salaries, housing allowances, other allowances and benefits in kind	27,970	27,009
Pension costs	600	600
	<u>29,927</u>	<u>28,921</u>

## (e) Received guarantees

- (i) Guangzhou Yue Xiu provides corporate guarantee for the borrowings of the Group, amounting to approximately RMB18,822 million as at 31 December 2022 (2021: RMB15,917 million).
- (ii) Guangzhou Paper provides corporate guarantee for the borrowings of the Group, amounting to RMB25 million as at 31 December 2022 (2021: RMB28 million).
- (iii) GCCD provides corporate guarantee for the borrowings of the Group, amounting to RMB46 million as at 31 December 2021. The borrowings were repaid in 2022.

## (f) Provision of guarantees

The Group provides guarantee for the borrowings of associates and joint ventures, see note 41.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 46 COMPANY BALANCE SHEET

	2022 RMB'000	2021 RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5,816	6,415
Investment properties	12,365	11,540
Interests in subsidiaries	37,917,205	35,824,596
Interests in associates	19,299	19,287
Derivative financial assets	15,697	–
	37,970,382	35,861,838
<b>Current assets</b>		
Other receivables, prepayments and deposits	2,404	3,502,090
Amounts due from subsidiaries	16,280,185	11,307,532
Cash and cash equivalents	1,227,586	1,092,537
	17,510,175	15,902,159
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Amounts due to subsidiaries	3,888,028	4,603,870
Amounts due to immediate holding company	7,840,279	5,639,355
Other payables and accrued charges	12,486	258,164
Borrowings	1,098,722	1,381,744
Derivative financial instruments	212,258	–
	13,051,773	11,883,133
<b>Net current assets</b>	4,458,402	4,019,026
<b>Total assets less current liabilities</b>	42,428,784	39,880,864
<b>Non-current liabilities</b>		
Amount due to a subsidiary	21,376,987	19,809,801
Borrowings	–	490,560
Derivative financial instruments	184,073	411,599
	21,561,060	20,711,960
<b>Net assets</b>	20,867,724	19,168,904

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 46 COMPANY BALANCE SHEET (Continued)

	2022 RMB'000	2021 RMB'000
<b>EQUITY</b>		
<b>Capital and reserves attributable to equity holders of the Company</b>		
Share capital	18,035,015	18,035,015
Shares held under share award scheme	(175,520)	(193,282)
Reserves (note)	3,008,229	1,327,171
<b>Total equity</b>	<b>20,867,724</b>	<b>19,168,904</b>

On behalf of the Board

**Lin Zhaoyuan**

*Director*

**Lin Feng**

*Director*

Note:

Reserves

	Hedging reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2022	106,602	1,220,569	1,327,171
Profit for the year	–	3,998,369	3,998,369
Gains on cash flow hedges	590,368	–	590,368
Costs of hedging	(611,841)	–	(611,841)
Hedging gains reclassified to profit or loss	(530,790)	–	(530,790)
Dividends paid	–	(1,765,048)	(1,765,048)
At 31 December 2022	<b>(445,661)</b>	<b>3,453,890</b>	<b>3,008,229</b>
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	<b>106,602</b>	<b>1,220,569</b>	<b>1,327,171</b>



## GROUP STRUCTURE

As at 31 December 2022, 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
			2022		2021		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries</b>							
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
Elsburg 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	–	66.92	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
			2022		2021		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
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 RMB18,200,000	–	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	–	66.92	Property management
Guangzhou Yuejian Project Management Co., Ltd.	China, limited liability company	Registered capital RMB11,520,000	–	100	–	100	Project management
Guangzhou City Construction & Development Weicheng Enterprise Ltd.	China, limited liability company	Registered capital RMB955,300	–	66.92	–	66.92	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
			2022		2021		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
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
			2022		2021		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
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	–	66.92	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 USD529,070,000	–	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 RMB3,000,000	–	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
			2022		2021		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
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	–	66.92	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	–	66.92	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	–	66.92	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 RMB3,005,000,000	–	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
			2022		2021		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
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
瀋陽鐵海房地產有限公司	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	–	66.92	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	–	66.92	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	–	66.92	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	–	66.92	Property management
廣州市薈景綠化有限公司	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	–	66.92	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 RMB3,000,000	–	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

