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*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 00123)**

## **Announcement of 2022 Annual Results**

### **Results Summary**

- The revenue was approximately RMB72.42 billion, representing a year-on-year increase of 26.2%.
- The gross profit margin was approximately 20.4%, representing a year-on-year decrease of 1.4 percentage points.
- Profit attributable to equity holders was approximately RMB3.95 billion, representing a year-on-year increase of 10.2%.
- Core net profit\* was approximately RMB4.24 billion, representing a year-on-year increase of 2.1%.
- The value of the aggregate contracted sales (including contracted sales of projects of joint ventures and associates) during the year amounted to approximately RMB125.03 billion, representing a year-on-year increase of 8.6%. During the year, the contracted sales value of the Greater Bay Area and Eastern China Region projects amounted to approximately RMB59.68 billion and RMB42.95 billion respectively.
- The Group has newly acquired 37 land parcels located in 12 cities through the “6+1” diversified land acquisition model, with a total GFA of approximately 6.95 million sq.m. during the year. As of 31 December, the total landbank of the Group was approximately 28.45 million sq.m., and the landbank of Greater Bay Area was 14.18 million sq.m., accounting for approximately 49.8% of the total landbank.

- During the year, the Group acquired the Pazhou South TOD project in Guangzhou from the parent company with a total GFA of 0.43 million sq.m.. It also obtained one TOD project in cities outside the Greater Bay Area for the first time, and achieved new breakthroughs in the national expansion of its TOD model by newly acquiring the Hangzhou Gouzhuang TOD project with a total GFA of 0.37 million sq.m.. As of 31 December, the total landbank of the Group's TOD projects amounted to approximately 3.86 million sq.m., accounting for approximately 13.6% of the Group's total landbank. During the year, the contracted sales value of TOD projects amounted to approximately RMB22.09 billion, representing a year-on-year increase of 23.6%.
- As of 31 December, the “Three Red Lines” indicators of the Group were all in “green lights”, with total liabilities/total assets ratio (excluding unearned revenue) of 68.8%, net gearing ratio of 62.7% and cash to short-term debt ratio of 2.23 times. The financial position was healthy and sound.
- The Group successfully issued a total of RMB9.84 billion of onshore corporate bonds with weighted average coupon rate of 3.11%. The Group's average borrowing interest rate for the year was 4.16%, representing a year-on-year decrease of 10 bpts and showing a continuously optimised debt structure and financing costs as well as diversified financing channels.
- The Board has proposed to declare a final dividend for 2022 of HKD0.307 per share (equivalent to RMB0.272 per share). Together with the interim dividend, total dividends for the full year of 2022 was HKD0.626 per share (equivalent to RMB0.547 per share). The payout ratio was 40% of the core net profit.
- In addition, to reward shareholders for their unwavering support, on the 30th anniversary of listing and the 40th anniversary of the establishment of Yuexiu Property, the Board has resolved to declare the Special Dividend in the form of the Distribution in Specie of certain Units of Yuexiu REIT held by the Group, to the qualifying shareholders in proportion to their respective shareholdings in the Company on the basis of 62 Units for every 1,000 Shares held by the qualifying shareholders, subject to the financial statements of the Company for the financial year ended 31 December 2022 being laid before the Company at the forthcoming annual general meeting.

• Revenue	RMB72.42 billion (+26.2%)
• Gross profit margin	20.4% (-1.4 percentage points)
• Profit attributable to equity holders	RMB3.95 billion (+10.2%)
• Core net profit	RMB4.24 billion (+2.1%)
• Contracted sales value	RMB125.03 billion (+8.6%)
• Unrecognised sales value	RMB178.97 billion (+18.8%)
• Total assets	RMB346.35 billion (+10.4%)
• Cash and cash equivalents and charged bank deposits	RMB35.12 billion (-13.3%)
• Net gearing ratio**	62.7% (+15.6 percentage points)
• Average borrowing interest rate	4.16% (-10 basic points)

\* Core net profit represents profit attributable to equity holders excluding net foreign exchange (losses)/gains recognised in the consolidated statement of profit or loss and net fair value (losses)/gains on revaluation of investment properties held on a continuing basis (excluding investment properties disposed during the 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 2022, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

