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越秀地產股份有限公司

YUEXIU PROPERTY COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

Announcement of 2021 Annual Results

Results Summary

- The revenue was approximately RMB57.38 billion, representing a year-on-year increase of 24.1%.
- The gross profit margin was approximately 21.8%, representing a year-on-year decrease of 3.3 percentage points.
- Profit attributable to equity holders was approximately RMB3.59 billion, representing a year-on-year decrease of 15.5%; core net profit* was approximately RMB4.15 billion, representing a year-on-year increase of 3.2%.
- The value of the aggregate contracted sales (including contracted sales of projects of joint ventures and associates) during the year amounted to approximately RMB115.15 billion, representing a year-on-year increase of 20.2%, and accounted for 102.6% of the full year contracted sales target of RMB112.2 billion. The Group achieved contracted sales value of approximately RMB71.37 billion in the Greater Bay Area during the year, representing a year-on-year increase of 12.1%.
- During the year, the Group entered into 8 cities such as Beijing, Shanghai, Ningbo, Dongguan, Nantong, Xi'an, Bijie and Chenzhou for the first time, and has newly acquired 37 land parcels located in 18 cities, with a total GFA of approximately 9.18 million sq.m.. As of 31 December, the total landbank of the Group was approximately 27.11 million sq.m., of which 14.91 million sq.m. were located in the Greater Bay Area, accounting for approximately 55.0%.
- The Group newly added a TOD project during the year, namely Guangzhou Yue Voyage (Guangzhou Huangpu Miaotou), with a total GFA of approximately 0.21 million sq.m.. The total landbank of the Group's TOD projects was approximately 3.76 million sq.m.. The Group achieved contracted sales value of approximately RMB17.87 billion from the TOD projects during the year, representing a year-on-year increase of 5.1%.

- As of 31 December, the “Three Red Lines” indicators of the Group were all in “green lights”, indicating a healthy and sound financial condition.
- With diverse financing channels, the Group continued to optimize its debt structure. The Group successfully issued offshore five-year US bonds of USD650 million and ten-year US bonds of USD150 million with a coupon rate of 2.8% and 3.8% respectively, and successfully issued onshore corporate bonds of RMB6 billion with an average coupon rate of 3.29%. The average borrowing interest rate for 2021 was 4.26%, representing a year-on-year decrease of 36 basis points.
- The Group successfully spun off Yuexiu Services for separate listing on the Hong Kong Stock Exchange, raising net proceeds of approximately HKD1.96 billion. Upon the spin off, the Group held 66.9% equity interests in Yuexiu Services.
- The Group successfully sold Guangzhou Yuexiu Financial Tower to Yuexiu REIT through the sale of the entire equity interest in the target Company as part of normalization of the interaction between the dual platforms of Yuexiu Property and Yuexiu REIT.
- The Board recommended to declare a final dividend for 2021 of HKD0.328 per share (equivalent to RMB0.265 per share). Together with the interim dividend, total dividends for the full year of 2021 was HKD0.654 per share (equivalent to RMB0.536 per share), representing a year-on-year increase of 9.0% in terms of HKD.

• Revenue	RMB57.38 billion (+24.1%)
• Gross profit margin	21.8% (-3.3 percentage points)
• Profit attributable to equity holders	RMB3.59 billion (-15.5%)
• Core net profit	RMB4.15 billion (+3.2%)
• Contracted sales value	RMB115.15 billion (+20.2%)
• Unrecognised sales value	RMB150.65 billion (+25.9%)
• Total assets	RMB313.85 billion (+19.2%)
• Cash and cash equivalents and charged bank deposits	RMB40.50 billion (+8.6%)
• Net gearing ratio**	47.1% (-0.4 percentage points)

* 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.

** Net gearing ratio represents the borrowings net of cash and cash equivalents and charged bank deposits divided by equity.