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
			2022		2021		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
廣州越投商業保理有限公司	China, limited liability company	Registered capital RMB300,000,000	–	96.69	–	96.69	Trade finance
廣州市宏錦房地產開發有限公司	China, limited liability company	Registered capital RMB3,000,000	–	100	–	100	Property development
廣州宏景房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	–	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	–	66.92	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	–	53.54	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 RMB1,000,000	–	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 RMB4,170,000,000	–	95	–	95	Property development
杭州越港實業有限公司	China, limited liability company	Registered capital RMB2,660,000,000	–	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 RMB1,000,000	–	50.95	–	50.95	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
杭州樾樂投資管理合夥企業(有限合夥)	China, limited partnership	Registered capital RMB1,000,000	–	99	–	99	Investment consulting
青島合勝投資合夥企業(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
廣州市羅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	–	95.48	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
			2022		2021		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
杭州樂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
杭州樂耀實業投資有限公司	China, limited liability company	Registered capital RMB3,000,000	–	95	–	95	Property investment
武漢東偉置業有限公司	China, limited liability company	Registered capital RMB3,000,000	–	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 RMB3,000,000	–	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 RMB3,000,000	–	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



## 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
			2022		2021		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
杭州春焱實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	–	100	–	100	Property investment
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 RMB3,000,000	–	95	–	95	Property development
武漢嘉盛房地產開發有限公司	China, limited liability company	Registered capital RMB1,141,000,000	–	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 RMB1,500,000,000	–	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 RMB3,000,000	–	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 RMB310,000,000	–	95	–	95	Property development
鶴山市越恒房地產開發有限公司	China, limited liability company	Registered capital RMB610,000,000	–	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 RMB6,570,800,000	–	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

## 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
			2022		2021		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
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 RMB850,000,000	–	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

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
			2022		2021		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
廣州南方智煤產業園 有限公司	China, limited liability company	Registered capital RMB1,000,000,000	–	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 RMB450,000,000	–	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	–	52.25	–	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 RMB1,200,000,000	–	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 RMB830,000,000	–	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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			2022		2021		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
太倉越雋房地產開發 有限公司	China, limited liability company	Registered capita 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 RMB3,700,000,000	–	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 RMB4,400,000,000	–	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 RMB6,740,200	–	44.84	–	44.84	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	–	44.84	Property management
蘇州燿秀房地產開發 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	–	38.76	–	38.76	Property development
青島怡城置業有限公司	China, limited liability company	Registered capital RMB50,000,000	–	38.76	–	38.76	Property development
南京鈺秀企業管理有限公司	China, limited liability company	Registered capital RMB169,520,000	–	62.13	–	62.13	Property development
南京越勝房地產開發 有限公司	China, limited liability company	Registered capital RMB326,000,000	–	32.31	–	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	–	32.31	Building decoration
杭州越琛房地產開發 有限公司	China, limited liability company	Registered capital RMB684,030,000	–	56.53	–	56.53	Property development
寧波悅秀房地產開發 有限公司	China, limited liability company	Registered capital RMB684,030,000	–	56.53	–	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	–	87.32	Property development