		<b>2022</b>	<b>2021</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	72,415,643	57,378,861
Cost of sales	4	<u>(57,610,027)</u>	<u>(44,896,396)</u>
Gross profit		14,805,616	12,482,465
Sales of investment properties		—	18,865
Carrying amounts of investment properties sold		—	(11,666)
Gain on sales of investment properties		—	7,199
Other gains, net	5	211,266	1,500,448
Selling and marketing costs	4	(2,041,242)	(1,589,675)
Administrative expenses	4	<u>(1,769,337)</u>	<u>(1,623,478)</u>
Operating profit		11,206,303	10,776,959
Finance income		636,540	729,597
Finance costs	6	(916,036)	(1,079,526)
Share of profit/(loss) of			
– joint ventures		162,976	117,932
– associates		<u>(260,149)</u>	<u>297,475</u>
Profit before taxation		10,829,634	10,842,437
Taxation	7	<u>(4,692,266)</u>	<u>(5,568,798)</u>
Profit for the year		<u><u>6,137,368</u></u>	<u><u>5,273,639</u></u>

		<b>2022</b>	<b>2021</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Attributable to:			
– Equity holders of the Company		3,953,352	3,588,929
– Non-controlling interests		<u>2,184,016</u>	<u>1,684,710</u>
		<u><u>6,137,368</u></u>	<u><u>5,273,639</u></u>
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	8	<u><u>1.2767</u></u>	<u><u>1.1590</u></u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2022**

		<b>2022</b>	<b>2021</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		4,748,183	3,896,133
Right-of-use assets		3,987,324	4,026,733
Investment properties		11,123,737	10,982,210
Intangible assets		521,234	428,829
Properties under development		8,677,923	5,185,027
Interests in joint ventures		5,787,070	6,597,248
Interests in associates		23,841,285	16,951,174
Financial assets at fair value through other comprehensive income		1,023,964	1,033,583
Derivative financial instruments		15,697	—
Deferred tax assets		2,651,493	1,950,402
		<u>62,377,910</u>	<u>51,051,339</u>
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<b>Current assets</b>			
Properties under development		178,450,964	153,720,888
Properties held for sale		31,293,125	26,639,579
Contract costs		1,080,517	1,201,153
Prepayments for land use rights		7,059,107	10,381,810
Trade and note receivables	10	569,686	125,785
Other receivables, prepayments and deposits		24,649,320	25,309,247
Prepaid taxation		5,752,895	4,926,038
Charged bank deposits		13,271,994	7,732,591
Cash and cash equivalents		21,846,458	32,766,455
		<u>283,974,066</u>	<u>262,803,546</u>
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		<b>2022</b>	<b>2021</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and note payables	11	1,641,773	1,612,842
Contract liabilities		74,472,323	73,177,086
Other payables and accrued charges		76,318,514	67,173,384
Borrowings		15,744,272	29,801,844
Lease liabilities		178,709	177,195
Derivative financial instruments		212,258	—
Taxation payable		9,941,743	10,678,441
		<u>178,509,592</u>	<u>182,620,792</u>
<b>Net current assets</b>		<u>105,464,474</u>	<u>80,182,754</u>
<b>Total assets less current liabilities</b>		<u>167,842,384</u>	<u>131,234,093</u>
<b>Non-current liabilities</b>			
Borrowings		72,554,091	45,732,320
Lease liabilities		712,885	694,008
Deferred tax liabilities		6,116,776	5,955,143
Deferred revenue		273,624	50,241
Derivative financial instruments		184,073	411,599
Other payables		3,208,194	4,024,033
		<u>83,049,643</u>	<u>56,867,344</u>
<b>Net assets</b>		<u>84,792,741</u>	<u>74,366,749</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		18,035,015	18,035,015
Shares held under share award scheme		(175,520)	(193,282)
Other reserves		2,016,281	2,557,363
Retained earnings		27,553,847	25,836,974
		<u>47,429,623</u>	<u>46,236,070</u>
Non-controlling interests		<u>37,363,118</u>	<u>28,130,679</u>
<b>Total equity</b>		<u>84,792,741</u>	<u>74,366,749</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 2021 and 2022 included in this Results Announcement for the year ended 31 December 2022 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 2021 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 2022 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 2021, as described in those annual financial statements.

- (i) The Group has applied the following amendments or annual improvements to existing standards for the first time for their annual reporting period commencing 1 January 2022:

HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts- Cost of Fulfilling a Contract
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
Annual improvements to HKFRS standards 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Group has assessed the impact of the adoption of these abovementioned amendments or annual improvements that are effective for the first time for this year. The adoption of these amendments or annual improvements did not result in any significant impact on the results and financial portion of the Group.