RESULTS

The board of directors (“Directors” or “Board”) of Yuexiu Property Company Limited (“Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) prepared under Hong Kong Financial Reporting Standards for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	57,378,861	46,234,259
Cost of sales	4	<u>(44,896,396)</u>	<u>(34,608,171)</u>
Gross profit		12,482,465	11,626,088
Sales of investment properties		18,865	34,333
Carrying amounts of investment properties sold		(11,666)	(30,877)
Gain on sales of investment properties		7,199	3,456
Other gains, net	5	1,500,448	667,911
Selling and marketing costs	4	(1,589,675)	(1,210,136)
Administrative expenses	4	<u>(1,623,478)</u>	<u>(1,343,638)</u>
Operating profit		10,776,959	9,743,681
Finance income		729,597	458,874
Finance costs	6	(1,079,526)	(934,624)
Share of profit of			
– joint ventures		117,932	426,557
– associates		<u>297,475</u>	<u>505,754</u>
Profit before taxation		10,842,437	10,200,242
Taxation	7	<u>(5,568,798)</u>	<u>(5,517,342)</u>
Profit for the year		<u>5,273,639</u>	<u>4,682,900</u>

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Attributable to:			
– Equity holders of the Company		3,588,929	4,247,860
– Non-controlling interests		<u>1,684,710</u>	<u>435,040</u>
		<u>5,273,639</u>	<u>4,682,900</u>
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	8	<u>1.1590</u>	<u>1.3718</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year	5,273,639	4,682,900
Other comprehensive income:		
<u>Items that may be reclassified to profit or loss</u>		
Exchange differences on translation of foreign operations	(73,275)	199,832
Losses on cash flow hedges	(115,980)	(604,395)
Costs of hedging	(130,421)	58,974
Hedging losses reclassified to profit or loss	190,226	657,397
<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	(147,484)	(31,274)
Other comprehensive (loss)/income for the year, net of tax	(276,934)	280,534
Total comprehensive income for the year	4,996,705	4,963,434
Attributable to:		
– Equity holders of the Company	3,320,017	4,530,095
– Non-controlling interests	1,676,688	433,339
	4,996,705	4,963,434

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021**

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		3,896,133	3,201,114
Right-of-use assets		4,026,733	3,927,325
Investment properties		10,982,210	16,076,236
Intangible assets		428,829	386,945
Properties under development		5,185,027	6,330,244
Interests in joint ventures		6,597,248	5,673,259
Interests in associates		16,951,174	13,554,213
Financial assets at fair value through other comprehensive income		1,033,583	1,247,902
Deferred tax assets		1,950,402	1,169,981
		<u>51,051,339</u>	<u>51,567,219</u>
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Current assets			
Properties under development		153,720,888	126,110,685
Properties held for sale		26,639,579	24,896,445
Contract costs		1,201,153	597,440
Prepayments for land use rights		10,381,810	4,142,147
Trade receivables	10	125,785	161,837
Other receivables, prepayments and deposits		25,309,247	15,104,853
Prepaid taxation		4,926,038	3,307,405
Charged bank deposits		7,732,591	9,094,268
Cash and cash equivalents		32,766,455	28,213,701
		<u>262,803,546</u>	<u>211,628,781</u>
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	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
LIABILITIES			
Current liabilities			
Trade and note payables	11	1,612,842	2,255,706
Contract liabilities		73,177,086	54,201,054
Other payables and accrued charges		67,173,384	49,235,822
Borrowings		29,801,844	16,576,244
Lease liabilities		177,195	151,209
Derivative financial instruments		—	358,703
Taxation payable		10,678,441	8,806,721
		<u>182,620,792</u>	<u>131,585,459</u>
Net current assets		<u>80,182,754</u>	<u>80,043,322</u>
Total assets less current liabilities		<u>131,234,093</u>	<u>131,610,541</u>
Non-current liabilities			
Borrowings		45,732,320	51,263,116
Lease liabilities		694,008	566,477
Deferred tax liabilities		5,955,143	7,134,042
Deferred revenue		50,241	52,035
Derivative financial instruments		411,599	161,524
Other payables		4,024,033	8,157,232
		<u>56,867,344</u>	<u>67,334,426</u>
Net assets		<u>74,366,749</u>	<u>64,276,115</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		18,035,015	18,035,015
Shares held under share award scheme		(193,282)	(121,282)
Other reserves		2,557,363	1,225,639
Retained earnings		25,836,974	24,608,285
		<u>46,236,070</u>	<u>43,747,657</u>
Non-controlling interests		28,130,679	20,528,458
Total equity		<u>74,366,749</u>	<u>64,276,115</u>

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) and requirements of the Hong Kong Companies Ordinance Cap. 622.