## GROUP STRUCTURE

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			2022		2021		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
蘇州榮秀房地產開發有限公司	China, limited liability company	Registered capital RMB600,000,000	–	44.53	–	44.53	Property development
佛山市越泓房地產開發有限公司	China, limited liability company	Registered capital RMB1,290,270,000	–	53.20	–	53.20	Property development
廣州市越達房地產開發有限公司	China, limited liability company	Registered capital RMB1,290,270,000	–	53.20	–	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	–	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	–	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	–	48.45	Property development
上海閔瀾房地產開發有限公司	China, limited liability company	Registered capital RMB2,310,500,000	–	52.25	–	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	–	95	Hospital
廣州頤環健康養老服務有限公司	China, limited liability company	Registered capital RMB8,250,000	–	94.09	–	93.10	Maintenance service
廣州樾濱房地產開發有限公司	China, limited liability company	Registered capital RMB1,670,950,000	–	62.06	–	62.06	Property development
廣州樾富房地產開發有限公司	China, limited liability company	Registered capital RMB1,670,950,000	–	62.06	–	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	–	93.57	Property development
廣州新越房地產開發有限公司	China, limited liability company	Registered capital RMB178,000,000	–	95.48	–	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	–	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	–	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	–	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	–	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	–	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
			2022		2021		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
深圳騰躍房地產開發有限公司	China, limited liability company	Registered capital RMB5,000,000	–	95.48	–	95.48	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	–	48.69	Property development
東莞秀美房地產開發有限公司	China, limited liability company	Registered capital RMB937,290,000	–	48.69	–	48.69	Property development
廣州明耀房地產開發有限公司	China, limited liability company	Registered capital RMB254,710,000	–	95.48	–	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	–	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	–	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	–	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	–	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	–	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	–	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	–	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	–	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	–	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	–	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	–	40.15	Property management
廣州越秀海樾物業服務有限公司	China, limited liability company	Registered capital RMB3,000,000	–	66.92	–	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
			2022		2021		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
寧波越秀物業服務有限公司	China, limited liability company	Registered capital RMB5,000,000	–	66.92	–	66.92	Property management
廣州越服房地產經紀有限公司	China, limited liability company	Registered capital RMB5,000,000	–	66.92	–	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	–	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	–	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	–	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	–	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	–	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	–	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	–	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	–	100	Technical services
長沙秀雅投資有限公司	China, limited liability company	Registered capital USD25,000,000	–	100	–	100	Property investment
長沙秀茂置業有限公司	China, limited liability company	Registered capital RMB350,000,000	–	50	–	50	Property development
南京樾弘房地產開發有限公司	China, limited liability company	Registered capital RMB2,484,000,000	–	55.66	–	51	Property development
南京樾駿裝飾有限公司	China, limited liability company	Registered capital RMB100,000	–	55.66	–	51	Building decoration
郴州秀城房地產開發有限公司	China, limited liability company	Registered capital USD50,000,000	–	100	–	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	–	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
			2022		2021		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
廣州天越房地產開發有限公司	China, limited liability company	RMB2,360,000,000	–	95.48	–	–	Property development
廣州樾海房地產開發有限公司	China, limited liability company	RMB 50,000,000	–	95.48	–	–	Property development
廣州南沙橫越置業有限公司	China, limited liability company	RMB560,000,000	–	95.48	–	–	Property development
杭州越樂房地產開發有限公司	China, limited liability company	RMB600,000,000	–	59.84	–	–	Property development
杭州越瓏房地產開發有限公司	China, limited liability company	RMB400,000,000	–	95	–	–	Property development
南京越嘉房地產開發有限公司	China, limited liability company	RMB1,350,000,000	–	98	–	–	Property development
合肥越合房地產開發有限公司	China, limited liability company	RMB400,000,000	–	99.64	–	–	Property development
成都雋辰房地產開發有限公司	China, limited liability company	RMB764,060,000	–	95	–	–	Property development
成都雋樂房地產開發有限公司	China, limited liability company	RMB741,500,000	–	95	–	–	Property development
廣州越秀產業發展有限公司	China, limited liability company	RMB100,000,000	–	95	–	–	Manufacturing of computers, communication and other electronic equipment
廣州越鑫房地產開發有限公司	China, limited liability company	RMB1,000,000,000	–	52.42	–	–	Property development
杭州越文房地產開發有限公司	China, limited liability company	RMB850,000,000	–	42.7	–	–	Property development
杭州北匯置業有限公司	China, limited liability company	RMB20,000,000	–	51	–	–	Property development
杭州濱泓房地產開發有限公司	China, limited liability company	RMB2,500,000,000	–	24.47	–	–	Property development
杭州濱楊房地產開發有限公司	China, limited liability company	RMB900,000,000	–	47.98	–	–	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
			2022		2021		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
上海錦鈺置業有限公司	China, limited liability company	RMB2,400,000,000	–	47.5	–	–	Property development
鄭州越武房地產開發有限公司	China, limited liability company	RMB395,000,000	–	76	–	–	Property development
重慶駿勵房地產開發有限公司	China, limited liability company	RMB1,754,800,124.02	–	48.69	–	–	Property development
佛山市越通項目投資有限公司	China, limited liability company	RMB50,000,000	–	48.45	–	–	Property development
鄭州茂秀置業有限公司	China, limited liability company	RMB500,000,000	–	48.45	–	–	Property development
中山建秀房地產開發有限公司	China, limited liability company	RMB800,000,000	–	48.45	–	–	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 2022 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
			2022		2021		
			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	Property development
武漢中建越秀港投開發有限公司	China	35	-	35	-	35	Property development
廣州智聯置業投資發展有限公司	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
武漢崇鴻裕業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
			2022		2021		
			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	–	46.78	Property development
煙台領秀房地產開發有限公司	China	49	–	49	–	49	Property development
北京恒秀立懷置業有限公司	China	49	–	46.55	–	46.55	Property development
重慶越輝房地產開發有限公司	China	10	–	49.82	–	34.33	Property development
廣州智能裝備科技創意園有限公司	China	41	–	38.95	–	38.95	Property development
西安天越航空發展有限公司	China	49	–	49	–	49	Property development
西咸新區紫塬泊漢置業有限公司	China	49	–	46.55	–	46.55	Property development
長沙悦夢置業有限公司	China	30	–	28.5	–	–	Property development