- (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:

		<b>Effective for accounting periods beginning on or after</b>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9-Comparative Information	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The above new standards and amendments to existing standards and interpretation are effective for annual periods beginning on or after 1 January 2023 and have not been early applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

### 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.

	<b>Property development</b>	<b>Property management</b>	<b>Property investment</b>	<b>Others</b>	<b>Group</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended 31 December 2022</b>					
Revenue	68,728,194	2,486,205	370,312	4,918,462	76,503,173
Inter-segment revenue	—	(645,241)	(45,731)	(3,396,558)	(4,087,530)
Revenue from external customers	<u>68,728,194</u>	<u>1,840,964</u>	<u>324,581</u>	<u>1,521,904</u>	<u>72,415,643</u>
Revenue from contracts with customers:					
Recognised at a point in time	68,728,194	246,194	—	1,110,766	70,085,154
Recognised over time	—	1,593,986	—	411,138	2,005,124
Revenue from other sources:					
Rental income	—	784	324,581	—	325,365
Segment results	<u>10,654,041</u>	<u>182,507</u>	<u>233,557</u>	<u>125,081</u>	<u>11,195,186</u>
Depreciation and amortisation	<u>(252,275)</u>	<u>(78,962)</u>	<u>—</u>	<u>(97,573)</u>	<u>(428,810)</u>
Fair value gains on revaluation of investment properties, net	<u>—</u>	<u>—</u>	<u>125,185</u>	<u>—</u>	<u>125,185</u>
Share of profit/(loss) of:					
– joint ventures	164,054	116	—	(1,194)	162,976
– associates	<u>(133,240)</u>	<u>—</u>	<u>(181,307)</u>	<u>54,398</u>	<u>(260,149)</u>

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

	<b>Property development</b>	<b>Property management</b>	<b>Property investment</b>	<b>Others</b>	<b>Group</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 December 2022</b>					
Segment assets	286,672,467	5,471,358	11,123,737	3,815,865	307,083,427
Interests in joint ventures	5,729,844	933	—	56,293	5,787,070
Interests in associates	14,419,635	—	8,488,196	933,454	23,841,285
Total reportable segments' assets	<u>306,821,946</u>	<u>5,472,291</u>	<u>19,611,933</u>	<u>4,805,612</u>	<u>336,711,782</u>
Total reportable segments' assets include:					
Additions to non-current assets (note)	<u>1,047,223</u>	<u>92,682</u>	<u>—</u>	<u>311,093</u>	<u>1,450,998</u>
	<b>Property development</b>	<b>Property management</b>	<b>Property investment</b>	<b>Others</b>	<b>Group</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 December 2021</b>					
Segment assets	258,672,270	4,931,469	10,982,210	4,243,032	278,828,981
Interests in joint ventures	6,516,006	817	—	80,425	6,597,248
Interests in associates	8,321,580	—	7,451,280	1,178,314	16,951,174
Total reportable segments' assets	<u>273,509,856</u>	<u>4,932,286</u>	<u>18,433,490</u>	<u>5,501,771</u>	<u>302,377,403</u>
Total reportable segments' assets include:					
Additions to non-current assets (note)	<u>862,256</u>	<u>41,326</u>	<u>169,090</u>	<u>380,108</u>	<u>1,452,780</u>

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

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

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

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

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

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

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

#### 4 Expenses by nature

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

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

#### 5 Other gains, net

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

Note:

- (a) The amount represents the fair value 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

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

*Note:*

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

## 7 Taxation

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2021: 16.5 percent) on the estimated assessable profit for the year.
- (b) China enterprise income taxation is provided on the profit of the Group's subsidiaries, associates and joint ventures in Mainland China at the rate of 25 percent (2021: 25 percent).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to corporate withholding income tax at tax rates of 5 percent or 10 percent.

- (c) China land appreciation tax is levied at progressive rates ranging from 30 percent to 60 percent (2021: 30 percent to 60 percent) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land, development and construction.
- (d) The amount of taxation charged to the consolidated statement of profit or loss comprises:

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

	<b>2022</b>	<b>2021</b>
Profit attributable to equity holders of the Company (RMB'000)	<u>3,953,352</u>	<u>3,588,929</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>1.2767</u>	<u>1.1590</u>

### 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 2022 and 2021, diluted earnings per share is equal to basic earnings per share.

## 9 Dividends

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

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

In addition, the Board has resolved to declare the Special Dividend in the form of the Distribution in Specie of certain Units of Yuexiu REIT held by the Group, to the qualifying shareholders in proportion to their respective shareholdings in the Company on the basis of 62 Units for every 1,000 Shares held by the qualifying shareholders, subject to the financial statements of the Company for the financial year ended 31 December 2022 being laid before the Company at the forthcoming annual general meeting.