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.

The financial information relating to the years ended 31 December 2020 and 2021 included in this Results Announcement for the year ended 31 December 2021 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2021 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements.

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

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

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

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

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

3 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.

	Property development <i>RMB'000</i>	Property management <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
Year ended 31 December 2021					
Revenue	54,152,844	1,917,849	714,500	3,801,404	60,586,597
Inter-segment revenue	—	(507,596)	(72,073)	(2,628,067)	(3,207,736)
Revenue from external customers	<u>54,152,844</u>	<u>1,410,253</u>	<u>642,427</u>	<u>1,173,337</u>	<u>57,378,861</u>
Revenue from contracts with customers:					
Recognised at a point in time	54,152,844	95,300	—	638,676	54,886,820
Recognised over time	<u>—</u>	<u>1,314,953</u>	<u>—</u>	<u>534,661</u>	<u>1,849,614</u>
Revenue from other sources:					
Rental income	<u>—</u>	<u>—</u>	<u>642,427</u>	<u>—</u>	<u>642,427</u>
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>

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

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

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

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

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

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

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

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

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

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

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

4 Expenses by nature

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

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

5 Other gains, net

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

Note:

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

6 Finance costs

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

Note:

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

7 Taxation

(a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2020: 16.5 percent) on the estimated assessable profit for the year.

(b) China enterprise income taxation is provided on the profit of the Group’s subsidiaries, associates and joint ventures in China at the rate of 25 percent (2020: 25 percent).

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

(c) China land appreciation tax is levied at progressive rates ranging from 30 percent to 60 percent (2020: 30 percent to 60 percent) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land, development and construction.

(d) The amount of taxation charged to the consolidated statement of profit or loss comprises:

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

8 Earnings per share

Basic

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

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

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

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

Diluted

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

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

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

9 Dividends

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

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

10 Trade receivables

As at 31 December 2021 and 2020, the ageing analysis of the trade receivables from the invoice date is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Up to 1 year	135,490	171,933
1-2 years	13,071	13,318
2-3 years	6,712	4,044
Over 3 years	8,805	8,809
	<u>164,078</u>	<u>198,104</u>
Less: loss allowance	<u>(38,293)</u>	<u>(36,267)</u>
	<u>125,785</u>	<u>161,837</u>

11 Trade and note payables

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

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

CHAIRMAN’S STATEMENT

I. BUSINESS REVIEW

Economic and Market Environment

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

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

In 2021, the property market in China witnessed volatility in the first and second half of the year, with the market warming up and then cooling down. In the first half of the year, in light of the rapid recovery of the macro economy and the effective control of the pandemic, the overall performance of the property market was good and the market remained warm, with supply falling short of demand in tier-1 and tier-2 cities and both transaction volume and selling price rising steadily. The markets in tier-3 and tier-4 cities showed differentiation in transaction volume with prices at stable level. Rigid demand and demand for upgrade continued to dominate the market. However, since the second half of the year, the property regulatory policies, especially on the capital and price sides, have been comprehensively tightened and the industry has turned to deleveraging in all aspects. Some real estate enterprises began to suffer from domestic and foreign debt repayment crises and break in their capital supply chains. This, coupled with the fact that the details of the pilot property tax are yet to be released, has led to a strong wait-and-see sentiment in the market and a gradual

weakening of demand. As such, monthly transaction volume, and price in the primary and secondary property markets in major cities declined. However, overall sales and investment in the property market continued to grow throughout the year, reaching a new record high, while prices continued to rise modestly. The commodity housing contracted sales value for the year in China was approximately RMB18.2 trillion, representing a year-on-year increase of 4.8%, of which the contracted sales value of residential housing increased by 5.3% year-on-year. The GFA of commodity housing sales was approximately 1.79 billion sq.m., representing a year-on-year increase of 1.9%. The property industry continued to act as a pillar to support the growth of the national economy.