## GROUP STRUCTURE

Details of the Group's principal associates as at 31 December 2022 are as follows:

Name of associates	Place of establishment and operation	Effective percentage of interest in ownership/profit sharing				Principal activities
		2022		2021		
		Direct	Indirect	Direct	Indirect	
Yuexiu Real Estate Investment Trust	Hong Kong (ii)	–	40.11	–	40.11	Property investment
廣州宏嘉房地產開發有限公司(i)	China	–	15.94	–	15.94	Property investment
廣州宏軒房地產開發有限公司(i)	China	–	15.94	–	15.94	Property investment
江門市蓬江區碧桂園房地產開發有限公司	China	–	44.59	–	44.59	Property investment
杭州龍禧房地產開發有限公司	China	–	28.64	–	28.64	Property investment
廣州環擘房地產開發有限公司(i)	China	–	15.94	–	15.94	Property investment
杭州星日房地產開發有限公司	China	–	49.08	–	49.08	Property investment
武漢越秀地產開發有限公司	China	–	33	–	33	Property investment
廣州合錦嘉苑房地產開發有限公司(i)	China	–	14.25	–	14.25	Property investment
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 investment
廣州碧森房地產開發有限公司(i)	China	–	13.63	–	13.63	Property investment
濟南元賀置業有限公司	China	–	23.51	–	23.51	Property investment
廣州市越匯房地產有限公司	China	–	31.45	–	31.45	Property investment
中山市華越宏軒置業發展有限公司	China	–	46.55	–	46.55	Property investment
廣州耀恒房地產開發有限公司	China	–	46.78	–	46.78	Property investment
廣州穗昭置業有限公司	China	–	47.50	–	47.50	Property investment

## GROUP STRUCTURE

Name of associates	Place of establishment and operation	Effective percentage of interest in ownership/profit sharing				Principal activities
		2022		2021		
		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	–	46.55	Property development
南京駿玖房地產有限公司	China	–	23.28	–	23.28	Property development
南京金璨房地產開發有限公司	China	–	31.35	–	31.35	Property development
長沙長越房地產開發有限公司	China	–	46.55	–	46.55	Property development
湖北宏秀文苑城市開發有限公司	China	–	38.00	–	38.00	Property development
南通駿秀房地產開發有限公司	China	–	46.78	–	46.78	Property development
青島城秀投資開發有限公司	China	–	46.55	–	46.55	Property development
杭州中海海韓房地產有限公司	China	–	19	–	–	Property development
杭州疆悅置業有限公司	China	–	46.55	–	–	Property development
肥西縣和粵置業發展有限公司	China	–	32.88	–	–	Property development
合肥和冉房地產開發有限公司	China	–	31.35	–	–	Property development
上海樂秀房地產開發有限公司	China	–	47.5	–	–	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).



**越秀地產股份有限公司**

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