## 10 Trade and note receivables

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

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

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

## **11 Trade and note payables**

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

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

## **CHAIRMAN’S STATEMENT**

### **I. BUSINESS REVIEW**

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

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

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

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

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

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

## **Steady Growth in Operating Results**

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Steadily Promote the “Coordinated Residential and Commercial Development” Strategy**

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

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

## **Prudent and Safe Financial Position**

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

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

## **Continuous Improvement in ESG Management Standards**

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

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

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

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

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

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

## **II. BUSINESS OUTLOOK**

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

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

It is expected that in 2023 the property market will gradually recover with the steady macro-economic growth, enhancement of policy effectiveness and the recovery of market confidence and house purchase willingness. The total transaction volume in the market throughout the year and housing prices will remain stable, the differentiation in the market and property developers will intensify and market concentration will continue to rise. The market in metropolitan areas including the Greater Bay Area and the Yangtze River Delta will maintain a stable recovery. The competitive landscape and market pattern of the property market will

also change significantly, and the real estate industry will gradually transform from “ high level indebtedness, leverage and turnover” to a new development model. Sound and quality property developers will gain competitive advantages in terms of access to capital and land resources, and will be in a favorable position in the future market competition. Although the land market is expected to be sluggish in the short term, with the rebound of the sales market, the land market is also expected to gradually pick up, while the market differentiation will be particularly obvious. As the financing environment of the real estate industry turns to be relaxed, the differentiation in property developers’ capacities to obtain financing will become obvious. For sound and quality property developers, they have a better position in terms of access to capital and financing.

### **Achieving Various Annual Operation Targets**

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

## **Implementation of Prudent Investment Strategy of “Investment Based on Sales Cash Inflows”**

In 2023, the Group will continue to make precise investments by adhering to the prudent investment strategy of “investment based on sales cash inflows” and upholding “one city, one policy”. In terms of regional investment layout, the Group will concentrate on advantageous areas for continuous cultivation, and ensure that the investment resources will be preferentially invested to the regions and cities in which the Group has already entered and where they enjoy the advantages of economics, industrials and net population inflows. The Group will focus on its investment in the Greater Bay Area and Eastern China, as well as quality provincial capitals. In selecting investment projects, the Group will give priority to their returns, focus more on projects with high certainty in profitability, and select the best among the outstanding ones to seize the optimal investment opportunities.

The Group will continue to reinforce and optimise the “6+1” diversified and unique land acquisition platform and increase premium landbank, laying a foundation for continuous and stable development. The Group will continue to deepen its strategic cooperation with Guangzhou Metro Group and continuously increase premium TOD projects in the Greater Bay Area. Meanwhile, the Group will take the first cooperative project with Hangzhou Metro as an opportunity to continuously explore TOD projects outside the Greater Bay Area, accelerate the acquisitions for nationwide TOD projects and continuously deepen the land acquisition model of “city operation”. The Group will increase its efforts to acquire urban renewal projects, strengthen its research on urban renewal policies, and enhance cooperation with urban renewal platforms of governments at all levels and enterprises which own urban renewal projects to focus on the redevelopment of old villages. The Group will continue to strengthen cooperation with various types of state-owned enterprises and introduce industrial resources to strengthen the model of industry driven land acquisitions. The Group will closely monitor the opportunities of acquiring quality projects in the market of M&As. In terms of obtaining auctioned land, the Group will fully study the trend of policies change, market and industry cycle, so as to strengthen market research, better understand rules and policies, and optimise land reserve structure, select the best projects among the outstanding ones for optimizing its landbank portfolio.

## **Deepening the “Coordinated Residential and Commercial Development” Strategy**

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

## **Adhering to Prudent and Safe Financial Policies**

The Group will pay close attention to liquidity risks resulting from changes in the market, continue to enhance cash collection rate, and ensure good debt management and the management of cash flows from operating activities. The Group will maintain smooth domestic and overseas financing channels and continue to reduce financing costs. The Group will strengthen the overall management of onshore and offshore funds to increase efficiency in capital utilisation, and keep the “Three Red Lines” indicators staying in “green lights”. Meanwhile, the Group will continue to optimise its debt structure, maintain a reasonable level of financing scale and actively control exchange rate fluctuation risks. To identify and prevent risk dynamically, the Group will continue to optimise its operational and financial risk monitoring system. The Group will continue to maintain its investment grade credit ratings of Moody’s and Fitch.