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

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

Continuous and Steady Growth in Operating Results

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

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

Contracted Sales Growing Steadily and Hitting Record High

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

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

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

Increasing High-Quality Landbank through Diversified Channels

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

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

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

Deepening of TOD Development Strategy

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

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

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

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

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

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

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

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

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

Optimisation in Operation Management and Control Systems

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

Continuous Improvement in ESG Management Standards

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

II. BUSINESS OUTLOOK

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

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

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

Achieving Various Annual Operation Targets

The Group will study market environment and policies change and grasp good opportunities in the market to overcome challenges brought about by the market and the pandemic, and achieve the annual sales and various operating goals it has set. In terms of sales, in response to the regulatory policies and the differentiated characteristics of the market, the Group will seek to achieve full year sales target and cash collection rate by formulating precise sales strategies of “one city, one policy” and “one project, one policy”, ensuring supplies, sales and cash collections, enhancing the level of sell-through rate, integrating online and offline sales channels, and leveraging the digital marketing platform of “Yuexiu Fangbao” (越秀房寶) to strengthen the construction of its own sales channels. In terms of operations, the Group will strengthen the management of the entire project development cycle, optimise the integrated management of products, procurement, costs and construction, accelerate project turnover rate and improve development efficiency to guarantee sufficient supplies in sales and ensure that projects are delivered and completed as scheduled with high quality. The Group will continue to improve product competitiveness, design the products more suitable for rigid, improved

and other self-occupation demands, promote the standardisation of products, and continuously upgrade unique TOD product line and service system. The Group will increase resource investment in the research and development of green and low-carbon residential products, establish standard system for its green residential products, facilitate the development of green buildings in its residential and commercial development projects, and actively introduce and utilise the prefabricated construction and energy-saving technologies. The Group will also continue to improve the standard of its refinement management.

Prudent Investment based on cash inflow of sales

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

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

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

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

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

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

Promoting Quality Development of New Business Segments

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

ACKNOWLEDGEMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE AND GROSS PROFIT

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

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

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

CONTRACTED SALES

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

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

Greater Bay Area

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

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

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

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

Eastern China

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

Central China

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

Northern China

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

Southwestern China

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

Contracted sales are summarised as follows:

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

RECOGNISED SALES

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

Recognised sales are summarised as follows:

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

UNRECOGNISED SALES

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

LANDBANK

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

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

No.	Project	Equity Holding	Total GFA (sq.m.)
1	Guangzhou Galaxy Bay	93.57%	539,800
2	Guangzhou Joy Cloud (previous name: Guangzhou Baiyun Baiyun Avenue Land)	48.69%	192,800
3	Guangzhou Baiyun Guanglong Land	95.48%	1,041,000
4	Guangzhou Liwan Haizhong Village Land	53.20%	165,200
5	Guangzhou Star Wave (previous name: Guangzhou Panyu Guangzhou South Railway Station Land)	95.48%	234,300
6	Guangzhou Starry Wenjing (previous name: Guangzhou Panyu Jinan University Land I)	95.48%	325,400
7	Guangzhou Panyu Jinan University Land II	95.48%	329,700
8	Guangzhou Panyu Guangzhou International Innovative City Land	9.55%	319,500
9	Guangzhou Yue Voyage	62.06%	208,400
10	Guangzhou Mountain Living (previous name: Guangzhou Huangpu Knowledge City Land)	62.06%	137,100
11	Nansha Hengli Island Land	42.96%	214,800
12	Nansha Golden Bay	2.42%	188,500
13	Nanhai River Mansion	47.41%	74,000
14	Dongguan Cloud Lake (previous name: Dongguan Liaobu Land)	32.46%	89,500
15	Dongguan Joy Bay (previous name: Dongguan Shatian Land)	48.69%	199,300
16	Zhongshan Yuexiu Empyreal (previous name: Zhongshan Xiaolan Land)	57.29%	157,400
17	Shanghai Minhang Land	52.25%	168,400
18	Hangzhou Gongshu Land	95.00%	142,100
19	Hangzhou Enjoy Mansion (previous name: Hangzhou Xiacheng Land)	32.14%	421,900
20	Suzhou Joy Years (previous name: Suzhou Wuzhong Xukou Land II)	44.53%	164,000
21	Suzhou Eastern Cloud (previous name: Suzhou Wuzhong Luzhi Land)	42.75%	104,100
22	Nantong Luminous Mansion (previous name: Nantong Zhongchuang Land)	46.78%	168,100
23	Nanjing Art Times (previous name: Nanjing Pukou Qiaolin Land II)	31.35%	133,700