## **Acknowledgements**

2023 is a critical year for implementation of the “14th Five-Year Plan” for the Group, and also marks the 40th anniversary of the establishment of the Group. With “Refined Management” and “New Capabilities, New Mechanisms and New Culture” as the new development driving forces, the Group will actively respond to changes and create new opportunities in the new landscape of competition in the industry. Through actively exploring new development model of the industry, adhering to the high-quality and sustainable development, the Group will constantly strive to improve the return on shareholder’s capital and value. With respect to the Group’s achievements in remarkable results and development in a variety of businesses, I would like to take this opportunity to extend my gratitude to the Board of Directors for their strong leadership and all our staff for their relentless endeavors, as well as to express my deepest appreciation to our shareholders, our customers, and business partners for their full trust and dedicated support.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **REVENUE AND GROSS PROFIT**

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

### **PROFIT ATTRIBUTABLE TO EQUITY HOLDERS**

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

### **CONTRACTED SALES**

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

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

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

## **GREATER BAY AREA**

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

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

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

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

## **EASTERN CHINA**

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

## **CENTRAL CHINA**

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

## **NORTHERN CHINA**

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

## **WESTERN CHINA**

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

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

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

## RECOGNISED SALES

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

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

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

## UNRECOGNISED SALES

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

## LANDBANK

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

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

No.	Project	Equity Holding	Total GFA (sq.m.)
1	Guangzhou Tianhe Grand Mansion	95.48%	241,700
2	Guangzhou Pazhou South TOD Project	46.78%	429,100
3	Guangzhou Xingang Road East Land	95.48%	128,800
4	Guangzhou Nanhua Land	9.55%	28,400
5	Guangzhou Zinc Plate Plant Land	52.42%	218,700
6	Guangzhou Baiyun Guanglong Land II	95.48%	90,600
7	Guangzhou Xingye Avenue Land	9.55%	399,700
8	Nansha Ocean One (previous name: Nansha Hengli Island Land II)	95.48%	87,900

No.	Project	Equity Holding	Total GFA <i>(sq.m.)</i>
9	Nansha Meishan Land	95.48%	494,100
10	Nansha Qingsheng Land	95.00%	153,700
11	Shenzhen Bao'an Center Land	9.55%	80,600
12	Shenzhen Bao'an Xixiang Land	9.55%	96,500
13	Nanhai Starry Wenhan	4.85%	96,000
14	Nanhai Imperial Pearl (previous name: Nanhai Shishan Land)	9.50%	176,400
15	Zhongshan Yuexiu Grand Palace	48.45%	197,800
16	Shanghai City Gather	47.50%	125,400
17	Shanghai Urban Prism	47.50%	268,200
18	Hangzhou Celestial Ocean	24.47%	219,600
19	Hangzhou Celestial Palace	47.98%	73,800
20	Hangzhou Cloud Palace	19.00%	213,200
21	Hangzhou Opus Mansion	46.55%	75,200
22	Hangzhou Joy Paragon (previous name: Hangzhou Jinnan New Town Land I)	95.00%	69,200
23	Hangzhou Joy Mansion (previous name: Hangzhou Jinnan New Town Land II)	95.00%	76,900
24	Hangzhou Twinkle Mansion (previous name: Hangzhou Qingshanhu Sci-tech City Land)	50.31%	142,800
25	Hangzhou Infinite Island (previous name: Hangzhou Yuhang Gouzhuang Land)	51.00%	370,700

No.	Project	Equity Holding	Total GFA <i>(sq.m.)</i>
26	Nanjing Grand Mansion	98.00%	89,100
27	Hefei Starry Junlan (previous name: Hefei Yaohai Land)	99.64%	194,900
28	Hefei Tan Gim	31.35%	169,300
29	Hefei Feixi Land I	32.88%	225,100
30	Hefei Feixi Land II	32.88%	171,500
31	Zhengzhou Yuexiu Future Mansion	48.45%	410,500
32	Zhengzhou Jinshui Land	76.00%	112,000
33	Changsha Scenery Culture	28.50%	235,900
34	Changsha Mountain Mansion	9.50%	196,300
35	Chongqing Galaxy Garden	48.69%	329,700
36	Chengdu Empyrean Winking	95.00%	64,700
37	Chengdu Lake Mansion	95.00%	196,600
	<b>Total</b>		<b>6,950,600</b>

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

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

The landbank of the Group is summarised as follows:

No.	Project	LANDBANK	PUD	PFD
		GFA (sq.m.)	GFA (sq.m.)	GFA (sq.m.)
1	Guangzhou Tianhe Grand Mansion	241,600	134,900	106,700
2	Guangzhou Pazhou South TOD Project	429,100	429,100	—
3	Guangzhou Xingang Road East Land	128,800	58,700	70,100
4	Guangzhou Nanhua Land	28,400	—	28,400
5	Guangzhou Starry Haizhu Bay	185,800	185,800	—
6	Guangzhou Galaxy Bay	497,200	335,300	161,900
7	Guangzhou Zinc Plate Plant Land	218,700	—	218,700
8	Guangzhou Joy Cloud	192,800	192,800	—
9	Guangzhou Joy Lake	402,500	402,500	—
10	Guangzhou Joy Golden Sands	303,400	303,400	—
11	Guangzhou Baiyun Starry City (previous name: Guangzhou Baiyun Guanglong Land I)	1,037,300	217,800	819,500
12	Guangzhou Baiyun Guanglong Land II	90,600	—	90,600
13	Guangzhou Skyline Mansion	154,400	154,400	—
14	Guangzhou Oasis Mansion	165,200	165,200	—
15	Guangzhou Infinity TOD	613,900	613,900	—
16	Guangzhou Star Wave	234,400	234,400	—
17	Guangzhou Grand Mansion	302,800	302,800	—
18	Guangzhou Grand Mansion II	402,800	402,800	—