No. Project	Equity Holding	Total GFA (sq.m.)
24 Nanjing Treasure (previous name: Nanjing Yuhuatai Land)	51.00%	237,700
25 Nanjing Jade Mansion (previous name: Nanjing Jiangning Zhengfang New Town Land)	30.88%	130,600
26 Ningbo Joy Cloud (previous name: Ningbo Yinzhou Jiangshan Land)	56.53%	119,800
27 Wuhan Starry Garden (previous name: Wuhan Jiang'an Land)	48.45%	71,500
28 Wuhan Yuexiu Garden	46.55%	215,800
29 Xiangyang Dongjin Land	38.00%	148,200
30 Changsha Smart Science City (previous name: Changsha Yuhua Yatang Land)	50.00%	259,500
31 Changsha Joy Star	46.55%	517,400
32 Chenzhou Starry City (previous name: Chenzhou Xicheng Land)	100.00%	848,300
33 Beijing Hill Mansion (previous name: Beijing Huai'rou Land)	46.55%	329,200
34 Chongqing Avant Garde (previous name: Chongqing Yubei Huixing Land I)	34.33%	147,400
35 Chongqing Avant Jade (previous name: Chongqing Yubei Huixing Land II)	95.48%	39,300
36 Xi'an Xixian Land	46.55%	374,800
37 Bijie Baili Land	95.00%	23,800
Total		9,182,300

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

The landbank is summarised as follows:

No. Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
1 Guangzhou Starry Haizhu Bay	366,400	366,400	—
2 Guangzhou Galaxy Bay	539,800	238,400	301,400
3 Guangzhou Joy Bay	105,700	105,700	—
4 Guangzhou Joy Cloud (previous name: Guangzhou Baiyun Baiyun Avenue Land)	192,800	115,700	77,100
5 Guangzhou Joy Lake	445,700	286,200	159,500
6 Guangzhou Joy Golden Sands	332,000	332,000	—