No.	Project	LANDBANK	PUD	PFD
		GFA (sq.m.)	GFA (sq.m.)	GFA (sq.m.)
19	Guangzhou Xingye Avenue Land	399,700	—	399,700
20	Guangzhou Starry Wenxi	63,500	63,500	—
21	Guangzhou University Town Starry City	325,400	325,400	—
22	Guangzhou Panyu Jinan University Land II	329,700	—	329,700
23	Guangzhou University Town Grand Mansion	319,400	319,400	—
24	Guangzhou Car Town	50,900	50,900	—
25	Guangzhou Talent Garden	61,400	61,400	—
26	Guangzhou Voyage TOD	208,400	208,400	—
27	Guangzhou Melody TOD	465,100	465,100	—
28	Guangzhou Fantasy TOD	280,100	280,100	—
29	Guangzhou TOD Town	583,600	583,600	—
30	Guangzhou Mountain Living	137,100	137,100	—
31	Nansha Southern Le Sand	514,500	97,400	417,100
32	Nansha Tianyu Square	50,300	50,300	—
33	Nansha International Financial Center	141,200	141,200	—
34	Nansha Joy Bay	101,100	101,100	—
35	Nansha Flourishing Bay	214,800	214,800	—
36	Nansha Ocean One (previous name: Nansha Hengli Island Land II)	87,900	87,900	—
37	Nansha Golden Bay	188,500	188,500	—
38	Nansha Joy Bay	149,700	149,700	—
39	Nansha Meishan Land	494,100	114,000	380,100
40	Nansha Qingsheng Land	153,700	75,900	77,800
41	Huadu Elegant Mansion	70,600	70,600	—
42	Huadu Royal Mansion	15,100	15,100	—
43	Guangzhou Galaxy TOD	906,600	620,600	286,000
44	Zengcheng Joy Mountain	85,000	85,000	—

No.	Project	LANDBANK	PUD	PFD
		GFA	GFA	GFA
		(sq.m.)	(sq.m.)	(sq.m.)
45	Conghua Glade Village	161,800	138,100	23,700
46	Shenzhen Bao'an Center Land	80,600	80,600	—
47	Shenzhen Bao'an Xixiang Land	96,500	96,500	—
48	Nanhai Starry Mansion	187,200	187,200	—
49	Nanhai Starry Wenhan	96,000	—	96,000
50	Nanhai Lake View Mansion	110,600	110,600	—
51	Nanhai Imperial Pearl (previous name: Nanhai Shishan Land)	176,400	122,000	54,400
52	Nanhai River Mansion	74,000	74,000	—
53	Dongguan Cloud Lake	89,500	89,500	—
54	Dongguan Joy Bay	199,300	199,300	—
55	Jiangmen Yuexiu Binjiang Enjoy City	700	700	—
56	Jiangmen Yuexiu Binjiang Grand City	49,000	49,000	—
57	Jiangmen Starry Guanlan	403,800	176,700	227,100
58	Zhongshan Yuexiu Empyrean	157,400	157,400	—
59	Zhongshan Yuexiu Grand Palace	197,800	197,800	—
60	Hong Kong Yau Tong Project	72,100	—	72,100
	<b>Subtotal (Greater Bay Area)</b>	<b>14,179,800</b>	<b>10,320,200</b>	<b>3,859,600</b>
61	Shanghai City Gather	125,400	62,600	62,800
62	Shanghai Urban Prism	268,200	90,000	178,200
63	Shanghai Grand Harmony	168,400	168,400	—
64	Hangzhou Starry City	196,100	—	196,100
65	Hangzhou Celestial Ocean	219,600	109,800	109,800
66	Hangzhou Celestial Palace	73,800	73,800	—

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

No.	Project	LANDBANK	PUD	PFD
		GFA	GFA	GFA
		(sq.m.)	(sq.m.)	(sq.m.)
86	Wuhan International Financial City	222,400	222,400	—
87	Wuhan Hanyang Starry Winking	617,300	340,200	277,100
88	Wuhan Starry Garden	71,500	71,500	—
89	Wuhan Yuexiu Mansion	70,800	70,800	—
90	Wuhan Yuexiu Garden	215,800	215,800	—
91	Xiangyang Starry City	371,300	371,300	—
92	Xiangyang Dongjin Land	148,200	148,200	—
93	Hefei Starry Junlan (previous name: Hefei Yaohai Land)	194,900	194,900	—
94	Hefei Tan Gim	169,300	169,300	—
95	Hefei Feixi Land I	225,100	225,100	—
96	Hefei Feixi Land II	171,500	171,500	—
97	Zhengzhou Yuexiu Future Mansion	410,500	410,500	—
98	Zhengzhou Jinshui Land	112,000	112,000	—
99	Zhengzhou Elegant Mansion	137,900	137,900	—
100	Changsha Scenery Culture	235,900	235,900	—
101	Changsha Smart Science City	259,500	259,500	—
102	Changsha Qin'ai Lane	1,100	1,100	—
103	Changsha Mountain Mansion	196,300	—	196,300
104	Changsha Starry City	479,900	479,900	—
105	Changsha Joy Star	517,400	291,000	226,400
106	Chenzhou Starry City	848,300	331,300	517,000
	<b>Subtotal (Central China Region)</b>	<b>5,676,900</b>	<b>4,460,100</b>	<b>1,216,800</b>
107	Beijing Hill Mansion	329,200	329,200	—
108	Shenyang Starry Winking	16,500	16,500	—
109	Shenyang Hill Lake	236,900	37,300	199,600

No.	Project	LANDBANK	PUD	PFD
		GFA	GFA	GFA
		(sq.m.)	(sq.m.)	(sq.m.)
110	Qingdao Magnificent Bay	37,400	37,400	—
111	Qingdao Inner Peace (previous name: Qingdao Licang Qingyin Highway East Land)	666,300	379,500	286,800
112	Qingdao Starry City	308,000	167,400	140,600
113	Qingdao Yuexiu Starry City	157,200	157,200	—
114	Qingdao Pingdu Southern New Town Land II	268,200	—	268,200
115	Yantai Joy Mansion	146,700	146,700	—
116	Ji'nan Hillside Mansion	237,800	237,800	—
117	Ji'nan Baimai Delighted Mansion	132,300	132,300	—
	<b>Subtotal (Northern China Region)</b>	<b>2,536,500</b>	<b>1,641,300</b>	<b>895,200</b>
118	Chongqing Impressive Lake	206,300	206,300	—
119	Chongqing Avant Garde	147,400	147,400	—
120	Chongqing Avant Jade	39,300	39,300	—
121	Chongqing Galaxy Garden	329,700	76,100	253,600
122	Chengdu Empyrean Winking	64,700	64,700	—
123	Chengdu Lake Mansion	196,600	98,900	97,700
124	Xi'an Oriental Mansion (previous name: Xi'an Xixian Land)	374,700	374,700	—
125	Bijie Baili Land	23,800	23,800	—
126	Haikou Simapo Island Project	100,500	—	100,500
	<b>Subtotal (Western China Region)</b>	<b>1,483,000</b>	<b>1,031,200</b>	<b>451,800</b>
	<b>Total</b>	<b>28,445,800</b>	<b>20,918,400</b>	<b>7,527,400</b>

## Construction progress

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

	<b>2022</b>	<b>2023</b>
	<b>Actual</b>	<b>Planned</b>
<b>Construction progress</b>	<b>GFA</b>	<b>GFA</b>
	<i>(sq.m.)</i>	<i>(sq.m.)</i>
New commencement of construction	8,587,900	8,745,500
Completion*	5,568,800	7,528,300

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

## OTHER GAINS, NET

Other gains, net for 2022 amounted to approximately RMB211 million, mainly including miscellaneous income of penalty of approximately RMB79 million and net fair value gains on revaluation of investment properties of approximately RMB125 million. In 2021, the Group's other gains, net amounted to approximately RMB1,500 million, mainly including gains related to the disposal of Yuexiu Financial Tower before tax of approximately RMB2,439 million and the net fair value losses on revaluation of investment properties held at the end of year of approximately RMB904 million.

## **OTHER GAINS, NET — INVESTMENT PROPERTIES**

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

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

## **SELLING AND MARKETING COSTS**

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

## **ADMINISTRATIVE EXPENSES**

The Group's administrative expenses amounted to approximately RMB1,769 million, representing an increase of 9.0% year-on-year. The administrative expenses accounted for 2.4% of the revenue for the year, down by 0.4 percentage point from 2.8% for last year. The Group continued to strengthen control over expenses and strictly followed the annual expenses budget.

## **FINANCE COSTS**

The finance costs of the Group amounted to approximately RMB916 million, representing a decrease of 15.1% from RMB1,080 million for 2021, mainly due to a year-on-year increase of interest expense on capitalization resulted from a higher overall turnover rate of projects as the Group accelerated its land development during the year.

## **SHARE OF PROFIT FROM ASSOCIATES**

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

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

## **BASIC EARNINGS PER SHARE**

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

## **FINAL DIVIDEND**

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

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

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

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

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

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

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

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

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

## **WORKING CAPITAL**

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

## CAPITAL AND FINANCIAL STRUCTURE ANALYSIS

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

	<b>As at</b>	
	<b>31 December</b>	31 December
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Borrowings and notes		
Denominated in RMB	66,015,520	54,058,411
Denominated in HKD	10,456,797	10,661,131
Denominated in USD	11,826,017	10,814,592
	<hr/>	<hr/>
Total borrowings and notes	88,298,334	75,534,134
Bank overdrafts	29	30
	<hr/>	<hr/>
Total debts	<u>88,298,363</u>	<u>75,534,164</u>
<b>Ageing analysis:</b>		
Within one year	15,744,272	29,801,844
In the second year	24,001,885	15,711,742
In the third to fifth year	43,376,890	25,900,724
Beyond five years	5,175,316	4,119,854
	<hr/>	<hr/>
Total borrowings	88,298,363	75,534,164
Lease liabilities	891,594	871,203
Less: Cash and cash equivalents	(21,846,458)	(32,766,455)
	<hr/>	<hr/>
Net borrowings	67,343,499	43,638,912
Total equity	84,792,741	74,366,749
	<hr/>	<hr/>
Total capitalisation	<u>152,136,240</u>	<u>118,005,661</u>
Gearing ratio	<u>44.3%</u>	<u>37.0%</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 2022, among the total borrowings of the Group, approximately 39% was floating rate bank loans denominated in Renminbi, approximately 10% was floating rate bank loans denominated in Hong Kong dollars, approximately 13% was fixed rate bank loans and other borrowings denominated in Renminbi, approximately 23% was medium-to-long term fixed rate bonds denominated in Renminbi, approximately 15% was medium-to-long term fixed rate notes denominated in US dollars and Hong Kong dollars.

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

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

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

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

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

## **FOREIGN EXCHANGE RISK**

Since the main business operations of the Group are conducted in Mainland China, its income and assets are denominated primarily in Renminbi. The Group has foreign currency denominated financing and is thus exposed to foreign exchange risk. Since 2016, the Group has actively adopted various measures to enhance the management and control of the foreign exchange exposure. As at 31 December 2022, among the borrowings denominated in foreign currencies, approximately HKD9.42 billion (equivalent to approximately RMB8.42 billion) was bank borrowings denominated in Hong Kong dollar, approximately USD1.7 billion (equivalent to approximately RMB11.83 billion) was medium-to-long term notes denominated in US dollars, and approximately HKD2.28 billion (equivalent to approximately RMB2.04 billion) was notes denominated in Hong Kong dollars. Approximately 25% (28% at the beginning of the year) of the total borrowings of the Group was borrowings denominated in foreign currencies, among which, hedging products were purchased to manage part of foreign exchange exposures with respect to the borrowings denominated in foreign currencies equivalent to approximately RMB11.0 billion. The Group currently has limited foreign exchange exposure with controllable exchange rate risks.

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

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

### **COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT**

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

### **CONTINGENT LIABILITIES**

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates. As of 31 December 2022, the total contingent liabilities relating to these guarantees amounted to approximately RMB28.39 billion (31 December 2021: RMB29.52 billion).

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

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2022, the Group had approximately 18,400 employees (30 June 2022: 17,980 employees). The Group offers its employees reasonable remuneration in accordance with industry practice. Salary increment and promotion of employees are based on performance and achievements. In the meantime, the Group provides employees with other benefits, such as mandatory provident funds, medical insurance, educational allowances and professional training. The Group adopted the Share Incentive Scheme on 2 December 2016 and the Share Award Scheme on 17 March 2017. Both schemes will (i) provide the selected participants (including senior management, middle management and other employees) with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain such individuals to work with the Company and the Group; and (iii) provide additional incentive for them to achieve performance goals and promote the pursuit of long-term interests of the Group, the Company and its shareholders, with a view to achieving the objective of aligning the interests of the selected participants with those of the shareholders of the Company. Details of the Share Incentive Scheme and Share Award Scheme have been respectively disclosed in the announcements dated 2 December 2016 and 17 March 2017.

## **CORPORATE GOVERNANCE**

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

## **REVIEW OF ANNUAL RESULTS**

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

## **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, 15 May 2023 to Thursday, 18 May 2023, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on 18 May 2023, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Friday, 12 May 2023.

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

Hong Kong, 15 March 2023

*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*