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
7	Guangzhou Baiyun Guanglong Land	1,041,000	—	1,041,000
8	Guangzhou Skyline Mansion (previous name: Guangzhou Liwan Fangcun Avenue Land)	154,400	154,400	—
9	Guangzhou Liwan Haizhong Village Land	165,200	99,100	66,100
10	Guangzhou Yue Infinity	806,000	806,000	—
11	Guangzhou Star Wave (previous name: Guangzhou Panyu Guangzhou South Railway Station Land)	234,300	234,300	—
12	Guangzhou Grand Mansion	412,500	412,500	—
13	Guangzhou Grand Mansion II	402,800	243,200	159,600
14	Guangzhou Starry Wenxi	175,000	175,000	—
15	Guangzhou Starry Wenjing (previous name: Guangzhou Panyu Jinan University Land I)	325,400	—	325,400
16	Guangzhou Panyu Jinan University Land II	329,700	—	329,700
17	Guangzhou Panyu Guangzhou International Innovative City Land	319,500	—	319,500
18	Guangzhou Talent Garden	705,200	705,200	—
19	Guangzhou Southern Intelligent Media Center	159,800	159,800	—
20	Guangzhou Yue Voyage	208,400	208,400	—
21	Guangzhou Yue Melody	651,400	651,400	—
22	Guangzhou Yue Fantasy	330,200	330,200	—
23	Guangzhou TOD Town	703,400	449,800	253,600
24	Guangzhou Mountain Living (previous name: Guangzhou Huangpu Knowledge City Land)	137,100	82,700	54,400
25	Nansha Southern Le Sand	648,700	231,600	417,100
26	Nansha Binhai New Town	6,100	6,100	—
27	Nansha Tianyu Square	134,500	134,500	—
28	Nansha International Financial Center	220,800	220,800	—
29	Nansha Joy Bay	250,000	250,000	—
30	Nansha Jinmao Bay	130,200	130,200	—
31	Nansha China Resources Yuexiu Mansion	102,000	102,000	—
32	Nansha Hengli Island Land	214,800	214,800	—
33	Nansha Golden Bay	188,500	113,100	75,400
34	Nansha Joy Bay	149,700	149,700	—
35	Huadu Elegant Mansion	70,600	70,600	—
36	Huadu Magnificent Mansion	125,600	125,600	—
37	Huadu Royal Mansion	76,100	76,100	—
38	Guangzhou Yue Galaxy	1,056,600	635,300	421,300
39	Zengcheng Joy Mountain	85,000	85,000	—
40	Conghua Glade Village	161,900	138,200	23,700

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
41	Shenzhen Majestic Mansion	169,400	169,400	—
42	Nanhai Starry Mansion	274,000	274,000	—
43	Nanhai Lake View Mansion	237,100	237,100	—
44	Nanhai River Mansion	74,000	74,000	—
45	Dongguan Cloud Lake (previous name: Dongguan Liaobu Land)	89,500	81,100	8,400
46	Dongguan Joy Bay (previous name: Dongguan Shatian Land)	199,300	—	199,300
47	Jiangmen Yuexiu Binjiang Glorious City	3,500	3,500	—
48	Jiangmen Yuexiu Binjiang Enjoy City	25,300	25,300	—
49	Jiangmen Yuexiu Binjiang Grand City	164,500	164,500	—
50	Jiangmen Starry Guanlan (previous name: Jiangmen Binjiang New District Land)	403,800	176,700	227,100
51	Zhongshan Empyrean Bay	134,200	134,200	—
52	Zhongshan Yuexiu Empyrean (previous name: Zhongshan Xiaolan Land)	157,400	—	157,400
53	Hong Kong Yau Tong Project	72,100	—	72,100
	Other projects	41,200	—	41,200
	Subtotal (Greater Bay Area)	14,910,100	10,179,800	4,730,300
54	Shanghai Minhang Land	168,400	—	168,400
55	Hangzhou Starry City	470,600	274,500	196,100
56	Hangzhou Gongshu Land	142,100	—	142,100
57	Hangzhou Enjoy Mansion (previous name: Hangzhou Xiacheng Land)	421,900	421,900	—
58	Hangzhou Joy Lane	163,000	163,000	—
59	Suzhou Cloud Mansion	31,900	31,900	—
60	Suzhou Joy Years (previous name: Suzhou Wuzhong Xukou Land II)	164,000	164,000	—
61	Suzhou Eastern Cloud (previous name: Suzhou Wuzhong Luzhi Land)	104,100	104,100	—
62	Suzhou Joy Cloud	129,500	129,500	—
63	Suzhou Taicang Never Land	626,200	312,000	314,200
64	Suzhou Impressive Mansion	61,100	61,100	—
65	Nantong Luminous Mansion (previous name: Nantong Zhongchuang Land)	168,100	100,900	67,200
66	Nanjing Art Cloud (previous name: Nanjing Pukou Qiaolin Land I)	103,400	103,400	—
67	Nanjing Art Times (previous name: Nanjing Pukou Qiaolin Land II)	133,700	133,700	—
68	Nanjing Treasure (previous name: Nanjing Yuhuatai Land)	237,700	237,700	—

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
69	Nanjing Jade Mansion (previous name: Nanjing Jiangning Zhengfang New Town Land)	130,600	130,600	—
70	Ningbo Joy Cloud (previous name: Ningbo Yinzhou Jiangshan Land)	119,800	119,800	—
	Subtotal (Eastern China Region)	3,376,100	2,488,100	888,000
71	Wuhan International Financial City	222,300	222,300	—
72	Wuhan Hanyang Starry Winking	786,800	509,700	277,100
73	Wuhan Starry Garden (previous name: Wuhan Jiang'an Land)	71,500	71,500	—
74	Wuhan Mansion	70,800	70,800	—
75	Wuhan Yuexiu Garden	215,800	215,800	—
76	Xiangyang Starry City	572,400	562,100	10,300
77	Xiangyang Dongjin Land	148,200	—	148,200
78	Zhengzhou Elegant Mansion	137,900	137,900	—
79	Changsha Yue Lake Stage	107,000	107,000	—
80	Changsha Smart Science City (previous name: Changsha Yuhua Yatang Land)	259,500	121,000	138,500
81	Changsha Qin'ai Lane	75,600	75,600	—
82	Changsha Starry City	709,300	573,600	135,700
83	Changsha Joy Star	517,400	291,000	226,400
84	Chenzhou Starry City (previous name: Chenzhou Xicheng Land)	848,300	120,300	728,000
	Subtotal (Central China Region)	4,742,800	3,078,600	1,664,200
85	Beijing Hill Mansion (previous name: Beijing Huai'rou Land)	329,200	177,700	151,500
86	Shenyang Starry Winking	16,500	16,500	—
87	Shenyang Hill Lake	270,300	70,700	199,600
88	Qingdao Magnificent Bay	37,400	—	37,400
89	Qingdao Licang Qingyin Highway East Land	666,300	63,000	603,300
90	Qingdao Starry City	480,100	290,900	189,200
91	Qingdao Yuexiu Starry City	157,200	157,200	—
92	Qingdao Pingdu Southern New Town Land II	268,200	—	268,200
93	Yantai Joy Mansion	146,700	146,700	—
94	Ji'nan Hillside Mansion	237,800	137,900	99,900
95	Ji'nan Baimai Delighted Mansion	273,800	273,800	—
	Subtotal (Northern China Region)	2,883,500	1,334,400	1,549,100
96	Chongqing Impressive Lake (previous name: Chongqing Yubei Central Park Land)	206,300	206,300	—
97	Chongqing Avant Garde (previous name: Chongqing Yubei Huixing Land I)	147,400	147,400	—

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

CONSTRUCTION PROGRESS

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

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

OTHER GAINS, NET

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

OTHER GAINS, NET — INVESTMENT PROPERTIES

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

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

SELLING AND MARKETING COSTS

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

ADMINISTRATIVE EXPENSES

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

FINANCE COSTS

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

SHARE OF PROFIT FROM ASSOCIATES

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

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

BASIC EARNINGS PER SHARE

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

FINAL DIVIDEND

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

WORKING CAPITAL

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

CAPITAL AND FINANCIAL STRUCTURE ANALYSIS

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

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

INTEREST RATE EXPOSURE

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

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

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

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

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

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

FOREIGN EXCHANGE RISK

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

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

COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT

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

CONTINGENT LIABILITIES

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

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

EMPLOYEES AND REMUNERATION POLICY

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code throughout the year ended 31 December 2021.

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 2021 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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.

CLOSURE OF REGISTER OF MEMBERS

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

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

By order of the Board
Yuexiu Property Company Limited
LIN Zhaoyuan
Chairman

Hong Kong, 10 March 2022

As at the date of this announcement, the Board comprises:

Executive Directors: LIN Zhaoyuan (Chairman), LIN Feng, LI Feng, CHEN Jing and LIU Yan

Non-executive Director: ZHANG Yibing

Independent Non-executive Directors: YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose