中國海外發展有限公司
CHINA OVERSEAS LAND & INVESTMENT LTD.

上市30年
HK0688

(Incorporated in Hong Kong with limited liability)
Stock Code : 00688

Steadfast and Marching

2021 Annual Report


TIANFU ONE
中海·天府里
988
云岭一期

Contents

Tianfu One, Chengdu

Board of Directors and Committees

EXECUTIVE DIRECTORS

Yan Jianguo	*Chairman*
Luo Liang	*Vice Chairman*
Zhang Zhichao	*Chief Executive Officer*
Guo Guanghui	*Vice President*

NON-EXECUTIVE DIRECTORS

Zhuang Yong	*Vice Chairman*
Chang Ying	*(resigned on 20 October 2021)*
Zhao Wenhai	*(appointed on 20 October 2021)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Fan Hsu Lai Tai, Rita
Li Man Bun, Brian David
Chan Ka Keung, Ceajer

AUTHORISED REPRESENTATIVES

Yan Jianguo
Luo Liang

AUDIT AND RISK MANAGEMENT COMMITTEE

Li Man Bun, Brian David*
Fan Hsu Lai Tai, Rita
Chan Ka Keung, Ceajer

REMUNERATION COMMITTEE

Chan Ka Keung, Ceajer*
Fan Hsu Lai Tai, Rita
Li Man Bun, Brian David

NOMINATION COMMITTEE

Fan Hsu Lai Tai, Rita*
Li Man Bun, Brian David
Chan Ka Keung, Ceajer

CORPORATE GOVERNANCE COMMITTEE

Chan Ka Keung, Ceajer*
Fan Hsu Lai Tai, Rita
Li Man Bun, Brian David
Luo Liang

* *Committee Chairman*

Corporate Information

REGISTERED OFFICE

10/F., Three Pacific Place
1 Queen's Road East, Hong Kong

Telephone	:	(852) 2988 0666
Facsimile	:	(852) 2865 7517
Website	:	www.coli.com.hk

COMPANY SECRETARY

Edmond Chong

REGISTRAR AND TRANSFER OFFICE

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

Telephone	:	(852) 2980 1333
Facsimile	:	(852) 2810 8185
E-mail	:	is-enquiries@hk.tricorglobal.com

INVESTOR RELATIONS

Corporate Communications Department

Telephone	:	(852) 2988 0666
Facsimile	:	(852) 2865 7517
E-mail	:	coli.ir@cohl.com

PUBLIC RELATIONS

Corporate Communications Department

Telephone	:	(852) 2988 0666
Facsimile	:	(852) 2865 7517
E-mail	:	coli.pr@cohl.com

INDEPENDENT AUDITOR

Ernst & Young
Certified Public Accountants and
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS (In Alphabetical Order)

Agricultural Bank of China
Bank of China
Bank of Communications Co., Ltd. Hong Kong Branch
Bank of Shanghai Co., Ltd
China Construction Bank Corporation
China Merchants Bank
DBS Bank Ltd., Hong Kong Branch
Industrial and Commercial Bank of China
Nanyang Commercial Bank, Limited
Postal Savings Bank of China
Shanghai Pudong Development Bank Co., Ltd.
Sumitomo Mitsui Banking Corporation
The Hongkong and Shanghai Banking Corporation Limited

Shareholders' Information and Financial Calendar

LISTING

The Company's shares (the "**Shares**") are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and certain notes and corporate bonds issued by the Company's subsidiaries are listed on the Stock Exchange and/or other stock exchange.

STOCK CODE

Shares

Stock Exchange	:	00688
Bloomberg	:	688:HK
Reuters	:	0688.HK

FINANCIAL CALENDAR

Interim results announcement	:	23 August 2021
Closure of Register of Members for interim dividend	:	20 September 2021
Interim dividend paid	:	5 October 2021
Final results announcement	:	31 March 2022
Closure of Register of Members for annual general meeting	:	16 June 2022 to 21 June 2022 (both dates inclusive)
Annual General Meeting	:	21 June 2022
Closure of Register of Members for final dividend	:	27 June 2022
Final dividend paid	:	11 July 2022

Corporate Structure

PROPERTY DEVELOPMENT*

- Mainland China
- Hong Kong
- Macau

COMMERCIAL PROPERTIES

- Mainland China
- Hong Kong
- Macau
- London

OTHER PROPERTY RELATED OPERATIONS

- Mainland China
- Hong Kong

* Property development in 86 major cities in Mainland China, including Beijing, Shanghai, Guangzhou, Shenzhen, Changchun, Changsha, Chengdu, Chongqing, Dalian, Dongguan, Ezhou, Foshan, Fuzhou, Guiyang, Haikou, Hangzhou, Harbin, Jiangmen, Jiaxing, Jinan, Kunming, Nanchang, Nanjing, Ningbo, Qingdao, Sanya, Shenyang, Shijiazhuang, Suzhou, Taiyuan, Taizhou（台州）, Tianjin, Urumqi, Wanning, Weihai, Wenzhou, Wuhan, Wuxi, Xiamen, Xi'an, Yantai, Zhangzhou, Zhaoqing, Zhengzhou, Zhenjiang^, Zhongshan, Zhuhai, Anqing#, Baotou#, Changzhou#, Chuzhou#, Ganzhou#, Guilin#, Hefei#, Hohhot#, Huai'an#, Huangshan#, Huizhou#, Jilin#, Jinhua#, Jining#, Jiujiang#, Langfang#, Lanzhou#, Linyi#, Liuzhou#, Nanning#, Nantong#, Qingyuan#, Quanzhou#, Shantou#, Shaoxing#, Taizhou（泰州）#, Tangshan#, Tianshui#, Weifang#, Weinan#, Xining#, Xuzhou#, Yancheng#, Yangzhou#, Yinchuan#, Zhanjiang#, Zhuzhou#, Zibo#, Zunyi# as well as in Hong Kong and Macau

^ The city where both China Overseas Land & Investment Limited (the "**Company**") and its subsidiaries (the "**Group**") and China Overseas Grand Oceans Group Limited ("**COGO**") have operations

The cities where COGO has operations

Financial Highlights

For the year ended 31 December	2021	2020	Change
Financial Highlights *(RMB billion)*			
Revenue	**242.24**	185.79	30.4%
Profit attributable to the shareholders of the Company	**40.16**	43.90	–8.5%
Profit attributable to the shareholders of the Company excluding fair value gain[1]	**36.38**	38.03	–4.4%
Contracted property sales[2]	**369.50**	360.72	2.4%
Financial Ratios			
Net gearing *(%)*	**32.3**	32.6	–0.3[3]
Interest coverage ratio *(times)*	**7.2**	7.8	–0.6[4]
Dividend payout *(%)*[5]	**30.1**	30.2	–0.1[3]
Return on equity *(%)*[6]	**12.2**	14.8	–2.6[3]
Weighted average borrowing cost *(%)*	**3.55**	3.8	–0.25[3]
Financial Information per Share *(RMB)*			
Basic earnings	**3.67**	4.01	–8.5%
Dividends *(HK$)*	**1.21**	1.18	2.5%
– Interim dividend *(HK$)*	**0.45**	0.45	–
– Final dividend *(HK$)*	**0.76**	0.73	4.1%
Net assets	**31.39**	28.68	9.4%
Land Reserve *(million sq m)*			
Development land bank[7]	**51.00**	61.79	–17.5%

Notes: 1 *Representing profit attributable to the shareholders of the Company after deducting net gains after tax arising from changes in fair value of investment properties*

2 *Representing the Group together with its associates and joint ventures (collectively the "**Group Series of Companies**")*

3 *Change in percentage points*

4 *Change in number of times*

5 *Calculated based on the profit attributable to the shareholders of the Company after deducting net gains after tax arising from changes in fair value of investment properties*

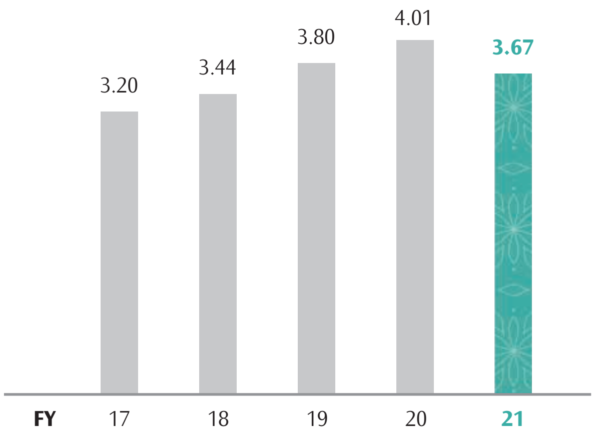
6 *Calculated based on the profit attributable to the shareholders of the Company divided by the average of the equity attributable to shareholders of the Company*

7 *Representing year end figures of the Group Series of Companies (excluding COGO)*

Financial Highlights (continued)

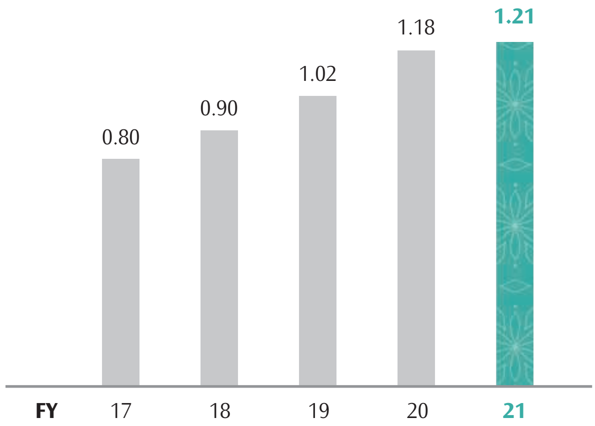
BASIC EARNINGS PER SHARE

RMB



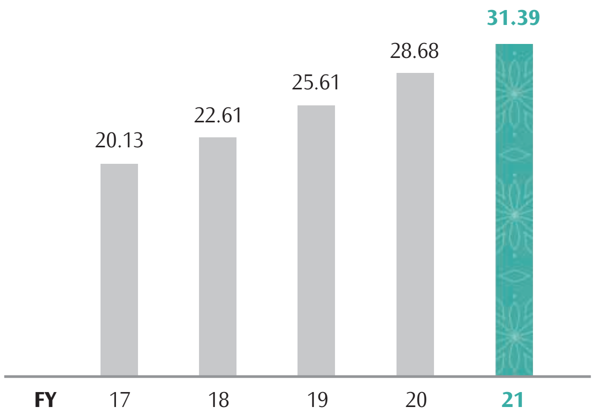
DIVIDENDS PER SHARE

HK$



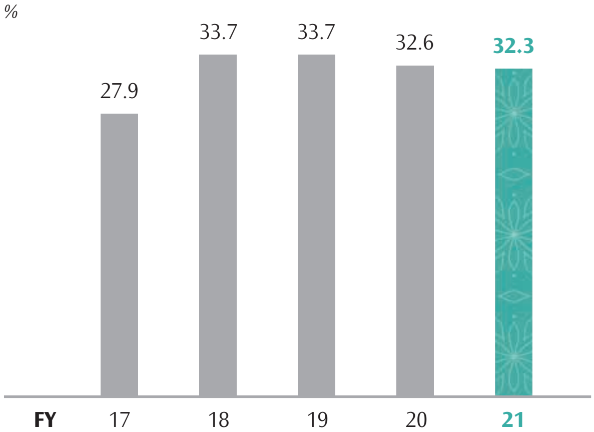
NET ASSETS PER SHARE

RMB



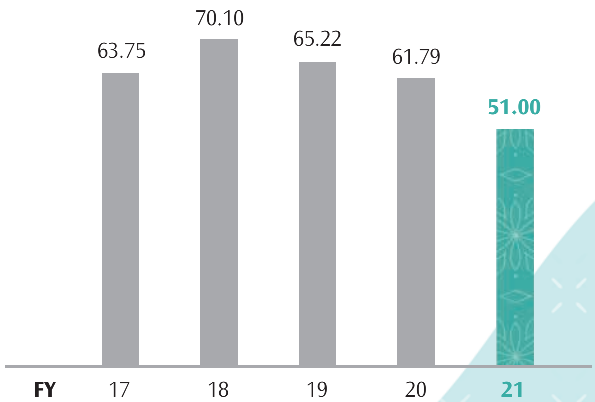
NET GEARING

%



LAND RESERVE*

million sq m



* *Representing the Group Series of Companies (excluding COGO)*

Group Financial Summary

KEY FINANCIAL INFORMATION AND RATIOS

Financial Year	2017 RMB	2018 RMB	2019 RMB	2020 RMB	**2021** **RMB**
Basic earnings per share	3.20	3.44	3.80	4.01	**3.67**
Dividends per share *(HK$)*	0.80	0.90	1.02	1.18	**1.21**
– Interim Dividend *(HK$)*	0.35	0.40	0.45	0.45	**0.45**
– Final Dividend *(HK$)*	0.45	0.50	0.57	0.73	**0.76**
Net assets per share	20.13	22.61	25.61	28.68	**31.39**
Net gearing *(%)*	27.9	33.7	33.7	32.6	**32.3**
$\dfrac{\text{Net debt}}{\text{Equity attributable to the shareholders of the Company}}$					
Interest coverage ratio *(times)*	8.2	7.8	7.4	7.8	**7.2**
$\dfrac{\text{Operating profit – Total interest income}}{\text{Interest expense*}}$					

KEY PROFIT AND LOSS ITEMS

For the year ended 31 December	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
Revenue	142,798,668	144,027,289	163,650,953	185,789,528	**242,240,783**
Operating profit	54,071,963	59,414,910	62,344,200	65,231,389	**60,309,732**
Profit attributable to the shareholders of the Company	35,059,478	37,716,257	41,618,313	43,903,954	**40,155,361**

KEY STATEMENT OF FINANCIAL POSITION ITEMS

As at 31 December	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
Fixed assets#	84,058,238	100,720,347	118,040,070	145,889,892	**171,728,568**
Long-term investments^	17,245,299	23,320,828	36,306,418	33,313,889	**40,570,834**
Other non-current assets	17,896,314	14,320,460	8,917,738	8,200,412	**8,650,492**
Net current assets	245,055,790	277,841,093	302,383,346	332,290,978	**355,056,219**
Non-current liabilities	(137,214,595)	(159,590,874)	(176,502,947)	(191,345,851)	**(218,899,759)**
Net assets	227,041,046	256,611,854	289,144,625	328,349,320	**357,106,354**

* *Before capitalisation and excluding interest on amounts due to fellow subsidiaries and a related company, associates, joint ventures and non-controlling shareholders*

\# *Representing property, plant and equipment and investment properties*

^ *Representing interests in associates and interests in joint ventures*

2021 Business Milestones

■ The Group signed a cooperation agreement with iFLYTEK regarding the future smart and healthy use of space

19 JANUARY

The Group signed a cooperation agreement with iFLYTEK regarding the future smart and healthy use of space, looking to seize opportunities for space-management product upgrades, explore new scenarios and new businesses, fully integrate core artificial intelligence technology with the rich variety of property design formats, continuously improve the spatial experience and create value for customers.

12 MARCH

The Group secured the landmark urban development – Suzhou 460-metre Super Skyscraper Project. During the year, the Group continued to strengthen promotion of the "blue ocean strategy", increased land investment in non-public markets, introduced new investment models, and successfully secured a batch of mega-sized projects including Suzhou Zhongtai Project and Changchun Runde Project.

23 MARCH

For its outstanding financial and operational advantages, the Group was ranked first in the "Top 30 Listed Mainland Real Estate Companies of the Year 2021" (Property G30) and topped the "2021 Top 10 Listed Mainland Real Estate Companies in Solvency", issued by Guandian New Media.

■ Lingchao Supply Chain platform was officially launched

6 APRIL

The Group's Lingchao Supply Chain platform was officially launched. This digital supply chain collaboration platform applies science and technology to empower procurement, reduce costs and increase efficiency for enterprises, adding new momentum to the supply chain field towards a smart ecosystem.

15 JUNE

The Group entered into a strategic cooperation with Tencent Cloud and Know, and released the future smart habitat joint solution, along with the announcement of the establishment of the futuristic smart habitat joint laboratory, which will bring transformational and uplifting solutions to industry and enhance living environments.

2021 Business Milestones (continued)

23 JUNE

The Group successfully issued a green commercial mortgage-backed security (CMBS), an 18-year bond of RMB2.1 billion with a coupon rate of 3.6%, which is also the first-ever domestic property developer green carbon neutrality bond. The Group launched the first domestic property developer green supply chain financing, winning the first green 3A rating in the real estate industry, and successfully held the "Green Development on Finance and Building Activity Forum".

29 JUNE

The Group won the "ESG Benchmark Awards – The ESG Leader" platinum award, issued by the Institute of ESG & Benchmark (IESGB), recognising the Group's practice of high-quality sustainable development that is both environmentally-friendly and coordinated.

■ "ESG Benchmark Awards – The ESG Leader" Platinum Award

28 JULY

The Group launched a quinoa brand, "Vale of Clouds" onto the market helping the revitalization of rural Zhuoni County in Gansu Province, and supported by more than 100 promotional activities across the country to drive sales. In recent years, the Group has devoted itself to poverty alleviation, focusing on Kangle County, Kangxian County and Zhuoni County in Gansu Province, Lanxian County in Shanxi Province, and Wuxi County in Chongqing, tackling poverty through the power of consumption, and education, among other measures. Several cases were included in the "Blue Book of Enterprise Poverty Alleviation (2020)" prepared by the Chinese Academy of Social Sciences under the guidance of the Poverty Alleviation Office of the State Council of the People's Republic of China.

■ The Group launched a quinoa brand -"Vale of Clouds"

2021 Business Milestones (continued)

29 JULY

■ The Group's new headquarters in Houhai, Shenzhen

The Group laid the foundation stone of its new headquarters in Houhai, Shenzhen, which will be the first-ever 5A high-rise office building with near-zero energy consumption in Mainland China. The Group actively implements the "dual carbon" strategy. As a participating unit in drawing up the "national zero-carbon building technology standards", the Group actively offers suggestions and recommendations, and provides demonstration projects.

20 AUGUST

■ The China Overseas Wenjiahe Hope Primary School in Kangle County, Gansu Province, was delivered

The China Overseas Wenjiahe Hope Primary School in Kangle County, Gansu Province, was delivered, becoming the 15th Hope School donated by the Group.

23 AUGUST

The Group delivered 3,105 resettlement houses in the Beijing Biexin'an Shantytown Renovation Project, for a total delivery of 8,057 resettlement houses, with 24,200 residents moving into new homes. On 27 November, the Group delivered the last batch of 704 resettlement houses in the Huashan Shantytown Renovation Project, for a total delivery of 11,153 resettlement houses, with 25,800 residents now living happily in the new homes.

10 SEPTEMBER

The Group acquired three land parcels in Tianjin at a total cost of RMB8.55 billion. On 26 September, three land parcels in each of Guangzhou and Nanjing were acquired, for a total cost of RMB17.9 billion. On 28 September, four land parcels in Shenzhen were acquired for a total cost of RMB12.7 billion.

2021 Business Milestones (continued)

15 SEPTEMBER

In the "2021 Brand Value Research Report of China Real Estate Company" sponsored by China Enterprise Evaluation Association, the Institute Real Estate Studies of Tsinghua University and Beijing China Index Academy, the Group was named "2021 Leading Brand of China Real Estate Company" for the 18th time, and was further honoured with "Excellent Brand of 2021 China Real Estate Product Quality" and the "Leading Brand of 2021 China Real Estate Customer Satisfaction".

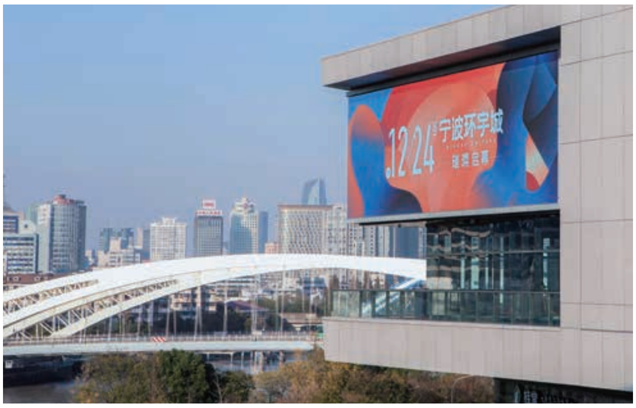
19 NOVEMBER

The Group launched cartoon-style mascots "Heybo" and "Beta" to strengthen brand awareness.

■ The Group launched cartoon-style mascots "Heybo" and "Beta"

19 NOVEMBER

The Group held a grand opening ceremony for its Zhuhai Unipark, creating an urban landmark for the Pearl River Delta area and leading the next stage of development of Zhuhai's business environment. On 24 December, the Group's Ningbo Unipark opened, heralding a new regional business paradigm. During the year, the Group Series of Companies had 18 new commercial real estate projects opportunely enter the market at its peak, including office buildings, shopping malls and long-term leased apartments.



■ Grand Opening of Zhuhai Unipark

2021 Business Milestones (continued)

26 NOVEMBER

The Group sold a 30% equity interest in the Kai Tak project to Haijian Fund L.P. for a consideration of HK$1.35 billion, helping to optimise the project's return on investment and diversify investment options.

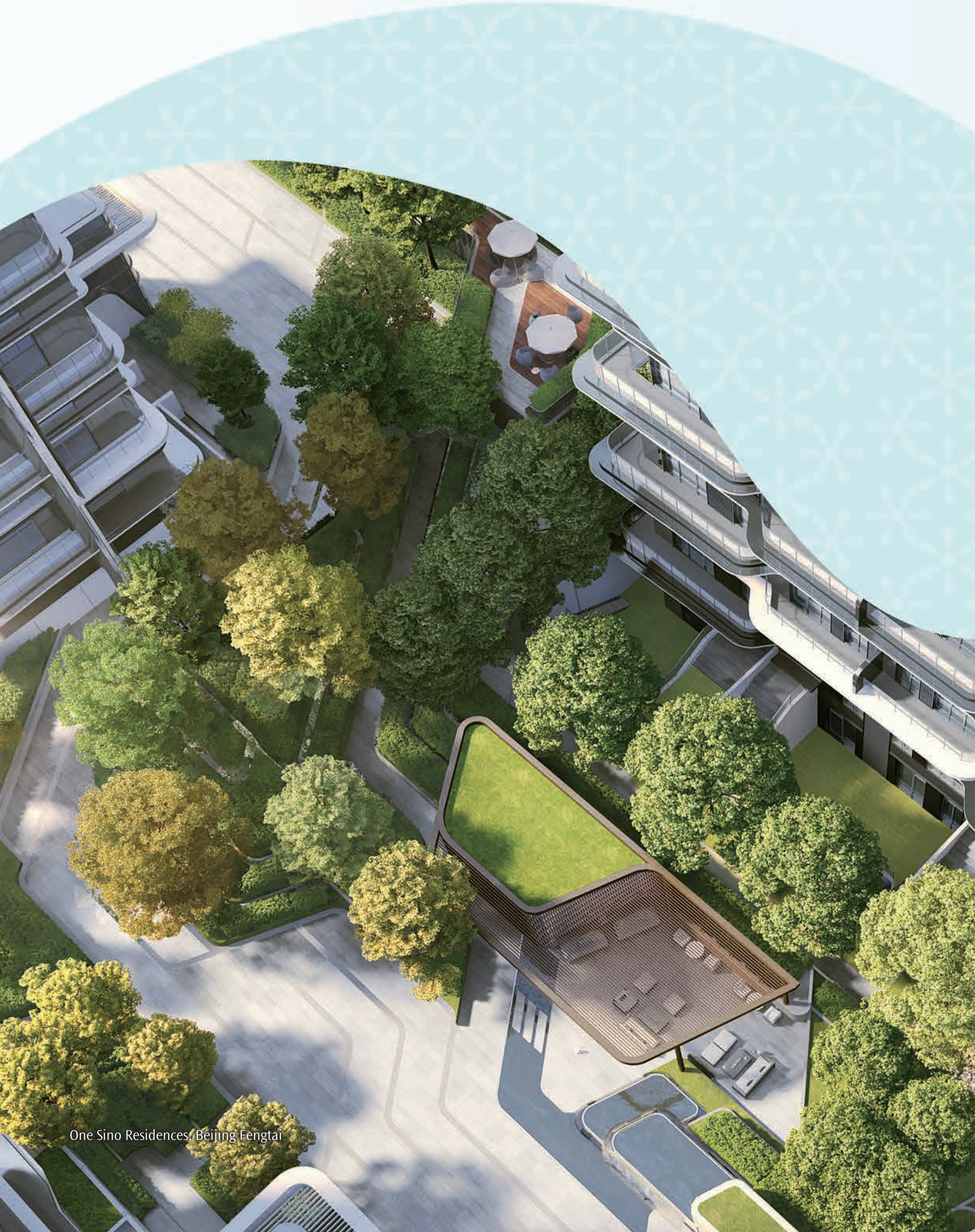
29 NOVEMBER

The Group was included in the "HSI ESG Screened Index" and "HSI Low Carbon Index", demonstrating the Group's excellent all-round performance in environmental, social and governance (ESG) issues.

31 DECEMBER

The contracted sales of the Group Series of Companies in each of ten cities, including Beijing, Shanghai, Guangzhou and Nanjing exceeded RMB10 billion, with contracted sales of more than RMB45 billion in Beijing. During the year, the Group launched One Victoria in Hong Kong, with contracted sales of HK$6.27 billion.

Shiguangli Residential in Beijing



One Sino Residences, Beijing Fengtai

Chairman's Statement

Chairman's Statement

It is my pleasure to report to the shareholders the revenue of the Group for the year ended 31 December 2021 was RMB242.24 billion; profit attributable to equity shareholders of the Company was RMB40.16 billion, profit attributable to equity shareholders of the Company after deducting net gains after tax arising from changes in fair value of investment properties, amounted to RMB36.38 billion; basic earnings per share was RMB3.67; equity attributable to the shareholders of the Company was RMB343.56 billion; net assets per share was RMB31.39. The Board proposed a final dividend of HK76 cents per share for the year 2021, the total dividends for the year were HK121 cents per share.

Yan Jianguo
Chairman and Executive Director

Chairman's Statement (continued)

Steadfast and Marching

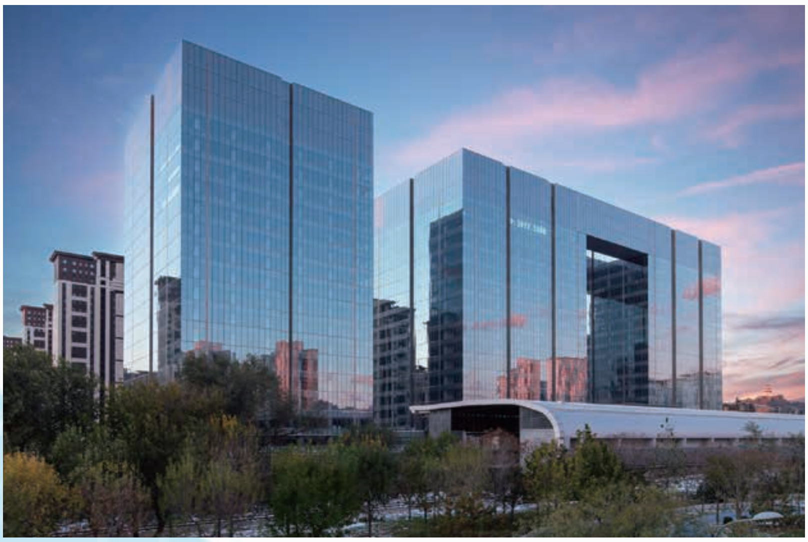
Throughout 2021, developments in the global economy and trade were affected by COVID-19, amid geopolitical tension. While the global economy recovered rapidly, instability and uncertainty in economic growth were substantive. The momentum of China's economic recovery and growth attracted much attention. However, faced with the triple pressure of reduced demand, tightening supply and weakening expectations, economic growth fell from initial highs, as the external environment of economic development became increasingly complex, severe and uncertain.

As the domestic real estate market held to the principle of "houses are for habitation, not speculation", real estate financial policy tightened significantly. Under the influence of multiple factors, the real estate industry grew steadily in the first half of the year before cooling substantially in the second half. Some highly leveraged and highly indebted enterprises are facing a series of credit risks, and the real estate industry has entered a period of adjustment.

The Group maintains a policy of pursuing high-quality development based on financial stability. At the end of 2021, the Group's liability to asset ratio was 58.9% and net gearing was 32.3%. The Group has not breached any of the "three red lines" and remained as a "green category" enterprise. The weighted average borrowing cost was 3.55% during the year, amongst the lowest in the industry.

During the year, the Group Series of Companies achieved contracted sales of RMB369.50 billion, an increase of 2.4% as compared to last year. In 31 cities, representing one-third of the domestic cities in which the Group Series of Companies operates, sales held top-three positions in those local property markets. Among them, the contracted sales in each of ten cities, including Beijing, Shanghai, Guangzhou and Nanjing exceeded RMB10 billion, with contracted sales of more than RMB45 billion in Beijing. Sales proceeds collection of the Group Series of Companies reached RMB352.81 billion, an increase of 3.0% as compared to last year. The Group's competitive advantage and market share in major cities were further improved.

In the first half of 2021, competition in the land market was fierce under the new "two centralised" land supply policy. In the second half of the year, sentiment cooled as the real estate market declined sharply, and land put up for public bidding, auction and listing frequently remained unsold. In the first half of the year, the Group maintained its rational investment rhythm – pursuing only quality investments proportionate to strategic need, invested cautiously and in the second half of the year, the Group obtained a number of quality land parcels. The Group continued to strengthen promotion of the "blue ocean strategy", introduced new investment models, and successfully secured a batch of mega-sized projects including Suzhou Zhongtai Project, Suzhou Super Skyscraper Project and Changchun Runde Project. During the year, the Group Series of Companies



■ Beijing Jin'an China Overseas Fortune Center

Chairman's Statement (continued)

added 98 land parcels with total attributable land premium of RMB161.02 billion and corresponding newly added saleable resources of RMB382.21 billion. Among these, the Group acquired 57 land parcels with total attributable land premium of RMB129.75 billion and corresponding newly added saleable resources of RMB288.22 billion.

In 2021, a number of commercial projects of the Group Series of Companies opportunely entered the market at its peak. 18 commercial projects commenced operations, including Beijing Jin'an China Overseas Fortune Center, Zhuhai Unipark and Ningbo Unipark. The GFA of commercial projects held by the Group Series of Companies for operation increased by 940,000 sq m. During the year, the Group's revenue from commercial properties was RMB5.17 billion, an increase of 17.4% as compared to last year. 22 commercial projects held by the Group Series of Companies are planned to be put into operation in 2022, with GFA of 1.35 million sq m expected to be added. The Group Series of Companies will continue to ready their commercial projects for market as fast as possible, with diversified growth driving business momentum.

During the year, the Group achieved steady growth in its development of upstream and downstream property-related business; the Group's companies including Hua Yi Design, Tianshan Door business and Lingchao Supply Chain Management Company, all of which achieved promising business growth. Among them, in the first year of its establishment, Lingchao Supply Chain Management Company achieved internal and external contracts sales of RMB11.8 billion.

During the year, the Group launched One Victoria in Hong Kong, the first residential project to be sold in the runway area of the Kai Tak Airport, with contracted sales of HK$6.27 billion and an average selling price of approximately HK$25,000 per sq ft. The four projects developed by the Group in cooperation with local developers on the runway of Kai Tak Airport will be launched for sale in 2022. Although Hong Kong has recently been impacted by the pandemic, under the complete support and dynamic leadership of the central government, the Group remains confident in the Hong Kong property market and will further increase investment.

In the context of the principle of "houses are for habitation, not speculation", with the slowdown of domestic population growth and the superposition of a strict price limit policy along with the continuing rise in land prices, material and labour costs, profit margins in the real estate industry have decreased significantly in the past few years. Since the fourth quarter of 2021, in response to the rapid shrinkage of the domestic real estate market, a series of policies have been launched targeting the stabilisation of land prices, housing prices and expectations, as well as to facilitate the steady and healthy growth of the real estate market. Looking ahead, as a pillar industry of the national economy, the real estate market will remain substantial, and the phased decline does not detract from that high essential value. The domestic real estate market will be further characterised by "three segmentations" and the Group will then adapt and actively respond according to the situation.

First: market segmentation: first-, second- and third-tier cities will be the main battlefields. The Group will continue to adhere to the development strategy of "major cities, main stream areas and main stream products", and deeply cultivate major cities with good economic growth and large population inflow.

Second: industry segmentation. The domestic real estate industry is undergoing major change and adjustment, and will continue to consolidate. The Group will leverage its advantages of sound finance, abundant funds and robust capability in all areas of development, striving to seize opportunities found in crisis, riding the market cycles, consolidating and improving its market share and market position.

Third: enterprise segmentation. Industry profit margins are down, fault tolerance level is low, and enterprises with precise and strong management ability and a solid reputation for their products and services can beat out the competition. The Group will continue to seek benefits from sound management, adhere to cash flow as king, accelerate turnover, continue to consolidate the advantages of cost control, strengthen digital optimisation management, establish broad competitive advantage in investment, products and brands in the main battlefields, and maintain industry-leading profitability. At the same time, the Group will further strengthen promotion of the "blue ocean strategy" according to the situation and market developments, and seize acquisition opportunities to strengthen market share.

Chairman’s Statement (continued)

■ 30th Anniversary of COLI’s Listing on the Hong Kong Stock Exchange

“Time is the friend of the wonderful company, the enemy of the mediocre”. In 2022, the Group will enter its 43rd year of enterprise development and usher in the 30th anniversary of its listing on the Hong Kong Stock Exchange. From its solid foundation, the Group will pursue its long-term, steady, principled development to create greater value for customers, shareholders and society on the journey towards being a centennial enterprise.

Finally, I take this opportunity to extend my heartfelt gratitude to my fellow directors and all employees for their dedication, professionalism and determination to pursue excellence. I would also like to express my sincere gratitude to shareholders and partners for their support and trust.

China Overseas Land & Investment Limited
Yan Jianguo
Chairman and Executive Director

Management Discussion and Analysis

Cloud View Mansion, Guangzhou

OVERALL PERFORMANCE

During the year, the revenue of the Group was RMB242.24 billion, an increase of 30.4% as compared to last year. The operating profit was RMB60.31 billion. The gross profit margin was 23.5% and the net profit margin was 16.6%. The ratio of selling, distribution and administrative expenses to revenue was 2.9%. Profit attributable to the shareholders of the Company amounted to RMB40.16 billion. Profit attributable to the shareholders of the Company after deducting RMB3.78 billion in net gains after tax arising from changes in fair value of investment properties amounted to RMB36.38 billion. Basic earnings per share was RMB3.67.

PROPERTY DEVELOPMENT

Annual summary

- The contracted property sales of the Group Series of Companies was RMB369.50 billion, an increase of 2.4% as compared to last year, the corresponding GFA sold was 18.90 million sq m.
- The sale proceeds collection of the Group Series of Companies reached RMB352.81 billion, an increase of 3.0% as compared to last year.
- The Group's revenue from property development was RMB236.36 billion, an increase of 30.7% as compared to last year.
- The area of newly constructed projects and completed projects of the Group Series of Companies (excluding COGO) were 14.68 million sq m and 22.53 million sq m respectively.

One Victoria, Hong Kong

Management Discussion and Analysis (continued)

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

In 2021, the contracted property sales of the Group Series of Companies amounted to RMB369.50 billion, an increase of 2.4% as compared to last year, and the corresponding GFA sold was 18.90 million sq m.

In 2021, the Group Series of Companies' contracted property sales and the corresponding GFA sold by region are as follows:

	Contracted property sales *(RMB billion)*	Proportion *(%)*	GFA sold *('000 sq m)*	Proportion *(%)*
Hua Nan Region	64.68	18%	2,420	13%
Hua Dong Region	46.03	13%	1,544	8%
Hua Bei Region	85.61	23%	3,393	18%
Northern Region	25.72	7%	1,955	10%
Western Region	29.72	8%	2,041	11%
Hong Kong and Macau	8.05	2%	91	1%
Sub-total for the Company and its subsidiaries	**259.81**	**71%**	**11,444**	**61%**
Associate and joint ventures of the Company	38.49	10%	1,777	9%
COGO	71.20	19%	5,683	30%
Total	**369.50**	**100%**	**18,904**	**100%**

The contracted sales in each of ten cities, including Beijing, Shanghai, Guangzhou and Nanjing exceeded RMB10 billion, with contracted sales of more than RMB45 billion in Beijing. During the year, the Group launched One Victoria in Hong Kong, with contracted sales of HK$6.27 billion and an average selling price of approximately HK$25,000 per sq ft.

During the year, the Group's revenue from property development was RMB236.36 billion, an increase of 30.7% as compared to last year. Real estate regulation and control policy were continuously strengthened, and housing loan policy was gradually tightened. The Group adheres to cash flow management as the core policy and boosts sales proceeds collection, including in Beijing, Shanghai, Guangzhou, Changsha, Tianjin, Jinan and Chengdu, where sales proceeds collection is satisfactory, with each city exceeding RMB10 billion.

During the year, the net profit contribution from associates and joint ventures amounted to RMB3.69 billion. The major associate, COGO, recorded contracted property sales of RMB71.20 billion, revenue of RMB53.83 billion, and profit attributable to the shareholders of RMB5.05 billion.

During the year, the Group Series of Companies (excluding COGO) completed the projects with a total area of 22.53 million sq m in 33 cities in Mainland China.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

The area of projects completed by region in 2021 is as below:

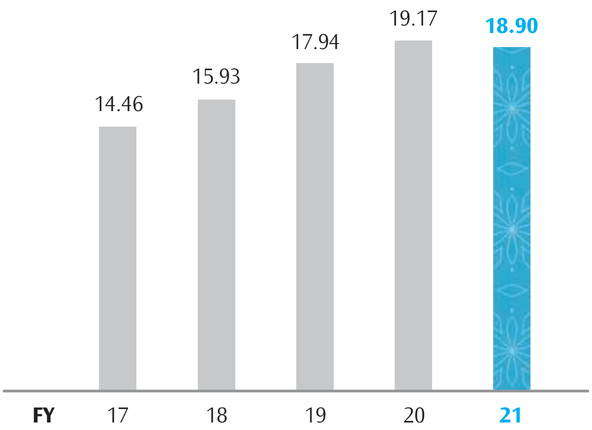
City	Total Area ('000 sq m)
Hua Nan Region	
Guangzhou	1,405
Changsha	1,229
Shenzhen	609
Foshan	425
Zhuhai	420
Xiamen	327
Hainan	271
Fuzhou	238
Dongguan	124
Sub-total	*5,048*
Hua Dong Region	
Suzhou	611
Hangzhou	522
Nanjing	432
Wuxi	304
Shanghai	258
Nanchang	64
Ningbo	59
Sub-total	*2,250*
Hua Bei Region	
Beijing	2,260
Tianjin	1,149
Jinan	1,133
Wuhan	859
Taiyuan	647
Zhengzhou	591
Sub-total	*6,639*
Northern Region	
Changchun	1,814
Dalian	926
Qingdao	619
Shenyang	594
Harbin	581
Yantai	126
Sub-total	*4,660*
Western Region	
Xi'an	886
Chengdu	873
Xinjiang	741
Chongqing	731
Kunming	706
Sub-total	*3,937*
Total	**22,534**

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

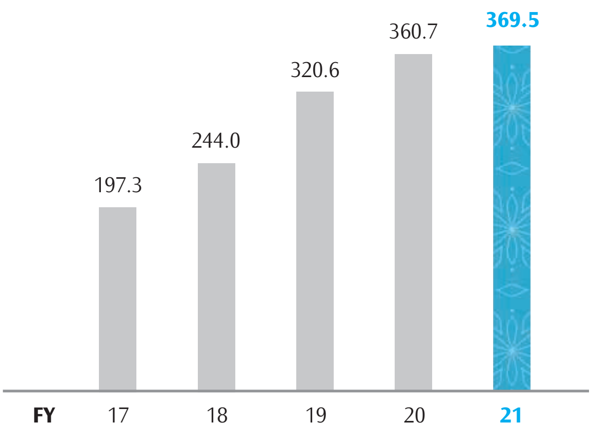
CONTRACTED PROPERTY SALES AREA*

million sq m



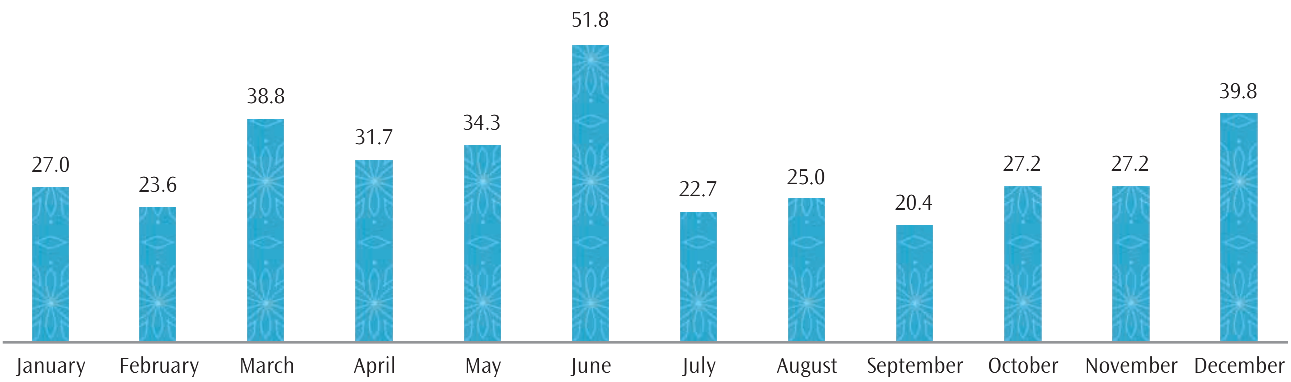
CONTRACTED PROPERTY SALES AMOUNT*

RMB billion



2021 CONTRACTED PROPERTY SALES AMOUNT BY MONTH*

RMB billion



* Representing the Group Series of Companies

PROPERTY DEVELOPMENT *(continued)*

The Group adheres to the long-term principle, is committed to steady and sustainable high-quality development, ensures that the construction of projects is carried out in an orderly and timely manner with respect to quality and quantity, and pursues the concept of attending to "Each and Every Detail of Each and Every Project" to deliver high-quality products to owners.

With the incorporation of China's "dual carbon" climate goals into the outline of the National 14th Five-Year Plan, the industry has oriented toward the new green building development model of "people-centric, emphasising performance and improving quality" and adopted green development driven by scientific and technological innovation. In response to the national "dual carbon" goals and adhering to the product strategy of "GO 2030" green health product system, the Group strives to integrate "knowledge, quantification, trust and reliability" across its entire residential product line.

During the year, the Group's adoption of green, healthy, smart and automated methodologies and advanced technologies in many products was widely recognised by customers and the industry. It was invited to participate in drawing up national and industry association standards including for zero-carbon buildings, healthy buildings, smart communities, smart parks and smart buildings. Among these, the evaluation standard for "Healthy Building Label *T/SHGBC 001-2019*" has been issued and implemented, incorporating 17 provisions suggested by the Group. At the end of 2021, the Group Series of Companies had secured green building certification for a total of 80 projects, among which The U World has obtained the first national three-star green building label in Chongqing. The planned new zero-carbon emissions headquarters building of the Group has passed expert technical review, and will become China's first-ever 5A high-rise office building with near-zero energy consumption and zero-carbon emissions operation. For its active exploration of, and outstanding performance in, green technology in the real estate sector, the Group won several awards during the year, including "2021 China Green Real Estate Index Top 30" (first place), "China Green Real Estate Operation Index Top 10" and "First Science and Technology Awards of the China Real Estate Association" second place.

The U World project, Chongqing

PROPERTY DEVELOPMENT *(continued)*

Property development projects of the Group Series of Companies (excluding COGO) are mainly located in first-tier and second-tier cities in Mainland China. Projects that are worth noticing in terms of scale of current or future sales in their respective regions will be introduced below. Details are as follows:

Project Introduction

Hua Nan Region

Location
Songshan Lake
High-tech Zone, Dongguan

Project site area
43,321 sq m

Project total GFA
181,289 sq m

Intended use
Residential

Songshan Lake Garden, Dongguan (100%-owned)

Songshan Lake Garden is located in Songshan Lake High-tech Zone, one of the three major metropolitan areas in Dongguan, which is located in the geographic center of Dongguan. The area is the heart of the technology industry in Dongguan and is the main platform of the Guangdong-Shenzhen-Hong Kong Innovative Technology Corridor. The project has a convenient transport network that is only 1 km away from the entrance and exit of Shenzhen-Dongguan Expressway and connects to Dongguan-Foshan Expressway, Longhua-Dalingshan Expressway, Nanguang Expressway, as well as Shenzhen Futian and Guangzhou Tianhe. Famous schools are clustered around the project. There are eight provincial/municipal first-class schools, the first batch of brand schools and high-end international schools in Dongguan. Within 3 km, the well-developed infrastructures of Songshan Lake can be enjoyed. Construction of the project was commenced in April 2021 and is expected to be completed in 2022. The project was sold out immediately after its launch for sale in October 2021.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Nan Region *(continued)*

Location
Haizhu District, Guangzhou

Project site area
34,018 sq m

Project total GFA
160,243 sq m

Intended use
Residential/Commercial

Cloud View Mansion, Guangzhou (100%-owned)

Cloud View Mansion is situated in Nanzhou Plate, Haizhu District, Guangzhou, a traditional old town with nostalgic residential atmosphere in Haizhu District. The project is adjacent to Nanzhou Metro Station, intersection between two subways line, and can quickly reach Zhujiang New Town, Guangzhou South Railway Station, Pazhou and Modiesha Station. There are commercial, medical and educational facilities, as well as convenient traffic access and living essentials within a 3 km distance of the project. The project is close to Haizhu Innovation Bay and adjacent to the old renovation area of Shixi Village and Lijiao Village, enjoying the advantage from the continuous upgrading and renovation of the old communities, and has huge potential for future development. Construction of the project was commenced in December 2020 and is expected to be completed in 2023. The project has been launched for sales in September 2021. At the end of 2021, the accumulated contracted sales amounted to RMB3.4 billion.

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Nan Region *(continued)*

Location
Shunde District, Foshan

Project site area
98,085 sq m

Project total GFA
432,026 sq m

Intended use
Residential/Commercial

Jade Lane, Foshan (100%-owned)

Jade Lane is located next to Midea Avenue Station, the west extension of Shunde section of Guangzhou Metro Line 7, Beijiao, Shunde District, Foshan. Beijiao is the core of the high-end innovation cluster in Sanlongwan, Foshan, and is planned to be a satellite city of Guangzhou Higher Education Mega Center. Guangzhou Metro Line 7 is the second cross-city metro line connection between Guangzhou and Foshan, which can promptly access Pazhou and Zhujiang New Town. In addition, there are Foshan Metro Line 3 and Guangzhou-Foshan ring intercity railway under construction nearby, connecting to central urban areas such as Foshan New Town, Nanhai Qiandenghu Lake, and Shunde Daliang. Beijiao New Town, where the project is located, is well equipped with facilities and splendid scenery. Within three km, there are abundant supporting facilities such as the affiliate school to Central China Normal University, Heyou International Hospital (under construction), He Art Museum, Heyuan, Beijiao Park, and Yueran Plaza business district. The project mainly comprises super high-rise residences, apartments, commercial blocks and other business formats. Construction of the project was commenced in November 2021 and is expected to be completed in 2024. The project is expected to be launched for sale in 2022.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Nan Region *(continued)*

Location
Yuelu District, Changsha

Project site area
136,366 sq m

Project total GFA
542,304 sq m

Intended use
Residential/Commercial

Hurun Homes, Changsha (100%-owned)

Hurun Homes is located in the core of the state-level Xiangjiang New Area. The comprehensive transport network around the project makes it possible to reach different parts of the whole city. Within 600 meters, two subways of Line 2 and Line 6 are planned. The project is adjacent to Yali High School and Yuelu District Experimental Primary School, also close to the central park and sports park. The area is highly mature and surrounded with high-tech enterprises, which has the potential to create high-end projects. Construction of the project was commenced in August 2020 and is expected to be completed in 2023. The project was launched for sale in December 2020. At the end of 2021, the accumulated contracted sales amounted to RMB5.0 billion.

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Nan Region *(continued)*

Location
Xiangzhou District, Zhuhai

Project site area
192,250 sq m

Project total GFA
678,635 sq m

Intended use
Residential/Commercial

La Cite, Zhuhai (80%-owned)

La Cite is situated in the central business district of Zhuhai Shizimen, which belongs to the Baoshiqin integrated new district, and will be developed into a "Daqiao Economic Zone", a new urban center in Zhuhai, a platform for in-depth cooperation between Guangdong, Hong Kong and Macau, and a development zone in the western part of the Greater Bay Area. The area is equipped with a wide variety of commercial, high-end business, education and medical facilities, as well as a developed transport network, and it is close to the four major customs clearance ports and the international airport. A cross-border undersea pedestrian tunnel is planned, which can easily connect to Hong Kong and Macau. The project has three aspects of landscape view, with Macau in the southeast, sea in the south and mountains in the west, as well as a great sea view. The project consists of eight plots and comes in two phases of development. The first phase started construction in March 2021 and was launched for sale in July 2021. At the end of 2021, the accumulated contracted sales amounted to RMB3.4 billion. The whole project is expected to be completed in 2023.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Dong Region

The Noble Mountain, Nanjing (100%-owned)

The Noble Mountain is located at the southern foot of Fangshan, Jiangning District, Nanjing. The area where the project located is in the most vibrant sector of Jiangning with great potential for development. Indulging in the learning atmosphere, the project excels in humanitarian education. There are 17 colleges and universities such as Southeast University, China Pharmaceutical University, and Nanjing Medical University in Jiangning University Town, the largest university town in Nanjing. The project is in a well-developed transportation hub, composed of airports, harbour and land ports. In addition, the project is surrounded by multi-core business circles, making life more convenient. The project commenced construction in December 2020 and is expected to be completed in 2022. The project was launched for sale in March 2020. At the end of 2021, the accumulated contracted sales amounted to RMB2.7 billion.

Location
Jiangning District, Nanjing

Project site area
92,125 sq m

Project total GFA
196,607 sq m

Intended use
Residential

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Dong Region *(continued)*

The Yijiangyuanjing, Ningbo (100%-owned)

The Yijiangyuanjing is located in the Jiangbei District, Ningbo, also in the heart of Sanjiangkou, adjacent to the Old Bund of Ningbo, and is equipped with all the urban infrastructures such as Raffles City, Tianyi Square, Drum Tower, Ningbo Grand Theater; and Rail Transit No. 2 Line, No. 7 line (planning). The south of the project is Huaishu Road Park and first-line river view of Yaojiang River, comprising a high-quality community in the city center. The project started construction in August 2020 and is expected to be completed in 2022. The project was launched for sale in December 2020. At the end of 2021, the accumulated contracted sales amounted to RMB4.3 billion.

Location
Jiangbei District, Ningbo

Project site area
50,880 sq m

Project total GFA
160,718 sq m

Intended use
Residential/Commercial

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Dong Region *(continued)*

Location
Industrial Park, Suzhou

Project site area
31,897 sq m

Project total GFA
73,989 sq m

Intended use
Residential

Urban Oasis, Suzhou (100%-owned)

Urban Oasis is situated in Jinji Hubei, Industrial Park, Suzhou, and is next to Xingtang Street, the main network of urban transportation. The project is right beside the prosperous Xinghu Tianjie, enjoying business prosperity. The project's south side is near Emerald Lake Park, which can enjoy the ecological livability. The project innovates the living experience with precise craftsmanship and creates a luxurious and suitable residence with ingenuity. The project started construction in May 2021 and is expected to be completed in 2022. The project was launched for sale in October 2021. At 31 December 2021, the residences were nearly sold out.

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Bei Region

One Sino Residences, Beijing Fengtai (100%-owned)

One Sino Residences, Beijing Fengtai is located in the southern extension of Wanshou Road, West Third Ring Road, in the core hinterland of the three major industrial circles, i.e. Lize Business District, Headquarters Base, and Fengtai Station TOD. Created by the world's top designer firms, AECOM in San Francisco and Cheng Chung Design in Hong Kong, it is a modern aesthetic role model. The project is equipped with a high-end guest hall, an international garden, and a private butler. Achieving breakthroughs in multi-dimensional details in the layout design, the project set up a benchmark for modern mansions with the ultimate aesthetic design concept of Beijing top rich products, and achieved good sales results. The project was launched for sale in August 2020. At the end of 2021, the accumulated contracted sales amounted to approximately RMB6.0 billion. In 2021, it was even the triple champion in terms of the number of units sold, area sold and amount of sales in the third ring of the inner city of Beijing with a unit price of more than RMB110,000. The project is expected to be completed in 2022.

Location
Fengtai District, Beijing

Project site area
59,112 sq m

Project total GFA
405,350 sq m

Intended use
Residential/Commercial

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Bei Region *(continued)*

Location
Daxing District, Beijing

Project site area
78,454 sq m

Project total GFA
264,649 sq m

Intended use
Residential/Commercial

One Sino Residences, Beijing Daxing (100%-owned)

One Sino Residences, Beijing Daxing is located in the Economic and Technological Development Zone of Daxing District, Beijing. It is a comprehensive service and residential area with well-developed supporting infrastructures and a pleasant environment. The area is excellent in planning prospect, with certain well-known primary and secondary schools and commercial complexes continuously landed, as well as abundant living and supporting resources. The project is in a developed traffic condition and has an efficient road network. Via major roads such as Xingyi Road and Huangyi Road, the main urban area can be easily accessed through Beijing-Taipei Expressway, Beijing-Shanghai Expressway, South Fifth Ring Road, and South Sixth Ring Road. Relying on the new highland of Beijing's economic development, high-end and improved residences were ingeniously built to serve the preferred and exclusive customers in the southeastern part of Beijing with high product capabilities. The project started construction in December 2020 and is expected to be completed in 2022. The project was launched for sale in February 2021. At the end of 2021, the accumulated contracted sales amounted to approximately RMB7.0 billion.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Bei Region *(continued)*

Location
Hexi District, Tianjin

Project site area
142,921 sq m

Project total GFA
446,300 sq m

Intended use
Residential/Commercial

Metro Times, Tianjin (100%-owned)

Metro Times is located at the junction of Jiefang South Road and Lushui Road, Hexi District, Tianjin. It is at the intersection of Xinmeijiang and Meijiang plates, with perfect infrastructures and superior natural landscape in the surrounding area. The project is with an epoch-making vision and the development pace of iterated city's TOD, on the top of Jiefang South Road Metro Station, and close by the shopping plaza. The project comprises residential properties and a large-scale commercial complex – Unipark, which was commenced construction in March 2021 and is expected to be completed in 2022 of which the commercial complex is expected to be put into operation in 2023.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Bei Region *(continued)*

Location
Wanbailin District, Taiyuan

Project site area
75,509 sq m

Project total GFA
369,850 sq m

Intended use
Residential/Commercial

The Paragon, Taiyuan (100%-owned)

The Paragon is situated at the core of Taiyuan – Northern Lihua and Western Changfeng, with a three-dimensional traffic road network and a proximity, adjacent to Changfeng Business District and Changfeng-Qinxian business district. It provides two landscape aspects of Fenhe Park and the central park, with rich educational and medical resources. The project is not only next to the Lihua Education Park (under planning) but also surrounded by a kindergarten, an elderly home and aesthetic life museum, and offers a prosperous outdoor and quiet indoor lifestyle. The project is built by six well-known designers, creating a detailed layout that integrates the splendor of mountains and rivers in Sanjin, a unique Jin-style aesthetic garden, and an aesthetic urban landmark in the scarce area in the center of the city. The project started construction in December 2020 and is expected to be completed in 2023. The project was launched for sale in June 2021.

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Northern Region

Location
Lvyuan District, Changchun

Project site area
220,432 sq m

Project total GFA
587,503 sq m

Intended use
Residential/Commercial

Lake Mansion, Changchun (100%-owned)

Lake Mansion is located within the third ring of Changchun, enjoying rare natural resources combined with sophisticated infrastructures such as transportation, retail and commercial, medical care, and education. The project comes in two phases of development, with a greening ratio of 35%. It is adjacent to the Tongxinhu Lake Park with about 640,000 sq m, creating a low-density residential area and enjoying the private lake environment surrounded by 3:1 natural environment. Three major products, being Yuehu flat floor of about 84-142 sq m/Lake view house of 120-142 sq m and/Lake view courtyard of 150-300 sq m are planned, and are iterating the lake-residence standard of Changchun. The project was developed in two phases, started construction in May 2021 and is expected to be completed in 2023. The first phase was launched for sale in June 2021.

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Northern Region *(continued)*

Xinle, Shenyang (100%-owned)

Xinle is located in Huanggu District, Shenyang, the traditional main urban area that is also the core of the provincial administrative, cultural and educational centers. The project is right on the top of Xinle Yizhi Station of Metro Line 2, close to the trunk road, with a convenient transport network, a nostalgic atmosphere and well-developed infrastructures. The project is adjacent to Beiling Park, the largest natural park in Shenyang (covering an area of 3.3 million sq m), and enjoys absolutely scarce natural resources. The project is to be developed in north and south phases. The construction will commence in April 2022 and is expected to be completed in 2024. The project is expected to be launched for sale in June 2022.

Location
Huanggu District, Shenyang

Project site area
98,405 sq m

Project total GFA
276,787 sq m

Intended use
Residential/Commercial

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Northern Region *(continued)*

Location
Zhongshan District, Dalian

Project site area
26,028 sq m

Project total GFA
65,560 sq m

Intended use
Residential/Commercial

Overseas One, Dalian (100%-owned)

Overseas One is located in Donggang Business District, Zhongshan District, Dalian, where is the only "high-end business district integrating finance, business, conference, tourism, culture and leisure and entertainment" in the core urban area, and a key area and new highlight for the future development of Dalian. The project extracts the essence of a city and creates a luxury living scene that is synchronised with the world. The project is surrounded with abundant educational resources, including Donggang No. 1 Primary School, Donggang No. 2 Primary School, and Donggang Middle School, all-age education and cultural gathering. The project is in a convenient transportation hub, with multi-dimensional transportation such as Metro Line 2, Renmin Road, and the Undersea Tunnel being, and the bustling city is within easy reach. The project started construction in September 2020 and is expected to be completed in 2022. The project was launched for sale in December 2020. At the end of 2021, the accumulated contracted sales were RMB1.8 billion.

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Western Region

Location
Panlong District, Kunming

Project site area
54,890 sq m

Project total GFA
268,761 sq m

Intended use
Residential/Commercial

Jade Lane, Kunming (100%-owned)

Jade Lane is located at the intersection of Tanhua Road and Longhua Road, Panlong District, Kunming, which belongs to the core residential area of Kunming. The project possesses a convenient transport network, with Metro Line 5 under plan. It is adjacent to Longqing Road Metro Station and Bailong Road Metro Station. There are six horizontal and four vertical main roads, and the Second Ring Road and the Third Ring Road can be easily reached within 5 minutes. The project is well equipped by the infrastructures surrounding, such as Aegean Shopping Park and Xinying Xincheng Shopping Center within one km, as well as Primary School and Affiliated Middle School of Yunnan University, and Yan'an Hospital and PLA No. 533 Hospital. The project started construction in April 2021 and is expected to be completed in 2022. The project was launched for sale in September 2021.

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Western Region *(continued)*

Location
Chenghua District, Chengdu

Project site area
60,842 sq m

Project total GFA
198,380 sq m

Intended use
Residential

Huayune, Chengdu (100%-owned)

Huayune is located at the intersection of Yinghui Section of Shudu Avenue and Central Ring, which runs through Chengdu from east to west, about 300 meters away from the subway station. The project covers an area of about 91 mu. It is a rare residential plot of nearly 100 mu in the main urban area. Nearly 100 mu of double courtyard scenes create a park-like residential community. The high-rise house type of 188 sq m is designed with 2 elevators for 2 households with super horizontal slab, and the south-facing lighting reaches a huge scale of about 18.2 meters. The 4-layer villa is designed with a set-up and set-back design to create a sky garden experience and further strengthen the sense of heaven and earth. The project commenced construction in February 2021 and is expected to be completed in 2022. The project was launched for sale in October 2021.

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Western Region *(continued)*

Location
Yubei District, Chongqing

Project site area
43,250 sq m

Project total GFA
244,639 sq m

Intended use
Residential/Commercial

Metro Times, Chongqing (100%-owned)

Metro Times is located at the central axis of Hongjin Avenue and Hongshi Road, Yubei District, Chongqing, and at the intersection of Guanyin Bridge and Jiazhou Business Circle. Many important municipal institutions such as the Municipal People's Congress, the CPPCC, and the Municipal High Court are gathered along the route. The project connects the new archway, a traditional high-net-worth area in Chongqing, and enjoys the support of two mature business districts at the same time. The major supporting resources are concentrated, and the five major shopping centers, many public hospitals, urban parks, The Ninth Street and other urban prosperous resources are easily accessible. The project enjoys the two-track intersection of Metro Line 3/6 cooperate with two horizontal main roads, four vertical main roads and one ring road to build a multi-level road transport network and realise rapid connection of urban core areas. At the same time, it can promptly arrive intercity and national travel hubs such as Jiangbei Airport and Chongqing North Railway Station. The project started construction in March 2021 and is expected to be completed in 2022. The project was launched for sale in September 2021.

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hong Kong and Macau

One Victoria, Hong Kong (80%-owned)

One Victoria is located at No. 21, Shing Fung Road, Kai Tak, Kowloon, Hong Kong. The project is strategically located near the sea and designed with marine luxury as its design concept. One Victoria consists of two high-rise buildings and one low-rise oceanfront mansion, providing a total of 1,059 one-to four-bedroom units with saleable areas ranging from 329 sq ft to 1,793 sq ft and is expected to be completed in 2023. The project was launched in July 2021. At the end of 2021, the accumulated contracted sales amounted to HK$6.27 billion.

Location
Kai Tak District, Kowloon, Hong Kong

Project site area
9,048 sq m

Project total GFA
55,192 sq m

Intended use
Residential

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

MAJOR PROJECTS UNDER DEVELOPMENT

City	Project	Location	Group's interest %	Intended Use	Site Area *(sq m)*	Total GFA *(sq m)*	Progress
Dongguan	Songshan Lake Garden	Songshan Lake High-tech Zone	100%	Residential	43,321	181,289	Under construction
Dongguan	Central Park	Dalang Town	100%	Residential	77,682	248,457	Under construction
Guangzhou	Cloud View Mansion	Haizhu District	100%	Residential/ Commercial	34,018	160,243	Under construction
Foshan	Jade Lane	Shunde District	100%	Residential/ Commercial	98,085	432,026	Under construction
Foshan	The Peninsula	Nanhai District	100%	Residential/ Commercial	99,287	423,828	Under construction
Xiamen	The Blossom Cove	Tongan District	100%	Residential/ Commercial	90,576	364,536	Under planning
Changsha	Hairun Jiayuan	High-tech Zone	100%	Residential/ Commercial	92,299	345,283	Under construction
Changsha	Hurun Homes	Yuelu District	100%	Residential/ Commercial	136,366	542,304	Under construction
Zhuhai	La Cite	Xiangzhou District	80%	Residential/ Commercial	192,250	678,635	Under construction
Shenzhen	Lumiere Lane	Longhua District	100%	Residential/ Commercial	23,558	168,763	Under construction
Nanjing	The Noble Mountain	Jiangning District	100%	Residential	92,125	196,607	Under construction
Nanjing	The Evolution of The Mountain	Jiangning District	100%	Residential/ Commercial	63,976	198,488	Under planning
Nanjing	The Noble Mountain	Yuhuatai District	100%	Residential	41,495	163,127	Under construction
Nanjing	The Noble Lake	Qixia District	100%	Residential	50,083	153,875	Under planning
Ningbo	The Yijiangyuanjing	Jiangbei District	100%	Residential/ Commercial	50,880	160,718	Under construction
Suzhou	Urban Oasis	Industrial Park	100%	Residential	31,897	73,989	Under construction
Suzhou	Xinghu One	Industrial Park	100%	Residential/ Commercial	8,560	151,865	Under construction
Beijing	One Sino Residences	Daxing District	100%	Residential/ Commercial	78,454	264,649	Under construction
Beijing	Beixinan	Shijingshan District	100%	Residential/ Commercial	456,559	2,284,983	Under construction
Beijing	Brightest Star Diamond	Shijingshan District	100%	Residential/ Commercial	26,759	117,075	Under construction

PROPERTY DEVELOPMENT *(continued)*

MAJOR PROJECTS UNDER DEVELOPMENT *(continued)*

City	Project	Location	Group's interest %	Intended Use	Site Area *(sq m)*	Total GFA *(sq m)*	Progress
Beijing	La Cite	Shijingshan District	100%	Residential/ Commercial	39,316	173,797	Under construction
Beijing	One Sino Residences	Fengtai District	100%	Residential/ Commercial	59,112	405,350	Under construction
Beijing	Metro Vision	Fangshan District	100%	Residential	47,054	176,841	Under construction
Tianjin	Metro Times	Hexi District	100%	Residential/ Commercial	142,921	446,300	Under construction
Jinan	Paramount Jade	Licheng District	100%	Residential/ Commercial	2,516,027	7,193,256	Under construction
Taiyuan	International Community	Wanbailin District	100%	Residential/ Commercial	422,794	2,048,497	Under construction
Taiyuan	The Paragon	Wanbailin District	100%	Residential/ Commercial	75,509	369,850	Under construction
Taiyuan	Metro Times	Comprehensive Reform Zone	100%	Residential/ Commercial	350,365	1,061,724	Under construction
Shijiazhuang	Rilliant Prospect	Chang'an District	100%	Residential/ Commercial	76,476	272,394	Under construction
Changchun	Master Mansion	Economic and Technological Development Zone	100%	Residential/ Commercial	372,206	1,102,047	Under construction
Changchun	Lake Mansion	Lvyuan District	100%	Residential/ Commercial	220,432	587,503	Under construction
Shenyang	Xinle	Huanggu District	100%	Residential/ Commercial	98,405	276,787	Under planning
Shenyang	No.1 Urban Resort	Heping District	100%	Residential/ Commercial	108,608	301,866	Under construction
Dalian	Garden City	Ganjingzi District	100%	Residential/ Commercial	172,348	462,264	Under construction
Dalian	Overseas One	Zhongshan District	100%	Residential/ Commercial	26,028	65,560	Under construction
Harbin	Glory Mansion	Xiangfang District	100%	Residential/ Commercial	56,429	159,211	Under construction
Chengdu	Tianfu One	Tianfu New District	100%	Residential/ Commercial	39,782	387,877	Under planning
Chengdu	Huayune	Chenghua District	100%	Residential	60,842	198,380	Under construction

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

MAJOR PROJECTS UNDER DEVELOPMENT *(continued)*

City	Project	Location	Group's interest %	Intended Use	Site Area *(sq m)*	Total GFA *(sq m)*	Progress
Xi'an	Elegant Mansion	High-tech Zone	100%	Residential/ Commercial	46,509	183,200	Under construction
Chongqing	Metro Times	Yubei District	100%	Residential/ Commercial	43,250	244,639	Under construction
Kunming	La Cite	Guandu District	100%	Residential/ Commercial	116,804	784,021	Under construction
Kunming	Jade Lane	Panlong District	100%	Residential/ Commercial	54,890	268,761	Under construction
Guiyang	The Impressive Lake	Guanshanhu District	100%	Residential/ Commercial	185,121	646,365	Under construction
Hong Kong	One Victoria	Kai Tak District	80%	Residential	9,048	55,192	Under construction
Hong Kong	New Kowloon Inland Lot No. 6576	Kai Tak District	30%	Residential	9,583	67,081	Under construction
Hong Kong	New Kowloon Inland Lot No. 6554	Kai Tak District	30%	Residential	18,353	111,953	Under construction
Hong Kong	New Kowloon Inland Lot No. 6603	Kai Tak District	50%	Residential	5,548	30,514	Under construction

COMMERCIAL PROPERTIES

Annual Summary

- The Group's revenue from commercial properties was RMB5.17 billion, an increase of 17.4% as compared to last year, among which the rental income from the investment properties, including Grade A office buildings, shopping malls, flexible working offices and long-term leased apartments, increased by 15.2% to RMB4.67 billion, which accounted for more than 90.3% of the total operating revenue. Income from hotel and other commercial properties was RMB500 million, an increase of 43.3% as compared to last year.

- The gain arising from changes in fair value of investment properties amounted to RMB5.54 billion, a decrease of 39.7% as compared to last year. The net gains after tax attributable to the shareholders of the Company amounted to RMB3.78 billion, a decrease of 35.6% as compared to last year.

Ningbo Unipark

Management Discussion and Analysis (continued)

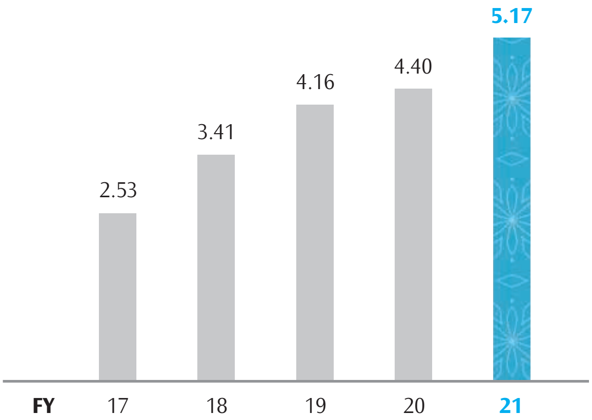
COMMERCIAL PROPERTIES *(continued)*

As always, the Group adhered to the strategy of steadily investing in commercial properties, relying on commercial property management to build an integrated urban ecosystem. Among these, the core engine is China Overseas Grade A office buildings and "UNI" shopping malls, supplemented by diversified business formats, such as flexible working office, long-term leased apartments, hotels, logistics real estate and industrial parks, and senior living and elderly care business, to build an integrated urban ecosystem with multi-functional connections, such as industrial development and lifestyle consumption, balanced development of those composite factors within the integrated urban ecosystem, and interdependence of the productivity and the lives.

Based on the solid investment strategy implemented in the past, the Group Series of Companies launched a series of commercial properties to market. During the year, 18 commercial projects were successively launched, including Zhuhai Unipark, Ningbo Unipark, Wuhan China Overseas Center, Zhuhai China Overseas International Center and China Overseas Unilive Residence (Suzhou Olympic Sports store), with a total GFA of 940,000 sq m, achieving quality growth in the commercial portfolio. In 2022, 22 new projects will be launched, with a total GFA of 1.35 million sq m, which will continue to achieve significant expansion of commercial properties held by the Group Series of Companies.

Meanwhile, as the Group expanded its business, commercial property operations such as China Overseas Grade A office buildings and "UNI" shopping malls have been progressing well and solidly. By the end of 2021, the total GFA of commercial properties held by the Group Series of Companies had reached 10.98 million sq m. Among these, the total GFA of commercial properties in operation was 5.77 million sq m, including 55 office buildings, 18 shopping malls, 12 premium hotels and 14 long-term leased apartments. The commercial properties under development and to be developed comprise a total GFA of 5.21 million sq m and will commence operation successively during the period of 14th Five-Year Plan. The Group's revenue from commercial properties increased by 17.4% to RMB5.17 billion. Core operational indicators such as occupancy rate and rental income per unit are increasingly optimised, and the Group's asset value continues to increase.

Revenue from commercial properties
RMB billion



At the same time, the Group has strengthened the expansion of its asset-light business with the operating standards, brand influence and resources of customers and merchants accumulated through many years of commercial operation experience. By the end of 2021, the service brands established by the Group included office building COOC, shopping mall UNIC, flexible working office OFFICEZIP and UROOM, a new service brand of long-term leased apartments, and the vigorously expanded asset-light service business. There are 10 asset-light projects of the Group, with a total GFA of 500,000 sq m. Three new asset-light projects were added during the year, located in the core areas of Beijing, Chengdu and Xi'an, with a total GFA of 120,000 sq m.

The Group's commercial property business has a strong reputation in the industry. During the year, in the professional asset management sector, the Group won seven awards, including "Annual Influential Operator of Commercial Real Estate 2021", "The Performance Award of Commercial Operators 2021", and "The Performance Award of Commercial Real Estate Enterprises 2021".

Going forward, the integrated urban ecosystem constructed by the Group's commercial property business will not only bring long-term stability to the Group, but will also help to balance risk, secure resources and enhance the all-round competitiveness of the Group's various businesses.

COMMERCIAL PROPERTIES *(continued)*

At 31 December 2021, the total GFA of the Group Series of Companies' commercial properties in operation and commercial properties under development or to be developed was 5.77 million sq m and 5.21 million sq m respectively, composing of the followings:

Type	Projects in operation		Projects under development/to be developed		Total	
	Number	Total GFA ('000 sq m)	Number	Total GFA ('000 sq m)	Number	Total GFA ('000 sq m)
Office Building	55	3,470	17	1,970	72	5,440
Shopping Mall	18	1,710	21	2,310	39	4,020
Hotel	12	360	14	580	26	940
Long-term Leased Apartment	14	230	16	350	30	580
Total	**99**	**5,770**	**68**	**5,210**	**167**	**10,980**

The commercial properties of the Group Series of Companies newly opened in 2021 are listed below:

Name of property	Type	City	Total GFA ('000 sq m)
China Overseas Building	Office Building	Ningbo	16
Jin'an China Overseas Fortune Center Tower A	Office Building	Beijing	60
China Overseas International Center	Office Building	Zhuhai	75
China Overseas Center	Office Building	Wuhan	112
China Overseas Plaza Tower A	Office Building	Nanjing	98
Logistics Park	Office Building	Hefei	44
Unipark	Shopping Mall	Ningbo	131
Unipark	Shopping Mall	Zhuhai	218
China Overseas Unilive Apartment (Beijing Fangshan Store)	Long-term Leased Apartment	Beijing	34
China Overseas Unilive Apartment (Shanghai Pudong Store)	Long-term Leased Apartment	Shanghai	18
China Overseas Unilive Residence (Suzhou Olympic Sports Store)	Long-term Leased Apartment	Suzhou	35
China Overseas Unilive Apartment (Dalian Hi-tech district Store)	Long-term Leased Apartment	Dalian	13
China Overseas Unilive Apartment (Shanghai Jinshajiang Road Store)	Long-term Leased Apartment	Shanghai	15
China Overseas Unilive Apartment (Shunde Beijiao Store)	Long-term Leased Apartment	Foshan	21
China Overseas Unilive Apartment (Shanghai Songjian Phase 2)	Long-term Leased Apartment	Shanghai	5
China Overseas Unilive Apartment (Shenzhen Luohu Store)	Long-term Leased Apartment	Shenzhen	24
China Overseas Unilive Apartment Phase A	Long-term Leased Apartment	Hefei	9
China Overseas Unilive Apartment Phase B	Long-term Leased Apartment	Hefei	10
Total			**938**

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

Office Building

The Group's office building business has long focused on quality. Its scale and operational standards continue to lead the industry and continue to deliver strong and stable income. By the end of 2021, there were 55 projects of the Group Series of Companies in operation, with a total GFA of 3.47 million sq m. During the year, the Group's revenue from office buildings was RMB3.51 billion, an increase of 10.7% as compared to last year.

Through excellent operation, the Group ensures the steady improvement of its operation with high-end tenants, and demonstrates its industry-leading ability. During the year, in an increasingly competitive market environment, through efficient operational turnover, total leased office area of the Group Series of Companies was 750,000 sq m, an increase of 27% as compared to last year, pushing projects that have been on the market for more than three years, with an occupancy rate of 91.1% at the end of the year, among which 14 projects had a occupancy rate of 100% at the end of the year; For projects on the market for more than a year, the occupancy rate at the end of the year reached 87.5%; At the same time, the Group Series of Companies continued to expand the proportion of high-end tenants. By the end of 2021, the area rented by cornerstone tenants accounted for 50.9% of the total, while there are 274 Fortune 500 Companies, accounting for 18.5% of the leased area.

At the same time, the Group continues to develop green practices for its office building business and is committed to reducing the carbon emissions of office buildings. During the year, all new development projects obtained or are applying for National Green Building Certification, prepared the "COOC China Overseas health building standards", and used advanced management platforms and measures in operational projects to reduce annual carbon emissions by 6.8%.

Powered by its economies of scale, geographical advantages, quality of operation and brand strength, the Group continued to develop its office building business and realised a steady increase in return on assets.

Shopping Malls

The Group's shopping mall business has entered a period of accelerated development. As a core development sector for the Group, the next two to three years will see a continuously high level of launching new shopping malls. At present, 21 shopping mall projects of the Group Series of Companies are under construction or to be developed. When all extant projects enter the market, the GFA of the Group Series of Companies' shopping malls will have doubled, and large-scale "UNI" commercial benchmark projects are due to come to market in rapid succession.

During the year, Zhuhai Unipark and Ningbo Unipark held their grand openings. These new projects are located in the urban core. With high-quality brand resources and well-established operational ability, it has created regionally specific consumption profiles. In 2022, six shopping mall projects of the Group Series of Companies are due to enter the market, accelerating the expansion of the Group Series of Companies' shopping malls, and the asset structure will be further optimised.

Wuhan China Overseas Center

Zhuhai Unipark

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

Shopping Malls *(continued)*

The Group has pursued the long-term healthy development of its shopping mall business. Rental income from the Group's shopping malls increased by 27.3% to RMB1.10 billion during the year. At the same time, it accumulated mature asset management capability and steadily improved management efficiency. The overall occupancy rate reached 94.8% at the end of 2021, an increase of 1.3% as compared to last year. The Group will further improve its operational efficiency, achieve sustainable and stable growth in rental income and continuously improve its profitability.

Flexible Working Offices

"OFFICEZIP" continues to focus on improving operational efficiency, and the evolution and development of business office demand, and closely adheres to the construction of an integrated urban ecosystem. By the end of 2021, the Group Series of Companies was presented in seven core cities across the country, with nearly 10,000 work stations in operation. At the same time, the Group focused on development quality and operational efficiency. At the end of the year, the overall occupancy rate had reached 97.2%. The Group innovated and created a diversified office ecosystem, covering flexible office space, customised office space, conference, catering, fitness, childcare, and more, and cooperated with the office building business to create a scenario of development in core industries within the integrated urban ecosystem.

As it steadily operates and grows, "OFFICEZIP" continues to explore the upgrading of office set-ups, practice innovation from intelligence, service, communication and other aspects, further implement the responsibility of safe operation while building a healthy space, take the lead in establishing facial recognition and touch-free access system through intelligent apps, and build a 360-degree health and safety space. During the year, it ranked in the Top Four in joint offices and was awarded "2021 China Joint Office Operation Benchmarking Enterprise".

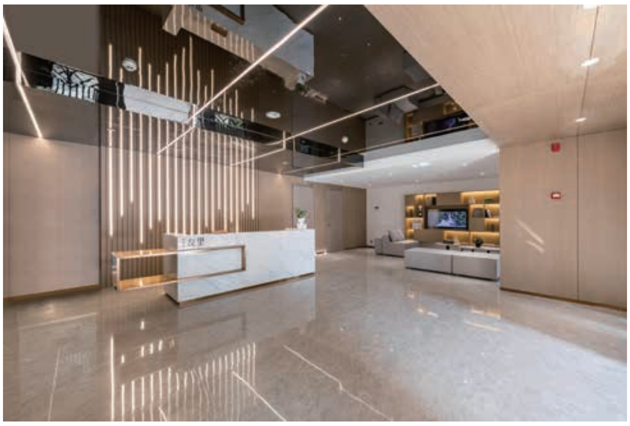
Long-term Leased Apartments

The Group continued to implement its long-term policy of focusing equally on leasing and sales. Starting from building an easy living space and high-quality community, the Group developed two brands for long-term leased apartments, "Unilive Residence" and "Unilive Apartment", and accelerated its expansion in higher tier cities. By the end of 2021, the Group Series of Companies was established in 13 core cities across the country, creating a core living environment for the next generation of young people in the integrated urban ecosystem.

In parallel with scale developments, operational efficiency was improved by building innovative products and a standardised operating process. During the year, the occupancy rate of projects that had been operated for more than six months was 95%. At the same time, the launch of the asset-light service brand, UROOM, has driven the development of a new business model and the build-up of operational capability, which can better support a dual focus on leasing and sales, and the increased supply of housing.

Hotels

The Group's hotel business adheres to the concept of "Enjoy a relaxing space and wonderful experience" to meet the challenges of the external market environment. At the same time, it also serves as a diversified commercial business to jointly build an integrated urban ecosystem. By the end of 2021, the Group Series of Companies had 12 hotels in operation. The Group's hotel business stood strong under the volatile pandemic situation in various regions, with the room occupancy rate gradually reviving.



China Overseas Unilive Apartment (Shanghai Jinshajiang Road Store)

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

MAJOR COMPLETED COMMERCIAL PROPERTIES

	Name of property and location	Type	Group's interest %	City	Year of expiry of lease term	Total area sq m
(a)	China Overseas Plaza Jianguomenwai Avenue, Chaoyang District, Beijing	Office Building	100	Beijing	2053	145,332
(b)	China Overseas Property Plaza West Bin He Road, Yong Ding Men, Dongcheng District, Beijing	Office Building	100	Beijing	2043	87,699
(c)	China Overseas International Center of Aonan Community Uni ELITE No. 4 Parcel at Intersection of Anding Road and Beitucheng East Road, Beijing	Office Building and Shopping Mall	100	Beijing	2060 2050	127,824
(d)	China Overseas Building Lao Gu Cheng Village JB Parcel, Shijingshan District, Beijing	Office Building	100	Beijing	2053	50,162
(e)	China Overseas Property Building 96 Taipingqiao Avenue, Xicheng District, Beijing	Office Building	100	Beijing	2051	24,668
(f)	Beijing (H Parcel) Lao Gu Cheng Village H Parcel, Shijingshan District, Beijing	Office Building	100	Beijing	2054	28,946
(g)	China Overseas Building Blocks C & D Lao Gu Cheng Village JA Parcel, Shijingshan District, Beijing	Office Building	100	Beijing	2055	69,770
(h)	Jin'an China Overseas Fortune Center Tower A, B & C Jin'an Uni ELITE Area B and C of Renovation of North Xin 'an Shanty Town, Shijingshan District, Beijing	Office Building and Shopping Mall	100	Beijing	2067	232,435
(i)	China Overseas International Center Phase One to Three No. 199 Jincheng Road, Gaoxin District, Chengdu	Office Building	100	Chengdu	2047	360,828
(j)	China Overseas International Center Blocks F & G Jiaozi Road, Gaoxin District, Chengdu	Office Building	100	Chengdu	2051	138,810
(k)	Block J, West Lot of China Overseas International Center Jiaozi Road, Gaoxin District, Chengdu	Office Building	100	Chengdu	2052	92,727

COMMERCIAL PROPERTIES *(continued)*

MAJOR COMPLETED COMMERCIAL PROPERTIES *(continued)*

	Name of property and location	Type	Group's interest %	City	Year of expiry of lease term	Total area sq m
(l)	China Overseas Building No. 76 Yanji Road, Shibei District, Qingdao	Office Building	100	Qingdao	2047	61,319
(m)	China Overseas Plaza Jiu Qu Zhuang Road, Shizhong District, Jinan	Office Building	100	Jinan	2049	103,588
(n)	China Overseas Building No. 3, Furong South Road, Yanta District, Xi'an	Office Building	100	Xi'an	2080	34,932
(o)	Blocks A & B, China Overseas International Center No. 905A, Nandi West Road, Heping District, Shengyang	Office Building	100	Shengyang	2050	114,590
(p)	China Overseas Building No. 257 Zhiyin Avenue, Hanyang District, Wuhan	Office Building	100	Wuhan	2053	61,279
(q)	China Fortune Tower 1568–1588, Century Avenue, Pudong New District, Shanghai	Office Building	51	Shanghai	2054	95,622
(r)	China Overseas International Center Uni ELITE Intersection of East Jianguo Road and Huangpi South Road, Huangpu District, Shanghai	Office Building and Shopping Mall	100	Shanghai	2056 2046	149,907
(s)	China Overseas Building Intersection of Dongting Road and Heiniucheng Road, Hexi District, Tianjin	Office Building	100	Tianjin	2055	95,477
(t)	China Overseas Plaza No. 57 Wujiayao Street, Hexi District, Tianjin	Office Building	100	Tianjin	2053	95,300
(u)	China Overseas Wealth Center Dongting Road, Hexi District, Tianjin	Office Building	100	Tianjin	2055	74,608
(v)	China Overseas International Center The south junction of Yingze Bridge West and Jinci Road, Wanbailin District, Taiyuan	Office Building	100	Taiyuan	2053	269,885
(w)	China Overseas Fortune Center No. 9 Suzhou Avenue West, Suzhou Industrial Park	Office Building	100	Suzhou	2050	171,671

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

MAJOR COMPLETED COMMERCIAL PROPERTIES *(continued)*

	Name of property and location	Type	Group's interest %	City	Year of expiry of lease term	Total area sq m
(x)	China Overseas Plaza Tower A Meijiatang, Rehenan Road, Gulou District, Nanjing	Office Building	100	Nanjing	2057	97,867
(y)	One Finsbury Circus One Finsbury Circus, London, U.K.	Office Building	100	London	Freehold	19,260
(z)	61 Aldwych 61 Aldwych, London, U.K.	Office Building	100	London	Freehold	16,482
(aa)	Carmelite House 50 Victoria Embankment, Carmelite House, London, U.K.	Office Building	100	London	Freehold	12,447
(ab)	One South Place (The Helicon) 1 South Place, London, U.K.	Office Building	100	London	Freehold	21,150
(ac)	China Overseas Plaza Mid-Town Bai Shi Road, Xiangzhou District, Zhuhai	Office Building and Shopping Mall	100	Zhuhai	2060 2050	204,335
(ad)	Unipark Jiu Qu Zhuang Road, Shizhong District, Jinan	Shopping Mall	100	Jinan	2049	76,288
(ae)	Unipark No. 39 Qingliangmen Street, Gulou District, Nanjing	Shopping Mall	100	Nanjing	2048	131,875
(af)	Qiandeng Lake Unipark No. 18 Guilanzhong Road, Nanhai District, Foshan	Shopping Mall	100	Foshan	2052	130,895
(ag)	Yingyue Lake Unipark No. 6 South of Shilong Road, Nanhai District, Foshan	Shopping Mall	100	Foshan	2048	126,637
(ah)	China Overseas Building Unipark No. 111 Zhongyi Two Road, Tianxin District, Changsha	Office Building and Shopping Mall	100	Changsha	2046	203,758
(ai)	Tianfu UniFUN Xianghesijie, Tianfu New District, Chengdu	Shopping Mall	100	Chengdu	2055	70,749

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

MAJOR COMPLETED COMMERCIAL PROPERTIES *(continued)*

	Name of property and location	Type	Group's interest %	City	Year of expiry of lease term	Total area sq m
(aj)	China Overseas COLI Hotel No. 168 Dayun Road, Longgang District, Shenzhen	Hotel	100	Shenzhen	2057	85,659
(ak)	Sheraton Hotel Shenzhou Peninsula Tourism Resort, Dongao Town, Wanning, Hainan	Hotel	80	Wanning	2057	56,192
(al)	Fupeng Hotel Shenzhou Peninsula Tourism Resort, Dongao Town, Wanning, Hainan	Hotel	80	Wanning	2057	46,345
(am)	China Overseas Pullman Hotel No. 2029 Jiuzhou Avenue West, Xiangzhou District, Zhuhai	Hotel	100	Zhuhai	2060	23,423
(an)	Guotai Hotel No. 12 Yonganxili, Jianguomen Outer Street, Chaoyang District, Beijing	Hotel	100	Beijing	2053	11,286
(ao)	Ascott Macau R. Cidade de Braga, Nape, Macau	Hotel	100	Macau	2049	15,886
(ap)	Ascott Chengdu Qinhuangsi Business District, Tianfu New District, Chengdu	Hotel	100	Chengdu	2058	44,528
(aq)	Unilive Apartment (Shanghai Xiaokunshan Store) No. 150–154, Lane 368, Wennan Road, Songjiang District, Shanghai	Long-term Leased Apartment	100	Shanghai	2087	9,808
(ar)	Unilive Apartment (Shanghai Lin-Gang Free Trade Zone Store) 1088 Lane, Lanbo Road, Fengcheng Town, Fengxian District, Shanghai	Long-term Leased Apartment	100	Shanghai	2087	17,151
(as)	Unilive Apartment (Hangzhou Binjiang Store) No. 387 Binkang Road, Binjiang District, Hanzhou	Long-term Leased Apartment	100	Hangzhou	2088	8,348
(at)	Unilive Apartment (Tianfu International) Qinhuangsi Business District, Tianfu New District, Chengdu	Long-term Leased Apartment	100	Chengdu	2058	46,605

COMMERCIAL PROPERTIES *(continued)*

MAJOR COMMERCIAL PROPERTIES UNDER CONSTRUCTION

	Name of property and location	Type	Group's interest %	City	Estimated year of completion	Year of expiry of lease term	Total area sq m
(a)	China Overseas Plaza Tower B Meijiatang, Rehe South Road, Gulou District, Nanjing	Office Building	100	Nanjing	2022	2057	58,213
(b)	China Overseas International Center No. 2 Longkunbei Road, Haikou	Office Building	100	Haikou	2023	2058	121,111
(c)	China Overseas International Center Wujiaba Area, Guandu District, Kunming	Office Building	100	Kunming	2023	2058	112,629
(d)	Si'an Street Project Si'an Street East, Suzhou Avenue North, Suzhou Industrial Park	Office Building	100	Suzhou	2023	2059	75,309
(e)	Gate of Peace Project Intersection of Nanjing South Street and Changhbai South Road, Heping District, Shenyang	Office Building, Shopping Mall and Long-term Lease Apartment	100	Shenyang	2022	2054 2054 2084	340,598
(f)	Hongqi Village Project Block 106, Shiquan Road Street, Putuo District, Shanghai	Office Building, Shopping Mall and Long-term Lease Apartment	100	Shanghai	2023 2023 2022	2060 2060 2070	440,927
(g)	Huashanxi Project Jiangjun Road, Licheng District, Jinan	Shopping Mall, Hotel and Long-term Lease Apartment	100	Jinan	2022	2056	241,121
(h)	City Square East Haihe Road, Hedong District, Tianjin	Office Building	51	Tianjin	2026	2066	238,654
(i)	Yinghai UniFUN Yingyong Street, Daxing District, Beijing	Shopping Mall	100	Beijing	2022	2059	93,585
(j)	Unipark Jiefang South Road and Lushui Road, Hexi District, Tianjin	Shopping Mall	100	Tianjin	2023	2060	160,177
(k)	Bamboo Grove Hotel Shuangta Street, Gusu Ancient City, Suzhou	Shopping Mall and Hotel	100	Suzhou	2022	2045	61,587

Management Discussion and Analysis (continued)

China Overseas Center, Wuhan

OTHER PROPERTY-RELATED OPERATIONS

PLANNING AND CONSTRUCTION DESIGN

Hua Yi Design, a Group subsidiary, is a comprehensive architectural design enterprise, encompassing architectural design, planning, consulting and design, special technical design, EPC project main contracting, and decoration technology design. Hua Yi Design is rated as a "National High-tech Enterprise" and holds Grade A Architectural Design Qualification, Grade A Urban Planning Qualification and Grade II Qualification for Professional Contracting of Building Decoration Engineering. It is an exemplar of the national prefabricated construction industrial base and, serves as the second batch of pilot units of the entire engineering and consulting process in Guangdong province. In 2021, the newly signed contracts was RMB1.33 billion.

Hua Yi Design's professional and excellent design services give it a good reputation in the industry. The business has actively expanded the design market in the Guangdong-Hong Kong-Macau Greater Bay Area, to support the integrated development of Shenzhen and Hong Kong. During the year, Hua Yi Design completed 300 design projects, including the "Hong Kong-Shenzhen Innovation and Technology Park" project, designed by Hua Yi Design, a core project of the Shenzhen-Hong Kong Innovation and Technology Co-operation Zone in the Loop. The "East Wing-1 project of Shenzhen Portion of Shenzhen-Hong Kong Science and Technology Innovation Cooperation Zone", led by Hua Yi Design and jointly designed by several groups, is the iconic landmark connecting Shenzhen to Hong Kong, representing the trend of bringing together talented individuals in Shenzhen and Hong Kong. The "Qianhai Shenzhen-Hong Kong Youth Innovation and Entrepreneur Hub Phase I" project, in which Hua Yi Design is responsible for the technical support of in-depth scheme and the design of construction drawings, has also been completed. The project provides an integrated environment for young entrepreneurs from Hong Kong and Macau to realise their dreams in science and technology innovation.

During the year, Hua Yi Design was named among the "Top 100 Cultural Enterprises in Shenzhen", and an "Advanced Enterprise in Civil Engineering and Construction Science and Technology Innovation in Guangdong Province", as well as an "Outstanding National Foreign-invested Enterprise – Doubly Excellent".

Hua Yi Design is based in the Guangdong-Hong Kong-Macau Greater Bay Area and has witnessed the urban development under the policy of reform and opening up. Looking ahead, Hua Yi Design will strive to support the development of a regional economy, spearhead the excellent architectural design culture, improve construction quality in the city, and build a utopia together.

Hong Kong-Shenzhen Innovation and Technology Park

Management Discussion and Analysis (continued)

OTHER PROPERTY-RELATED OPERATIONS *(continued)*

SENIOR LIVING AND ELDERLY CARE BUSINESS

The Group Series of Companies takes seriously its responsibility to society and is committed to building a new lifestyle elderly care brand with Chinese characteristics. With the development strategy of elderly care as the goal and taking "China Overseas Jinnian 101 elderly care system" as the product service standard, the Group focuses on elderly care properties and facilities, and explores the fields of living products, redesigned for the elderly, and elderly care products. At present, four projects have been put into operation in Qingdao, Tianjin, Wuxi and Jinan.

The Group's elderly care institutions in Jinan and Qingdao were ranked "five-star", becoming the benchmark and model of elderly care facilities in Shandong Province. The Qingdao project successfully secured ISO9001 quality system certification and comprehensively improved its operation and management. Wuxi Jinnian has become a designated institution for medical insurance and long-term care insurance, and secured the honorary title of elderly-friendly institution of Wuxi Municipality.

During the period of 14th Five-Year Plan, the Group's elderly care businesses, with high-quality service and good operation ability developed rapidly for a wider presence. They will actively develop senior living properties based on China Overseas model and build a comprehensive senior living service system that brings together service providers, communities and home-based elderly care.

LOGISTICS PROPERTIES AND INDUSTRIAL PARKS

The Group will continue to focus on logistics and industrial properties, build premium, scientific international logistics parks and industrial parks, provide top-quality modern warehousing and logistics services, and further optimise the professional management of the industrial parks. By the end of 2021, the Group Series of Companies had established industrial park projects in Tianjin, Hefei and other cities, with the projects covering life sciences, high-end medical services and modern logistics.

During the year, the Group worked closely with local governments to complete the letting exercise and commence operation of the modern industrial park, Tianjin Zhonghai smart city renewal project. In the first phase, a "one-stop" service industrial park integrating biomedical laboratory testing facilities, office space, finance and exhibitions will be built. During the year, it was recognised as an "innovative biomedical talent and entrepreneurship base".

■ China Overseas • Jinnian Elderly Care

■ Logistics Park, Tianjin

LAND RESERVE

Annual Summary

- During the year, the Group acquired 57 land parcels in 25 cities in Mainland China, adding a total GFA of 11.65 million sq m to the land reserve (attributable interest of 10.72 million sq m). The total land premium was RMB137.89 billion (attributable interest of RMB129.75 billion).

- During the year, the major associate COGO increased its land reserve by 8.39 million sq m.

- At the end of 2021, the total land reserve of the Group Series of Companies reached 80.77 million sq m. Among which, the Group Series of Companies (excluding COGO) had a total land reserve of 51.00 million sq m and COGO had a total land reserve of 29.77 million sq m.

Shiguangli Residential, Beijing

LAND RESERVE *(continued)*

The Group will continue to adhere to the investment strategy of "major cities, mainstream areas and mainstream products" and deeply cultivate major cities with good economies growth and large population inflow. The Group will refine investment presence to ensure effective operation; continue to execute the "blue ocean strategy", increase land investment in the non-public market, and adhere to diversified and multi-channel access to high-quality land. At the same time, the Group continues to strengthen the construction and management digital platform such as city map and improve professional accuracy through the standardisation of process to ensure the effective implementation of investment decisions.

In 2021, COVID-19 mutated repeatedly, and the uncertainty surrounding global economic recovery increased significantly. Domestic real estate regulations led the real estate market through profound change. Based on the principle of "houses are for habitation, not speculation", a series of policy measures were introduced, including "three red lines" for real estate developers, "two red lines" for commercial banks' real estate loans, and the "two centralised" land supply policy. In light of the complex economic situation and market environment, the Group continues to closely monitor trends in the real estate market and deeply study the evolving characteristics of domestic and foreign economic environments as well as the changing situation of real estate market regulation.

During the year, the new "two centralised" land supply policy took effect. Competition in the land market was fierce in the first half of the year and the Group maintained its rational investment rhythm, pursued only quality investments proportionate to strategic need and invested cautiously. While in the second half of the year, the Group seized the opportunity of the second batch of centralised land supply across the country and acquired a number of quality land parcels, such as in Guangzhou Iron and Steel District and Shenzhen Longhua District. During the year, the Group acquired 12 pieces of quality land parcels in first-tier cities including Beijing, Guangzhou and Shenzhen, with total attributable land premium of RMB42.53 billion, accounting for 32.8% of the Group's annual total attributable land premium, which expanded investment scale in first-tier cities and effectively controlled the Group's land costs in first-tier cities. The total attributable amount of land acquired in the three metropolitan areas of Beijing-Tianjin-Hebei region, Yangtze River Delta and the Greater Bay Area reached RMB97.88 billion, accounting for 75.4% of the Group's total attributable land premium; and overall investment presence was maintained at a reasonable level.

The Group continues to strengthen its "blue ocean strategy", actively expand in non-public land markets investments and acquire quality land through multiple channels. During the year, the Group entered into an investment agreement with the management committee of Suzhou Industrial Park to acquire the Suzhou Super Skyscraper Project, with a total investment of more than RMB10 billion, demonstrating the Group's comprehensive ability in commercial investment management and operations, by building a high-end commercial project in the city. An active participant in the urban renewal business; the Group won its bid to be the early-stage service provider of urban renewal of project in Nanyue Community, Longgang in Shenzhen; and acquired about 310,000 sq m of land for the first phase of the renewal project in Changchun Runde.

By the end of 2021, Hong Kong was still subject to cross-border restrictions, but under a relaxed credit environment, the housing market in Hong Kong remained active, with satisfactory sales in a number of real estate projects, and satisfactory land sales by the government. During the year, the Group sold its 30% equity interests in its Kai Tak project to Haijian Fund L.P. for a total consideration of HK$1.35 billion, helping to optimise the project's return on investment and diversify investment options. At the end of the year, the Group Series of the Companies (excluding COGO) has a total land reserve of 690,000 sq m in Hong Kong. Although Hong Kong has recently been impacted by the pandemic, under the complete support and dynamic leadership of the central government, the Group remains confident in the Hong Kong property market and will further increase investment.

During the year, the Group acquired 57 land parcels in 25 cities in Mainland China, adding a total GFA of 11.65 million sq m to the land reserve (attributable interest of 10.72 million sq m). The total land premium was RMB137.89 billion (attributable interest of RMB129.75 billion), and the Group newly expanded into Taizhou and Zhejiang.

Management Discussion and Analysis (continued)

LAND RESERVE *(continued)*

The table below shows the details of land parcels added in 2021:

City	Name of Development Project	Attributable Interest	Land Area *('000 sq m)*	Total GFA *('000 sq m)*
Changchun	Luyuan District Project #1	100%	220	588
Beijing	Shijingshan District Project #1	100%	14	57
Suzhou	Industrial Park District Project #1	100%	32	74
Guangzhou	Haizhu District Project #1	100%	8	63
Fuzhou	Jin'an District Project	100%	62	165
Suzhou	Industrial Park District Project #2	100%	20	413
Dongguan	Dalang Town Project	100%	78	249
Zhengzhou	Zhengdong New District Project	100%	80	235
Chongqing	Yubei District Project	100%	9	38
Xiamen	Siming District Project	50%	54	265
Tianjin	Hebei District Project	100%	86	252
Jinan	Shizhong District Project	100%	158	526
Nanjing	Yuhuatai District Project	100%	41	167
Suzhou	Wujiang District Project	44%	60	266
Xiamen	Tong'an District Project #1	100%	36	117
Xiamen	Tong'an District Project #2	100%	91	360
Haikou	Qiongshan District Project	100%	15	78
Foshan	Nanhai District Project	100%	55	242
Foshan	Shunde District Project	100%	98	428
Changchun	Luyuan District Project #2	50%	101	311
Dongguan	Daojiao Town Project	100%	67	269
Taiyuan	Wanbailin District Project	100%	4	4
Wuxi	Huishan District Project	100%	57	157
Taizhou	Luqiao District Project	100%	51	168
Nanchang	Gaoxin District Project	100%	44	117
Guiyang	Baiyun District Project	100%	54	177
Taiyuan	Zonggai District Project	100%	21	64
Jiaxing	Nanhu District Project #1	100%	36	119
Jiaxing	Nanhu District Project #2	100%	35	97
Tianjin	Hexi District Project	100%	68	205
Tianjin	Hongqiao District Project	100%	67	245
Tianjin	Heping District Project	100%	19	161
Suzhou	Industrial Park District Project #3	100%	30	92
Shenyang	Huanggu District Project	100%	98	277

Management Discussion and Analysis (continued)

LAND RESERVE *(continued)*

The table below shows the details of land parcels added in 2021: (continued)

City	Name of Development Project	Attributable Interest	Land Area *('000 sq m)*	Total GFA *('000 sq m)*
Shenyang	Hunnan District Project	100%	96	235
Chongqing	Jiangbei District Project #1	100%	9	35
Chongqing	Jiangbei District Project #2	100%	11	41
Suzhou	Changshu City Project	100%	48	131
Nanjing	Jiangbei New District Project	100%	71	238
Nanjing	Jiangning District Project	100%	64	197
Guangzhou	Liwan District Project	100%	63	302
Guangzhou	Haizhu District Project #2	100%	18	79
Guangzhou	Haizhu District Project #3	100%	20	82
Nanjing	Qixia District Project	100%	50	155
Shenzhen	Longhua District Project #1	100%	17	106
Shenzhen	Longgang District Project	100%	49	352
Shenzhen	Guangming District Project	100%	32	270
Shenzhen	Longhua District Project #2	100%	24	176
Beijing	Shijingshan District Project #2	100%	12	55
Beijing	Haidian District Project	100%	59	133
Hangzhou	Gongshu District Project	100%	84	344
Harbin	Nangang District Project	50%	113	353
Chongqing	Jiangbei District Project #3	100%	44	109
Beijing	Xicheng District Project	100%	60	364
Changsha	Yuhua District Project	100%	58	284
Hangzhou	Shangcheng District Project	100%	68	211
Jiaxing	Nanhu New District Project	10%	122	354
Total			**3,161**	**11,652**

At 31 December 2021, the Group Series of Companies (excluding COGO) had a total land reserve of 51.00 million sq m (attributable interest of 43.62 million sq m).

During the year, the major associate COGO increased its land reserve by 8.39 million sq m. At 31 December 2021, COGO's total land reserve was 29.77 million sq m (attributable interest of 25.53 million sq m).

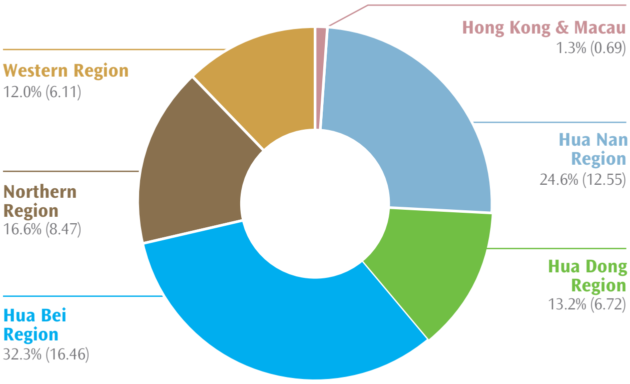
The total land reserve of the Group Series of Companies reached 80.77 million sq m. So far, the Group Series of Companies have penetrated into the real estate market in a total of 89 onshore and offshore cities, forming a better presence across the cities.

Management Discussion and Analysis (continued)

LAND RESERVE *(continued)*

BREAKDOWN OF LAND RESERVE BY REGION*

million sq m



Hua Nan Region:	Shenzhen, Haikou, Wanning, Sanya, Foshan, Guangzhou, Changsha, Xiamen, Fuzhou, Zhuhai, Dongguan, Zhongshan, Zhaoqing, Zhangzhou, Jiangmen
Hua Dong Region:	Suzhou, Nanjing, Ningbo, Hangzhou, Nanchang, Shanghai, Wuxi, Zhenjiang, Wenzhou, Taizhou, Jiaxing
Hua Bei Region:	Beijing, Tianjin, Jinan, Taiyuan, Wuhan, Zhengzhou, Ezhou, Shijiazhuang
Northern Region:	Changchun, Qingdao, Dalian, Shenyang, Yantai, Harbin, Weihai
Western Region:	Chengdu, Xi'an, Chongqing, Kunming, Urumqi, Guiyang

* Representing the Group Series of Companies (excluding COGO)

Management Discussion and Analysis (continued)

LAND RESERVE *(continued)*

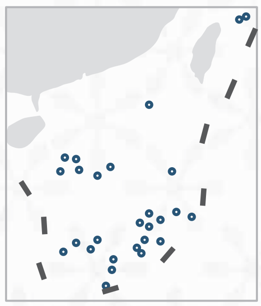
LAND RESERVE DISTRIBUTION*

Total Land Reserve

	City	Total Area ('000 sq m)
Hua Nan Region	Shenzhen (including Dongguan)	2,330
	Hainan (including Haikou, Wanning and Sanya)	1,080
	Guangzhou	3,450
	Foshan (including Zhaoqing)	2,400
	Changsha	1,090
	Xiamen (including Zhangzhou)	960
	Fuzhou	260
	Zhuhai (including Jiangmen, Zhongshan)	980
	Sub-total	**12,550**
Hua Dong Region	Suzhou (including Wuxi)	2,040
	Nanjing (including Zhenjiang)	1,160
	Ningbo (including Wenzhou and Taizhou)	650
	Hangzhou	550
	Nanchang	280
	Shanghai (including Jiaxing)	2,040
	Sub-total	**6,720**
Hua Bei Region	Beijing	3,220
	Tianjin	3,600
	Jinan	3,750
	Wuhan (including Ezhou)	1,910
	Zhengzhou	790
	Taiyuan	2,600
	Shijiazhuang	590
	Sub-total	**16,460**
Northern Region	Changchun	1,450
	Qingdao	1,930
	Dalian	1,160
	Shenyang	2,130
	Yantai (including Weihai)	630
	Harbin	1,170
	Sub-total	**8,470**
Western Region	Chengdu	1,250
	Xi'an	550
	Chongqing	2,780
	Kunming	380
	Urumqi	330
	Guiyang	820
	Sub-total	**6,110**
Hong Kong & Macau	Hong Kong	690
	Sub-total	**690**
	Total	**51,000**

* *Representing the Group Series of Companies (excluding COGO)*

Sketch map of coastline



Management Discussion and Analysis (continued)

GROUP FINANCE

FINANCIAL AND TREASURY MANAGEMENT PRINCIPLES

In 2021, COVID-19 continued to affect global economic and trade development, and economic growth still faces great uncertainty. In light of the significant tightening of domestic real estate financial policies, the Group continues to adhere to the principle of prudent financial fund management, adhere to cash flow management as the core policy, and adhere to the "centralised management; unified arrangement" of funds. The Group firmly holds that sales proceeds are the solidest and most reliable source of working capital, continues to be focused on signing sales contracts, facilitating cash collection, accelerating fund returns, reducing costs, controlling expenses and strengthening resource protection. The Group will make appropriate financing decisions on the principle of fully considering the financial situation of the Group, the return on funds and the business investment needed for future operations, along with forecast changes in capital markets, and ensuring the maintenance of a healthy and reasonable gearing level and adequate financial resources.

While emphasising the availability of adequate funds and diversified financing channels, the Group also strives to control its gearing level and borrowing costs. At 31 December 2021, the Group's net gearing was 32.3%. The weighted average borrowing cost was 3.55% during the year, which were at an outstanding level in the industry.

According to the "three red lines" real estate financial supervision policy in Mainland China, the Group did not breach any of the red lines and remained as a "green category" enterprise.

CREDIT RATINGS

During the year, regulation of the domestic real estate market continued to tighten and market conditions were severe. Moody's, an international credit rating agency, adjusted the outlook for Mainland China's real estate industry from stable to negative. With steady operation and prudent financial management, the Group still has the highest investment ratings of any real estate developer in Mainland China from domestic and foreign rating agencies, and the Group's credit ratings remained unchanged from the three major international credit rating agencies: Fitch A-/Stable; Moody's Baa1/Stable; and Standard & Poor's BBB+/Stable. In addition, China Overseas Development Group Co., Ltd., a subsidiary of the Group, was still rated as AAA/Stable by United Credit Ratings Co., Ltd. The markets clearly recognise the financial stability and debt servicing ability of the Group, and remain confident in its prospects for sustainable and high-quality development.

FINANCING AND TREASURY MANAGEMENT

The Group continues to leverage the advantages of onshore and offshore dual financing platforms, flexibly use multiple tools, and optimally apply various financing combinations, proactively carry out innovative financing, with funds of RMB88.50 billion raised during the year. In 2021, the Group issued a total of RMB19.5 billion of onshore bonds, composed of the successful issuance of RMB5.0 billion of commercial mortgage-backed securities products, of which RMB2.1 billion was the first-ever domestic property developer green carbon neutrality bonds with lowest issuance interest rate among similar products in the year, which product once again won the Annual Best CMBS Award from China Asset Securitisation Association; RMB13.0 billion of corporate bonds; and RMB1.5 billion of medium-term notes. The Group also seized opportunities in the market and signed a number of new bilateral loan agreements onshore and offshore, enhanced its debt portfolio, implemented the flexible financing principle and replenished operating capital.

GROUP FINANCE *(continued)*

LIQUIDITY, FINANCIAL RESOURCES AND DEBT STRUCTURE

The overall financial position of the Group was satisfactory. At 31 December 2021, the net current assets was RMB355.06 billion, the current ratio was 2.2 times, interest coverage ratio was 7.2 times and the weighted average borrowing cost was 3.55%, which were at an outstanding level in the industry.

The Group's interest coverage ratio is calculated as follows:

	2021 (RMB billion)	2020 (RMB billion)
Operating profits	**60.31**	65.23
Deducting:		
Total interest income	**1.96**	1.82
	58.35	63.41
Interest expenses*	**8.13**	8.14
Interest coverage ratio (times)	**7.2**	7.8

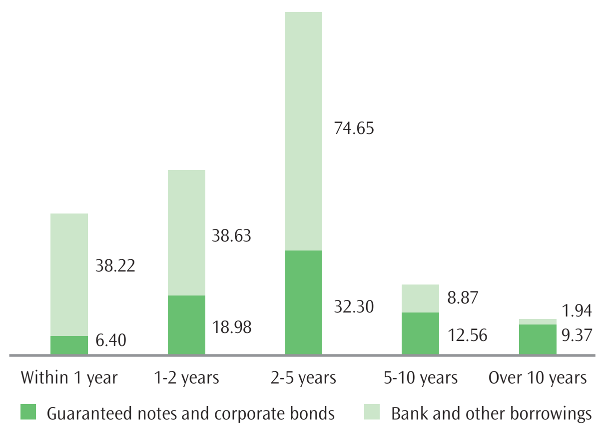
* Before capitalisation and excluding interest on amounts due to fellow subsidiaries and a related company, associates, joint ventures and non-controlling shareholders.

During the year, the Group raised funds from onshore and offshore debt financing amounting to RMB88.50 billion. Total repayment of matured debts amounted to RMB55.87 billion. The Group's sales proceeds collection increased by 7.5% to RMB244.45 billion. Total capital expenditure payments for the Group were RMB206.28 billion (of which RMB131.10 billion was for land costs and RMB75.18 billion was for construction expenditure). About RMB43.57 billion was paid for taxes, selling and distribution expenses, administrative expenses and finance costs. At the end of December 2021, unpaid land premiums of the Group was RMB28.67 billion, while bank and other borrowings, and guaranteed notes and corporate bonds due to mature in the first half of 2022, amounted to RMB11.99 billion.

At 31 December 2021, the Group had bank and other borrowings amounted to RMB162.31 billion while guaranteed notes and corporate bonds amounted to RMB79.61 billion. Total debt amounted to RMB241.92 billion, of which RMB44.62 billion will be matured within a year, accounting for 18.4% of total debt. Among the total debt, 60.1% was denominated in Renminbi, 22.4% was denominated in Hong Kong dollars, 16.8% was denominated in US dollars and 0.7% was denominated in Pounds Sterling. The fixed-rate debt accounted for 40.8% of total interest-bearing debt while the remaining was floating-rate debt.

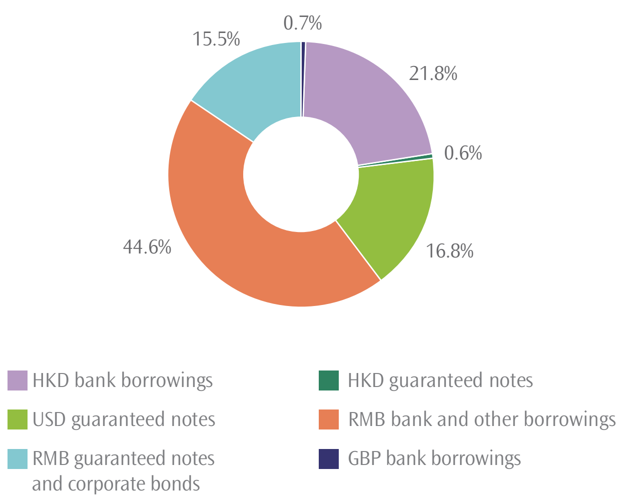
INTEREST-BEARING DEBT MATURITY PROFILE AT 31 DECEMBER 2021

RMB billion



INTEREST-BEARING DEBT BY CURRENCY

AT 31 DECEMBER 2021



Management Discussion and Analysis (continued)

GROUP FINANCE *(continued)*

Repayment schedule	2021 (RMB billion)	2020 (RMB billion)
Bank and other borrowings		
Within one year	**38.22**	27.50
More than one year, but not exceeding two years	**38.63**	35.66
More than two years, but not exceeding five years	**74.65**	68.88
More than five years	**10.81**	4.77
Total bank and other borrowings	**162.31**	136.81
Guaranteed notes and corporate bonds		
10-year (US$700 million, due November 2022)	**4.40**	4.57
30-year (US$300 million, due November 2042)	**1.87**	1.95
10-year (US$500 million, due October 2023)	**3.14**	3.26
30-year (US$500 million, due October 2043)	**3.12**	3.25
10-year (US$450 million, due May 2024)	**2.82**	2.93
10-year (US$250 million, due May 2024)	**1.59**	1.65
20-year (US$500 million, due June 2034)	**3.12**	3.24
5-year (US$750 million, due April 2023)	**4.75**	4.93
10-year (US$750 million, due April 2028)	**4.73**	4.91
10-year (US$450 million, due July 2029)	**2.85**	2.96
5.5-year (HK$2.0 billion, due January 2025)	**1.62**	1.68
10-year (US$294 million, due November 2029)	**1.85**	1.92
3-year (RMB3.404 billion, due November 2021)	**–**	3.40
10-year (RMB6.0 billion, due August 2026) (iii)	**1.90**	6.00
2-year (RMB400 million, due January 2021)	**–**	0.40
3-year (RMB3.0 billion, due February 2021)	**–**	3.00
6-year (RMB3.5 billion, due October 2024) (ii)	**–**	3.50
6-year (RMB2.0 billion, due January 2025) (ii)	**2.00**	2.00
7-year (RMB1.5 billion, due January 2026) (iii)	**1.50**	1.50
5-year (US$300 million, due March 2025)	**1.89**	1.96
10-year (US$500 million, due March 2030)	**3.13**	3.25
15-year (US$200 million, due March 2035)	**1.26**	1.31
6-year (RMB2.0 billion, due August 2026) (ii)	**2.00**	2.00
18-year (RMB3.701 billion, due August 2038) (ii)	**3.69**	3.70
18-year (RMB3.001 billion due August 2038) (iii)	**3.00**	3.00
3-year (RMB2.4 billion due November 2023)	**2.40**	2.40
3-year (RMB1.5 billion due December 2023)	**1.50**	1.50
3-year (RMB1.5 billion due January 2024)	**1.50**	–
18-year (RMB1.001 billion due March 2039) (ii)	**1.00**	–
3-year (RMB2.0 billion due June 2024)	**2.00**	–
5-year (RMB1.0 billion due June 2026)	**1.00**	–
18-year (RMB2.001 billion due June 2039) (ii)	**2.08**	–
4-year (RMB1.0 billion due July 2025) (i)	**1.00**	–
4-year (RMB2.0 billion due July 2025) (ii)	**2.00**	–
4-year (RMB500 million due August 2025) (i)	**0.50**	–
7-year (RMB1.5 billion due August 2028) (iii)	**1.50**	–
18-year (RMB1.901 billion due November 2039) (ii)	**1.90**	–
3-year (RMB1.7 billion due November 2024)	**1.70**	–
5-year (RMB1.2 billion due November 2026)	**1.20**	–
3-year (RMB1.3 billion due December 2024)	**1.30**	–
5-year (RMB800 million due December 2026)	**0.80**	–
Total guaranteed notes and corporate bonds	**79.61**	76.17
Total debt	**241.92**	212.98
Deducting:		
Bank balances and cash	**130.96**	110.47
Net debt	**110.96**	102.51
Equity attributable to owners of the Company	**343.56**	314.15
Net gearing	**32.3%**	32.6%

GROUP FINANCE *(continued)*

(i) The guaranteed notes and corporate bonds with terms for interest rate adjustment and sell back option at the end of second year from issue date

(ii) The guaranteed notes and corporate bonds with terms for interest rate adjustment and sell back option at the end of third year from issue date

(iii) The guaranteed notes and corporate bonds with terms for interest rate adjustment and sell back option at the end of fifth year from issue date

At 31 December 2021, the Group's available funds amounted to RMB173.21 billion comprising bank balances and cash of RMB130.96 billion and unused banking facilities of RMB42.25 billion. Among the bank balances and cash, 93.6% was denominated in Renminbi, 4.7% was denominated in Hong Kong dollars, 1.5% was denominated in US dollars, 0.2% was denominated in Pounds Sterling and a small amount was denominated in other currencies, while the above bank balances and cash also included the regulated pre-sales proceeds of properties of RMB23.54 billion.

RISKS OF EXCHANGE RATE AND INTEREST RATE VOLATILITY

In 2021, the global economy improved and policies remained stable, but the pandemic has not been fully controlled. China's economy continues to grow, while interest rates and exchange rates continue to fluctuate under the influence of repeated global pandemic outbreaks, uncertain economic recovery and other factors. The RMB exchange rate against the US dollar fluctuated greatly in the first half of the year, and showed an appreciating trend in the second half, benefiting from increases in demand for China's export and foreign exchange settlement. The Group offsets the corresponding risks mainly through natural hedging and has not participated in any speculative trading of derivative financial instruments, but will carefully consider whether to conduct currency and interest rate swaps at an appropriate time to hedge against corresponding risks. The Board believes that the Group's exchange rate and interest rate risks are relatively controllable.

OTHERS

CONTINGENT LIABILITIES

At 31 December 2021, the Group provided guarantees amounting to RMB67.45 billion for the repayment of mortgage bank loans granted to purchasers of the Group's properties. The Group had counter indemnities amounting to RMB1.27 billion for guarantees issued in respect of certain construction contracts undertaken by the Group.

In addition, as at 31 December 2021, the Group had provided guarantees to banks amounting to RMB340 million and RMB6.27 billion in respect of credit facilities granted and utilised by the Group's associates and joint ventures respectively.

The Group has never incurred any losses in the past as a result of granting such guarantees.

CHARGE OF ASSETS

At 31 December 2021, certain of the Group's assets with carrying values of RMB38.87 billion have been pledged to secure the bank borrowings and guaranteed notes and corporate bonds of the Group.

MAJOR RISKS AND UNCERTAINTIES

The business and prospects of the Group mainly depend on the performance of the property market in Mainland China, Hong Kong and Macau and are therefore affected by the risks associated with the property markets in Mainland China, Hong Kong and Macau, including economic situations, policy changes, exchange rate fluctuations, interest rate changes, adjustments of tax rules, and imbalances in supply and demand. In addition, the operation of the Group is also unavoidably affected by various industry-specific risk factors in property development, property investment and related businesses. Also, misconduct from buyers, tenants, and strategic business partners or other related factors may have negative impact to various extents on its operation. Further, the COVID-19 pandemic continued to affect the business and economic activities. The Group has formulated accident prevention systems and policies and endeavours to avoid occurrence of unexpected financial loss, litigation or reputational damage. In future, the Group will closely monitor changes in these risks and the environment. It will also pay attention to interest rate risk and foreign exchange risk and take timely measures to reduce any impacts on its business.

Directors and Organisation

From left to right: **Mr. ZHANG Zhichao, Mr. YAN Jianguo, Mr. LUO Liang, Mr. GUO Guanghui**

Directors and Organisation (continued)

BOARD OF DIRECTORS

Executive Directors

Mr. YAN Jianguo
Chairman and Executive Director

Aged 55, graduated from Chongqing Institute of Architectural and Engineering (now known as Chongqing University) majoring in Industrial and Civil Construction in 1989, and obtained an MBA degree from Guanghua School of Management in Peking University in 2000 and a PhD degree in Marketing from Wuhan University in 2017. Mr. Yan joined 中國建築集團有限公司 (China State Construction Engineering Corporation*) in 1989 and had been seconded to the Company twice. During the year 1990 to 1992, he had been working for the Shenzhen Branch of China Overseas Development Group Co., Ltd. (the "**Property Group**", a wholly-owned subsidiary of the Company) and had held a number of positions, including site engineer and department head. He was assigned to the Company again from 2001 to 2011 and had been Assistant General Manager of Guangzhou Branch, Deputy General Manager of Shanghai Branch, General Manager of Suzhou Branch, General Manager of Shanghai Branch, Vice Managing Director of the Property Group and President of Northern China Region. Mr. Yan had worked in 中國建築集團有限公司 (China State Construction Engineering Corporation*) from 2011 to June 2014 and had been Director of the General Office, General Manager of Information Management Department, Chief Information Officer and Assistant General Manager.

Mr. Yan joined Longfor Properties Co. Ltd. in June 2014 (listed in Hong Kong) and resigned on 5 December 2016. During the period, he had held a number of positions including Executive Director and the Senior Vice President. Mr. Yan was appointed Executive Director and Chief Executive Officer of the Company from 1 January 2017 and has become Chairman of the Company and continued to serve as Chief Executive Officer of the Company from 13 June 2017. Mr. Yan ceased to act concurrently as Chief Executive Officer of the Company on 11 February 2020.

Besides acting as the Chairman and Executive Director of the Company and a director of certain subsidiaries of the Company, Mr. Yan is currently the Chairman and President of China Overseas Holdings Limited ("**COHL**") and a director of certain of its subsidiaries, and Chairman and Non-executive Director of China State Construction International Holdings Limited (listed in Hong Kong). Mr. Yan also served as the Chairman and Non-Executive Director of China Overseas Property Holdings Limited (listed in Hong Kong) and China Overseas Grand Oceans Group Limited ("**COGO**") (listed in Hong Kong). COHL is the substantial shareholder of the Company within the meaning of the Securities and Futures Ordinance. He has about 32 years' experience in construction business, real estate investment and management.

* *English translation for identification purpose only*

Directors and Organisation (continued)

Mr. LUO Liang
Vice Chairman, Executive Director, Executive Vice President, Chief Operating Officer and Chief Architect, Member of the Corporate Governance Committee

Aged 57, graduated from Huazhong University of Science and Technology, holder of a master's degree, and a Professor-level Senior Architect. He joined the Group in 1999. Mr. Luo has been appointed as the Chief Architect of the Group and one of its subsidiaries from 18 October 2002 and 2 February 2018 respectively, the Executive Director of the Company from 22 March 2007, the Vice President of the Company in August 2009, the Executive Vice President and Chief Operating Officer of the Company from 26 May 2017 and the Vice Chairman of the Company from 11 February 2020. Besides acting as the Vice Chairman, Executive Director, Executive Vice President, Chief Operating Officer and Chief Architect of the Company, Mr. Luo was appointed Member of the Corporate Governance Committee of the Company on 29 March 2021. Mr. Luo is currently a director of certain subsidiaries of the Group. Mr. Luo has about 33 years' architectural experience.

Mr. ZHANG Zhichao
Executive Director and Chief Executive Officer

Aged 42, graduated from the Southeast University majoring in Construction Engineering in 2001. Upon graduation, he joined the Shanghai Branch of the Property Group, and since then, he worked in various business units within the Property Group, such as engineering department, investment planning department, and acted as Deputy General Manager of Suzhou Branch, General Manager of Hefei Branch, General Manager of Wuxi Branch, and General Manager of Suzhou Branch. Mr. Zhang has been serving as Assistant President of the Company and General Manager of Northern China regional companies since May 2017, and in January 2019, he was appointed as Vice President of the Company. With effect from 11 February 2020, Mr. Zhang has also been appointed as the Executive Director and Chief Executive Officer of the Company. Mr. Zhang is currently the director of COHL which is the substantial shareholder of the Company within the meaning of the Securities and Futures Ordinance, and a director of certain subsidiaries of the Group. He has about 20 years' experience in property development and corporate management.

Mr. GUO Guanghui
Executive Director and Vice President

Aged 49, graduated from Nanjing University of Science & Technology, holder of a master's degree, and is a senior accountant and a non-practising member of The Chinese Institute of Certified Public Accountants. He joined the Company and its subsidiaries in 2006 and is currently the Vice President of the Company and a director of certain subsidiaries of the Group and was appointed Executive Director of the Company with effect from 12 June 2018. With effect from 22 April 2021, Mr. Guo has been appointed as Non-Executive Director of COGO (listed in Hong Kong). Mr. Guo has about 27 years' management experience in corporate finance and accounting.

Directors and Organisation (continued)

Non-Executive Directors

Mr. ZHUANG Yong
Vice Chairman and Non-Executive Director

Aged 45, graduated from the Chongqing University majoring in construction project management, real estate development and corporate management in 2000, and obtained a master of Architecture and Civil Engineering in 2007 from Chongqing University. Mr. Zhuang joined the Property Group in 2000 and since then, he worked in various business units within the Property Group, such as human resources department, sales and marketing management department, and acted as Deputy General Manager of Shanghai Branch, General Manager of Nanjing Branch, General Manager of Suzhou Branch and Assistant General Manager of Western China regional companies. From 2015 to 2017, Mr. Zhuang served as the Assistant President of the Company and General Manager of Northern China regional companies, Vice President of the Company, and since October 2018, as General Manager of South China regional companies. With effect from 11 February 2020, Mr. Zhuang has also been appointed as the Non-Executive Director and Vice Chairman of the Board of the Company, and the Chairman and Executive Director of COGO (listed in Hong Kong). Mr. Zhuang is currently the director of COHL which is the substantial shareholder of the Company within the meaning of the Securities and Futures Ordinance. He has about 21 years' experience in corporate management.

Mr. ZHAO Wenhai
Non-Executive Director

Aged 54, graduated from Tsinghua University, obtained a Bachelor of Science in Engineering and a Master of Science in Engineering. Mr. Zhao has served as deputy general manager of Department of Strategic Development of CITIC Group Corporation ("**CITIC Group**") since December 2017. Mr. Zhao had been director assistant of Strategic and Planning Department, deputy general manager of Department of Risk Management, deputy general manager of Legal and Compliance Department of CITIC Group, general manager of CITIC Mining Technology Development Co., Ltd.. Mr. Zhao has been appointed as Non-Executive Director of the Company with effect from 20 October 2021.

Directors and Organisation (continued)

Independent Non-Executive Directors

Dr. FAN HSU Lai Tai, Rita
GBM, GBS, JP
Independent Non-Executive Director,
Chairman of the Nomination Committee,
Member of the Audit and Risk Management Committee,
Member of the Remuneration Committee,
Member of the Corporate Governance Committee

Aged 76, joined the Board as an Independent Non-Executive Director of the Company on 2 February 2009 and has served the Company for about 13 years. Dr. Fan is a Member of the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee of the Company and has been appointed as Chairman of the Nomination Committee of the Company on 2 February 2009. Dr. Fan has been appointed Member of the Corporate Governance Committee of the Company on 29 March 2021. She is one of Hong Kong's best-known public figures and has an outstanding track record of service to the community. Dr. Fan was appointed to the Legislative Council from 1983 to 1992 and was a Member of the Executive Council from 1989 to 1992. She became the President of the Provisional Legislative Council in 1997, and has since been re-elected as the President of the First, Second and Third Legislative Council. Her term of office ended on 30 September 2008. Dr. Fan has served as President of the legislature of the Hong Kong Special Administrative Region ("**HKSAR**") for 11 years.

In the lead-up to Hong Kong's reunification with China, Dr. Fan played a valuable role as a Member of the Preliminary Working Committee for the Preparatory Committee for the HKSAR from 1993 to 1995 and of the Preparatory Committee for the HKSAR from 1995 to 1997. She was elected as a Hong Kong Deputy for the Ninth to Twelfth sessions of the National People's Congress ("**NPC**") during 1998 to 2018, and served as a Member of the Eleventh and Twelfth sessions of the Standing Committee of the NPC from 2008 to 2018. Dr. Fan is a Non-official Member of the Candidate Eligibility Review Committee of the HKSAR. She is now serving as the Chairman of Board of Management of Endeavour Education Centre Limited and the Endeavour Education Trust and a member of Hong Kong Laureate Forum Council.

After graduating from St. Stephen's Girls' College, Dr. Fan studied at the University of Hong Kong, and was awarded a bachelor's degree in Science, and later on, received a master's degree in Social Science. She also received the Honorary Doctorate in Social Science from the University of Hong Kong, the City University of Hong Kong, the Hong Kong Polytechnic University, and the Education University of Hong Kong respectively, and an Honorary Doctorate in Law from the China University of Political Science and Law of the People's Republic of China. Her record of public service has been acknowledged by the HKSAR Government through the award of the Gold Bauhinia Star in 1998 and Hong Kong's top award, the Grand Bauhinia Medal, in 2007.

She is also an Independent Non-Executive Director, a Member of the Audit Committee, the Nomination Committee and the Chairman of the Remuneration Committee of COSCO SHIPPING Ports Limited (formerly known as COSCO Pacific Limited) (listed in Hong Kong); and an Independent Non-Executive Director, the Chairman of the Remuneration Committee and a Member of the Nomination Committee of The Bank of East Asia, Limited (listed in Hong Kong).

She served as an Independent Non-Executive Director, a Member of the Nomination Committee, the Audit Committee and the Chairman of the Remuneration Committee of China Shenhua Energy Company Limited; and an Independent Non-Executive Director, a Member of the Nomination Committee and the Chairman of the Remuneration Committee of COSCO SHIPPING Holdings Co., Ltd.* (formerly known as China COSCO Holdings Company Limited).

* *English translation for identification purpose only*

Directors and Organisation (continued)

Mr. LI Man Bun, Brian David
JP, MA (Cantab), MBA, FCA
Independent Non-Executive Director,
Chairman of the Audit and Risk Management Committee,
Member of the Nomination Committee,
Member of the Remuneration Committee,
Member of the Corporate Governance Committee

Aged 47, Mr. Li joined the Board as an Independent Non-Executive Director of the Company on 19 March 2013 and was appointed Chairman and Member of the Audit and Risk Management Committee, Member of the Nomination Committee and Member of the Remuneration Committee on the same day. He was appointed Member of the Corporate Governance Committee on 29 March 2021. Mr. Li is Co-Chief Executive of The Bank of East Asia, Limited ("**BEA**") (listed in Hong Kong), responsible for the overall management and control of BEA with a particular focus on its China and international businesses. Mr. Li joined BEA in 2002 and served as General Manager & Head of Wealth Management Division from July 2004 to March 2009. Mr. Li was subsequently appointed Deputy Chief Executive in April 2009, Executive Director in August 2014, and Co-Chief Executive of BEA in July 2019.

Mr. Li is currently an Independent Non-Executive Director and Chairman of the Board Audit and Risk Committee of Towngas Smart Energy Company Limited (formerly known as Towngas China Company Limited) (listed in Hong Kong), an Independent Non-Executive Director and Chairman of the Remuneration Committee of Shenzhen Investment Holdings Bay Area Development Company Limited (listed in Hong Kong), and an Independent Non-Executive Director of Guangdong Investment Limited (listed in Hong Kong).

Mr. Li holds a number of public and honorary positions, including being a member of the National Committee of the Chinese People's Political Consultative Conference, a member of the Chief Executive's Council of Advisers on Innovation & Strategic Development of the Government of the Hong Kong Special Administrative Region, a Council Member of the Hong Kong Trade Development Council, a Director of the Financial Services Development Council, and a Vice Chairman of the Asian Financial Cooperation Association.

Mr. Li is a Fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. He is also a Member of the Hong Kong Academy of Finance and a Full Member of the Treasury Markets Association. Mr. Li holds an MBA degree from Stanford University and a BA degree from the University of Cambridge.

Directors and Organisation (continued)

Professor Chan Ka Keung, Ceajer
GBS, JP
Independent Non-Executive Director,
Chairman of the Remuneration Committee,
Chairman of the Corporate Governance Committee,
Member of the Audit and Risk Management Committee,
Member of the Nomination Committee

Aged 65, Professor Chan joined the Board as an Independent Non-Executive Director of the Company on 27 June 2020 and was appointed Chairman and Member of the Remuneration Committee, Member of the Audit and Risk Management Committee and Member of the Nomination Committee on the same day. He was appointed Chairman of the Corporate Governance Committee on 29 March 2021. Professor Chan is the chairman of WeLab Bank Limited and senior advisor of WeLab Holdings Limited, a leading fintech company in Asia with one of the first virtual banks established in Hong Kong. He was appointed as Secretary for Financial Services and the Treasury of the Government of the Hong Kong Special Administrative Region from July 2007 to June 2017. Prior to that, he was Dean of Business and Management in the Hong Kong University of Science and Technology ("**HKUST**"). He is currently Adjunct Professor at HKUST Business School and received the Honorary Doctorate from HKUST in July 2020.

Professor Chan received his bachelor's degree in economics from Wesleyan University and his M.B.A. and Ph.D. in finance from the University of Chicago. He specialised in assets pricing, evaluation of trading strategies and market efficiency and has published numerous articles on these topics.

Professor Chan is a member of Competition Commission. In the past, he held a number of public service positions including chairman of the Consumer Council, director of the Hong Kong Futures Exchange, and member of the Commission on Strategic Development, Commission on Poverty, the Exchange Fund Advisory Committee, the Hang Seng Index Advisory Committee, the Hong Kong Council for Academic Accreditation and non-executive director of The Hong Kong Mortgage Corporation Limited.

In addition, Professor Chan is also an independent non-executive director of Guotai Junan International Holdings Limited, Langham Hospitality Investments and Langham Hospitality Investments Limited, NWS Holdings Limited and Hong Kong Aerospace Technology Group Limited, all of which are listed in Hong Kong. He is also a non-executive director of Tricor Group, an independent non-executive director of CMB International Capital Corporation Limited and Greater Bay Area Homeland Investments Limited. Professor Chan was a non-executive director of MTR Corporation Limited (listed in Hong Kong) from 2007 to July 2017.

Directors and Organisation (continued)

Senior Management

Mr. QI Dapeng
Vice President
Aged 51, graduated from Jilin University and Harbin Institute of Technology, holder of a master's degree, senior accountant. He joined the Group in 1997, and has about 30 years' experience in finance and corporate management.

Mr. OUYANG Guoxin
Vice President
Aged 54, graduated from Chongqing Normal University, holder of an Executive Master of Business Administration from Tsinghua University and a Doctor of Economics from Peking University, senior economist. He joined the Group in 1997. Mr. Ouyang has about 32 years' experience in construction and corporate management.

Mr. CHEN Deyou
Vice President
Aged 51, graduated from Beijing Normal University, holder of a master's degree in Laws from Valparaiso University, senior accountant, senior economist. He joined China State Construction Engineering Corporation in 1993, and joined the Group in 2017. Mr. Chen has about 29 years' management experience in corporate finance and law.

Mr. LUI Sai Kit, Eddie
Chief Financial Officer
Aged 58, graduated from York University, holder of a master degree in Business Administration from University of Ottawa in Canada. Mr. Lui is a member of the Hong Kong Institute of Certified Public Accountants, the American Institute of Certified Public Accountants, the Chartered Institute of Management Accountants of United Kingdom and the Chartered Professional Accountants of Canada. Mr. Lui joined the Group in 2018 and has about 35 years' experience in financial management and corporate financing.

Mr. XU Wendong
Vice President
Aged 55, graduated from Harbin Institute of Civil Engineering and Architecture (now known as Harbin Institute of Technology), senior engineer, architect. He joined the Group in 2001. Mr. Xu has about 34 years' experience in architectural design and corporate management.

Mr. LIU Xianyong
Vice President
Aged 50, graduated from Harbin University of Architecture and Engineering (now known as Harbin Institute of Technology), senior economist. He joined the Group in 1995. Mr. Liu has about 27 years' experience in sales and marketing planning and corporate management.

Mr. XU Feng
Vice President
Aged 46, graduated from Zhejiang University, senior engineer. Mr. Xu joined China State Construction Engineering Corporation in 1999, joined the Group in 2004. Mr. Xu has about 24 years' management experience in human resources management and corporate management.

Mr. LIU Huiming
Vice President
Aged 44, graduated from Tsinghua University, holder of a master's degree in Engineering, senior engineer. He joined the Group in 2003. Mr. Liu has about 19 years' management experience in construction and corporate management.

Ms. XU Xin
Assistant President
Aged 53, graduated from Beijing Institute of Civil Engineering and Architecture (now known as Beijing University of Civil Engineering and Architecture), holder of a Master of Business Administration from Cheung Kong Graduate School of Business, senior engineer. She joined a subsidiary of China State Construction Engineering Corporation in 1995, and joined the Group in 2014. Ms. Xu has about 31 years' experience in construction, engineering and corporate management.

Mr. LIU Changsheng
Assistant President
Aged 44, graduated from Hunan Normal University and holds a master's degree in management from Nanjing University. He joined the Group in 2004. Mr. Liu has about 18 years' experience in sales and marketing planning and corporate management.

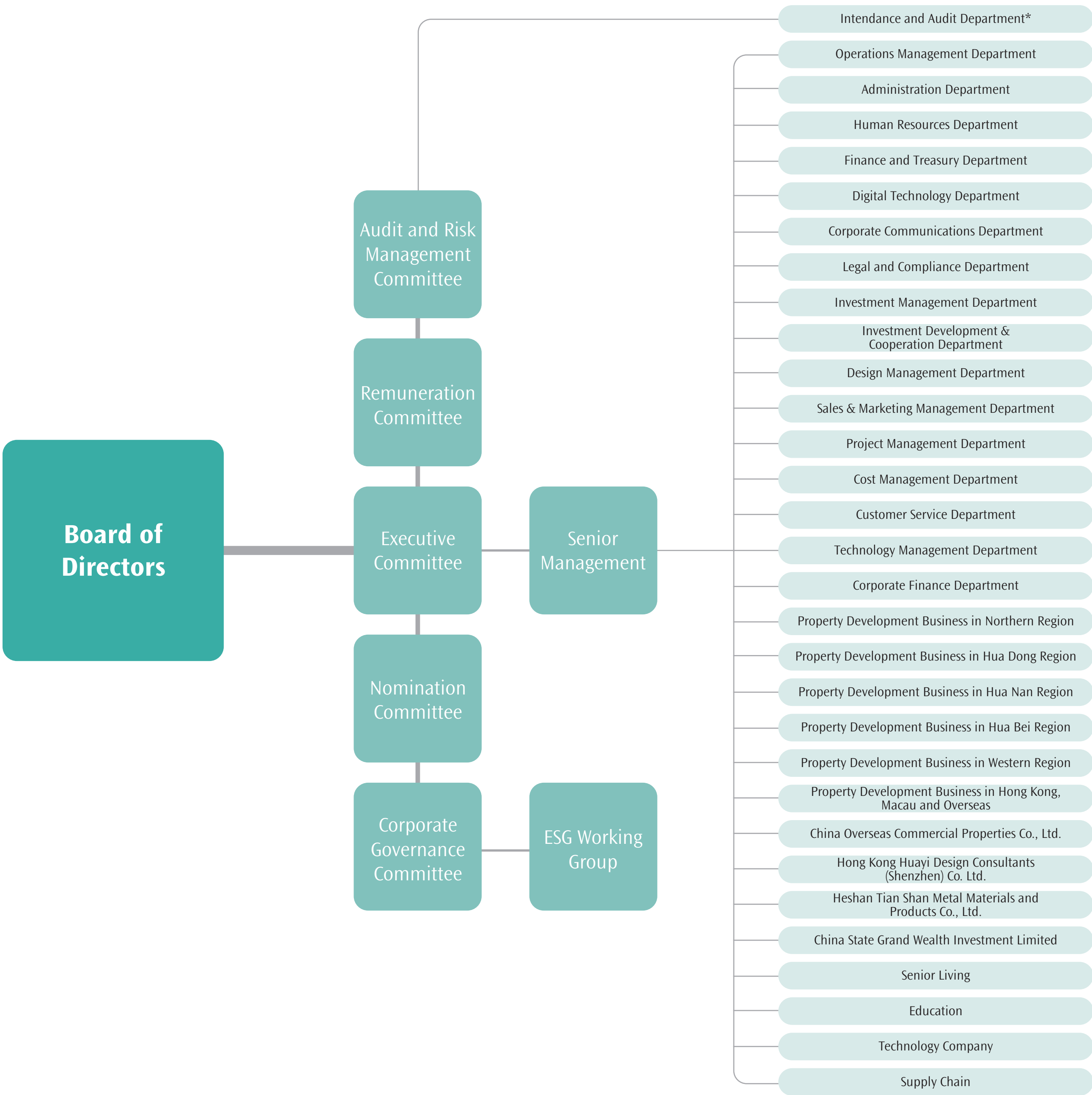
Mr. LI Yingjun
Assistant President
Aged 43, graduated from Southeast University and holds a master's degree in management from Southeast University. He joined the Group in 2003. Mr. Li has about 19 years' experience in investment planning, sales and marketing planning and corporate management.

Mr. WANG Linlin
Assistant President
Aged 44, graduated from Shenyang Institute of Civil Engineering and Architecture, and holds a master's degree in management from Harbin Institute of Technology. He is a senior engineer. He joined China State Construction Engineering Corporation in 2000 and joined the Group in 2007. Mr. Wang has about 22 years' experience in human resources, commercial operations and corporate management.

Mr. GUO Lei
Assistant President
Aged 50, graduated from Shenyang Institute of Civil Engineering and Architecture, and holds a master's degree in management from Harbin University of Architecture and Engineering (now known as Harbin Institute of Technology) and a doctorate degree in management from Harbin Institute of Technology. He is a professor-level senior engineer. He joined the Group in 2003. Mr. Guo has about 29 years' experience in engineering, contract and corporate management.

Directors and Organisation (continued)

ORGANISATION CHART OF CHINA OVERSEAS LAND & INVESTMENT LIMITED



* *Risk Management Team is set under Intendance and Audit Department.*

Sustainable

Paramount Jade, Jinan

Development

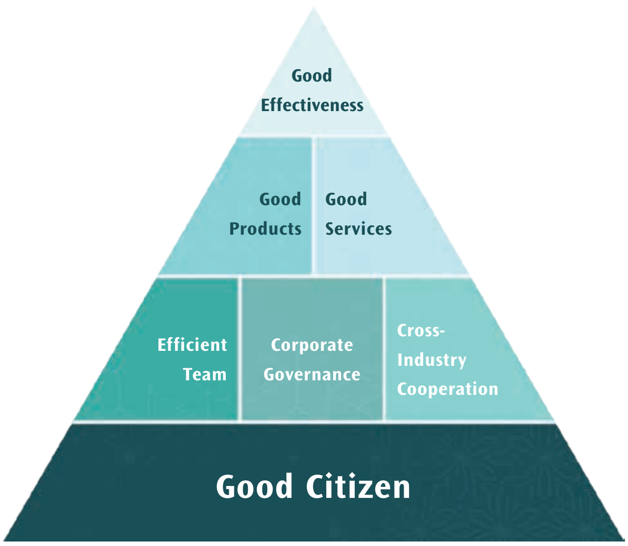
Sustainable Development

Pursuing the strategic objective of "becoming an exceptional global property development corporation", the Group firmly adheres to its sustainability strategy of "Four Excellences" and provides its customers with "Good products and services", encourages our professional team to improve efficiency, pursues innovation and change, fulfills its corporate social responsibility of being a "Good Citizen" and achieves long-term and persistent "Good Effectiveness".

SUSTAINABILITY REPORT

During the year, the Group continued to improve disclosure transparency of the Environmental, Social and Governance (ESG) report in compliance with the Guidance under Appendix 27 of the Hong Kong Stock Exchange and the GRI guidance and with reference to SASB and SDGs. With growing concern for climate change issues, during the period, the Group commenced works pertaining to climate change risks, as well as started a work plan on managing 2020-2023 climate change issues with reference to the TCFD framework, responding to the expectations of the capital market.

The Board of Directors of the Company in 2020 delegated the Executive Committee to be responsible for the Company's ESG matters. To strengthen the Board's involvement in all ESG-related matters, a Board-level Corporate Governance Committee, where the majority of its members is Independent Non-executive Directors of the Company, has been established in March 2021 so as to take its corporate responsibility and sustainable development to the next level. The Corporate Governance Committee provided long term direction and strategies on sustainability-related matters, identify ESG risks, and review and monitor management's execution of sustainability projects. To support the Corporate Governance Committee, we also have an established organization structure of an ESG working group, and had established the ESG strategic framework under the framework of being "a Company of Four Excellences", for planning and achieving qualitative and quantitative sustainability targets, which covered from green building area, air quality testing, customer satisfaction, employee satisfaction, employee training, carbon emissions to energy consumption density.



■ "Four Excellences" ESG Strategic Framework

Being well-recognised by the market for such measures, the Company was included in the "HSI ESG Index" and "HSI Low Carbon Index" newly introduced by Hang Seng Index Company Limited in November of the year. COLI has a higher weighting in these two indexes than that of HSI due to lower ESG risk and carbon emission than other peers. The Group also continued to be admitted into index constituents of the Hang Seng Corporate Sustainability Index and the Hang Seng ESG 50 Index, and was rated as "low risk" by Sustainalytics.

RELATIONSHIP WITH KEY STAKEHOLDERS

Inter-departmental communication and cooperation are essential to sustainability management. During the year, the ESG working group held quarterly meetings, so as to review the implementation progress of the "2023 Sustainability Targets" and the gap compared to corresponding regulatory and capital market requirements in 2021; conducted internal environmental analysis and proposed improvement plans; and reviewed major sustainability issues and strategic framework for COLI.

SUSTAINABLE BUILDINGS

The Group established and disclosed on the website "Sustainable Development Policy" and "Environmental Policy", which define its management directions for improving environmental sustainability in its business strategies. By implementation of various management system and programs, the Group is committed to incorporate environmental considerations into architectural design, construction and operation, which include but are not limited to adopting sustainable building design and operating standards, procuring products that have lower environmental impact, improving energy efficiency and fulfilling targets on reducing carbon emission.

Sustainable Development (continued)

SUSTAINABLE BUILDINGS *(continued)*

The Group complies with and strives to go beyond requirements of environment-related laws. The Group continues to optimise and implement the internal construction standards of "Technical Guidance for Green Building", and other green building standards such as "Technical Manual for Green Building", which are compiled based on Mainland China's "Evaluation Standard of Green Building" and the American LEED evaluation criteria.

During the year, with insights into customers' demand for healthy living, the Group developed and released the "China Overseas Standards for Green and Healthy Residential Properties", which adhere to Mainland China's "Evaluation Standard of Healthy Building" and the American WELL evaluation standards, and activated pilot projects to continuously practice the environmental philosophy of "Smart Technology, Green and Health".

The Group established environment governance standard for suppliers and contractors in accordance with Suppliers Code of Conduct and other relevant policies as well as five major building industrial core technologies, namely standardized design, industrialized production, prefabricated construction, integrated decoration and information management. During the year, the Group also updated Suppliers Code of Conduct and incorporated ESG elements as a part of the contract.

In 2021, 80 projects of the Group had implemented green building certification with a certified GFA of 12.73 million sq m. In particular, the project of The U World, Chongqing has obtained COLI's first national three-star green building label in Chongqing; China Overseas Fortune Centre (Jin An) and Uni Elite have obtained COLI's first LEED platinum certification. Aiming to build the first 5A-level high-rise office building with near zero energy consumption and zero carbon building (operation stage) in China, China Overseas Building has obtained the national three-star green building label, three-star healthy building label, near-zero energy building, WELL, LEED and a variety of pre-authentication.

As of the end of 2021, the Group has accumulated 490 certifications with an accumulative green GFA reaching 89.27 million sq m, including National Green Building Star Certifications, US LEED certification, US BOMA certification, US WELL certification and UK BREEAM certification, ranking the first in China green building property for the third consecutive year.

The Group continues to promote low-carbon and environmentally-friendly operations for owned commercial properties, strengthening energy consumption management, waste management and separation and recycling. During the year, 10 commercial projects implemented waste sorting and recycling services, and a total of about 8,500 tons of waste have been successfully sorted. There are three to four categories of waste, such as recyclables, other waste, kitchen waste or hazardous waste. In order to improve the accuracy of garbage collection and encourage engagement of merchants, the commercial project held garbage classification education and training sessions during the year and more than 5,600 people get trained.

■ China Overseas Building has obtained a variety of pre-authentication

Sustainable Development (continued)

CUSTOMER SERVICE

The Group regards its customers as the driving force behind the Group's efforts in sustainable development and product innovation. The Group upholds the philosophy of providing full-cycle customer service from project positioning, design, construction, sales to post-property occupation service; it continues to include customer satisfaction review in its performance appraisal, so as to constantly improve its products and services.

During the year, the Group completed a customer satisfaction survey with over 120,000 random samples and achieved customer satisfaction score of 88% for 2021, ranking among the top three in the industry. The survey's evaluation indicators covered various aspects such as customer loyalty, repurchase intention and recommendation intention.

Customer evaluation was incorporated into our service monitoring means in 2021. With 6 online real-time evaluation touchpoints from site visits, contract signing, construction site opening, centralized handover to daily maintenance reporting. The service touchpoints will be triggered by SMS and WeChat the next day and supported by the hotline 95112. This instant customer evaluation could help to improve our products and services at different phases more immediately and quickly.

This year, "China Overseas Property Club ("COPC") held over 700 networking activities nationwide, attracted over 180,000 participants, and provided a variety of community cultural activities for thousands of households, which has been highly appreciated by the majority of owners.

■ China Overseas Networking Activities

STAFF DEVELOPMENT

A stable and efficient staff team is the key to a company's success. By taking employees' "talent" and "satisfaction" as two main focuses, the Group continuously refines its performance appraisal and remuneration system, the working environment and networking activities to enhance employees' satisfaction and sense of belonging. As of the end of December, the Group employed 5,692 full-time employees with ratio of male and female employees being 2.36:1.

The Group continued to expand recruitment channels to select talents through three major recruitment brands, namely "Sons of the Sea", "Sea's Recruits" and "Stars of the Sea". During the year, the Group was awarded the "2021 China Excellent Talent Management Award". The Group launched the share options incentive scheme in 2018, 2020 and 2021, and granted a total of 400,290,000 shares to reward 1,597 senior management, core technical and management personnel of the Company who directly contributed to the overall business performances and development of the Company.

■ 2021 Recruitment Talk for "Sons of the Sea"

The Group's training mainly centred on "improving systems, empowering business development and strengthening synergy". We look into areas for improvement of talents and integrate them into business development with value creation as its driving force. By the end of December, the Group conducted more than 600 training sessions for over 110,000 staff. Annual training hours per employee were 86 hours, which included project team business knowledge and capability as well as strong business team building.

Sustainable Development (continued)

STAFF DEVELOPMENT *(continued)*

The Group values employees' health and work-life balance. During the year, the Group provided all employees with annual routine medical examinations and supplementary medical insurance to enhance medical protection. We also established an employee care programme to provide support and assistance to those who suffer from illness or difficulties. During the year, we organised employee social activities and upgraded our office and cafeteria facilities. With outstanding performance in talent development and corporate governance, the Group won many employer recognition awards in 2021.

CARING FOR THE COMMUNITY AND MAKING CONTRIBUTIONS

In response to the recurrent COVID-19 outbreak in the year, the Group continued to fulfill its corporate social responsibility in pandemic prevention and control by establishing pandemic prevention and control regime, using various channels such as WeChat official account, APP, lobby electronic screen, elevator LED screen and public areas in buildings to disseminate knowledge and information on pandemic prevention and control in a timely manner. Furthermore, it conducted trainings and seminars on pandemic prevention for employees, homeowners and tenants through point-to-point, small-group meetings and short videos, etc.

In order to ensure the safety and protection of every employee, while putting in place a shift duty system during the pandemic to maintain daily operation and protecting the health and safety of staff, the Group compiled an internal pandemic prevention and control regime and a pandemic prevention manual for employees, provided promotion/assistance to its tenants, and step up patrols to ensure the cleanliness of shopping malls and office buildings.

The Group participated in construction of affordable housing and renovation of shantytowns and took the initiative to involve in livelihood protection projects. During the year, a construction area equivalent to 502,000 sq m of the Group's affordable housing was added in 19 cities, including Beijing, Shanghai, Guangzhou, Shenzhen, Fuzhou, Harbin, Hangzhou, Jinan, Nanjing, Ningbo, Qingdao, Shijiazhuang, Taiyuan, Wuhan, Xi'an, Xiamen, Urumqi in Xinjiang, Yantai and Zhuhai, with an accumulated GFA of 3.724 million sq m to address housing difficulties for low-income families.

In 2021, COLI continued to facilitate rural revitalization in three counties in Gansu Province with a focus on Zhuoni County, assisting in selection of native agriculture product and creating a quinoa brand, "Vale of Clouds" by cooperating with local government. More than 70 promotion activities of "Sea of Hope, Rural Revitalization" were carried out across the country, successfully driving the sale of 250,000 boxes of agricultural products. And the Group donated to build the China Overseas Wenjia River Hope Primary School in Kangle County and three 'Future Experimental Classes' in Kang County, Kangle County and Zhuoni County. During the year, we were also awarded the "Outstanding Contribution Award for Poverty Alleviation".

In next stage, COLI will launch product promotion initiative throughout the country, leveraging on its advantages in resources of own customer base and conduct online and offline marketing of properties for sale that have been deployed by the Company to nearly 10 million property owners and customers. We will also offer customers quinoa products for free to attract their attention, enhance brand awareness and broaden sales network, which will in turn drive the development of local quinoa industry and facilitate sustain revenue growth of farmers.

Poster of "Sea of Hope, Rural Revitalization"

Technology & Innovation Classroom of Wenjia River Hope Primary School

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group mainly engages in property investment and development in the PRC, which is under strict regulation. The laws and regulations relating to the Group's operations cover these aspects:

- Establishment of a real estate development enterprise
- Qualification of a real estate developer
- Land for property development
- Sale of commodity properties
- Transfer of real estate
- Mortgages of real estate
- Real estate management
- Measures on stabilizing property prices
- PRC taxation
- Foreign currency exchange
- Labour protection

Major laws or regulations	Issues of Concern	Compliance measures
• Environmental Impact Assessment Law of the People's Republic of China • Administrative Regulations on Environmental Protection for Construction Projects	Construction work commencement permit	Environmental impact assessment has been undertaken to ensure that all new projects of the Group undergo a comprehensive review before they are constructed.
• Environmental Protection Law of the People's Republic of China • Administrative Regulations on Environmental Protection for Construction Projects • Administrative Regulations on Environmental Protection for Acceptance Examination upon Completion of Buildings • Technical Guidelines of Environmental Protection Inspections for Completed Construction Projects – Pollution Impacts Category • Prevention and Control of Noise Pollution Law of the People's Republic of China • Water Pollution Prevention and Control Law of the People's Republic of China • Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste	Protection of the environment and preservation of antiquities and monuments	The Group has established a quality assessment system to regulate the construction work process. The Group has appointed a third-party supervision unit to provide construction supervision services for its property development projects in Mainland China. The Group obtained environmental protection acceptance and inspection approvals for all projects.

Sustainable Development (continued)

RELATIONSHIP WITH KEY CORPORATE STAKEHOLDERS

Employees

The Group's employees are located across a number of cities and offices across the PRC. The Group's human resources management policy focuses on two areas:

- Personal development
- Equal opportunity

The Group maintains and strengthens its core competencies through continuous investment in training and development and maintaining workforce diversity. The annual training hours per employee were 86 hours in 2021. Property development is one of the industries with the highest ratio of male employees. In terms of gender distribution, the ratio of male to female employees is approximately 2.36:1 (2020: 2.54:1). The Group will continue to monitor diversity indicators and encourage female participation in the industry.

Customers

The Group builds its brand by offering customer-oriented products and services to customers. With business focused on Mainland China, the Group develops a wide variety of medium-to-high-end properties in each region to satisfy the needs of different types of customers. To better understand our customers, the Group has been conducting customer satisfaction surveys on a regular basis. The Group has also established an owners' corporation to serve as a critical communication channel between the Group and its customers and a driving force for the Company's community volunteering efforts. The Group will continue to broaden the range of property products, optimize the project development cycle, enhance property quality and improve customer services, in response to and even exceed the rising expectations of our customers.

Suppliers

The Group's suppliers, most of which are engineering suppliers providing major materials, equipment and services for the Group's property development projects, are located across Mainland China. As a quality-based national brand, the Group has been working closely with its suppliers. Through supplier screening, evaluation, annual assessment, other management systems and regular communication, the Group makes every effort to ensure that the suppliers share its belief in upholding high product quality and integrity-based corporate culture.

Contractors

The Group outsources the construction process of its property development projects to the contractors. The Group maintains a long-term cooperation relationship with the contractors to ensure strong execution capabilities with standardized and scalable property development procedures. The Group has placed and will continue to place significant emphasis on quality control, environmental protection, health and safety over its project development. Through the implementation of integrated assessments, the Group cooperates with contractors to ensure quality control, environmental protection as well as health and safety of property development projects. Details of the above will be disclosed in the Group's Environmental, Social and Governance Report to be published in May 2022.

Accolades & Awards 2021

Award	Organizer
Sustainable Development Excellence Award 2021	The 10th China Finance Summit
China Property Award of Supreme Excellence	The Hong Kong Institute of Financial Analysts and Professional Commentators Limited
ESG Benchmark Awards – The ESG Leader (Platinum)	The Institute of ESG & Benchmark
Leading 9+2 The Best Real Estate Development Award of Guangdong-Hong Kong-Macao Greater Bay Area	The Hong Kong Tai Kung Wen Wei Media Group, the Hong Kong Chinese Enterprise Association, the Hong Kong Guangdong Association of Associations, and the Greater Bay Area Financial Technology Promotion Association
11th Asian Excellence Award 2021 – Best Investor Relations Company – China – Asia's Best CEO	Corporate Governance Asia
ESG Leading Enterprise Awards 2021	Bloomberg Businessweek
Hong Kong Outstanding Listed Enterprises 2021 – Real Estate Category	Economic Digest
The Asset ESG Corporate Awards 2021 – Gold Award	The Asset
Evergreen Award – Award for Outstanding Sustainable Development (3 years consecutively)	Caijing Magazine

Accolades & Awards 2021 (continued)

Award	Organizer
No. 1 in the China Real Estate Developers Brand Value 2021	China Real Estate Association, Shanghai E-House Real Estate Research and Training Institute, China Real Estate Appraisal
No.1 in the Blue Chip Real Estate Developer 2021 (18 years consecutively)	The Economic Observer
No.1 in Top 30 Listed Mainland Real Estate Companies of the Year 2021 (Property G30)	Guandian New Media
No.1 in "2020 Top 10 Listed Mainland Real Estate Companies in Solvency"	Guandian New Media
China Valuable Real Estate Awards 2021 – City Operator of the Year	National Business Daily
No.1 in Mainland China Real Estate Industry 2021 – Leading Company Brand & Brand Val (18 years consecutively)	China Enterprise Evaluation Association, Institute of Real Estate Studies of Tsinghua University, Beijing China Index Academy
Best Employer in Mainland China Real Estate Industry 2021	2021 China Real Estate Industry Organization Management Summit
No.1 in 2021 Top 100 China Real Estate Companies in Organisation Management	2021 China Real Estate Industry Organization Management Summit

Investor Relations

The management and Corporate Communications Department of the Group update investors (including shareholders, bond investors and analysts) on the Group's performance and business operations through various channels. Following the release of interim and annual results, press conferences, analyst meetings and post results road shows are held to meet with investors, collect opinions and answer queries directly. The Group voluntarily discloses certain unaudited operating and financial data on a quarterly basis, and announces property sales results and new land acquisitions on a monthly basis to improve the transparency of information disclosure.

The Group communicates and connects closely with investors and interacts with them through conferences arranged by investment banks, company visits, conference call and site visits to property projects. During the year, the Group participated in 20 investment conferences, communicated with more than 1,000 investors and organised 10 deal/non-deal roadshows.

With a gradual interconnection between the Hong Kong and Mainland China stock market and bond market, the Group maintains regular communications with mainland investors, and further expands into mainland capital market. Investors from all sectors can obtain more information about the Group by clicking on the page "Investor Relations" at the Group's website.

Investor Relations (continued)

MAJOR INVESTOR RELATIONS ACTIVITIES IN 2021

During the year, the Group participated in 20 investment conferences, communicated with more than 1,000 investors and organised 10 deal/non-deal roadshows.

Months	Activities
March – May	Announcement of 2020 annual results – Press conference – Analyst briefing – Post results roadshows 24th Credit Suisse Asia Investment Conference Shenwan Hongyuan Reverse Roadshow BofA 2021 Asia Financial and Real Estate Stocks and Credit Summit Morgan Stanley 2021 China Investment Summit
June	2021 Nomura Investment Forum Asia JPM Global China Summit 2H2021 CICC investment Strategy Conference 6th CGS-CIMB Property and Property Management Conference Credit Suisse HK/China Property Corporate Day Citi Asia Pacific Property Conference
August	Announcement of 2021 interim results – Analyst briefing – Post results roadshows
September – December	Jefferies Asia Investment Conference Annual CITIC CLSA Investors' Forum 2021 BofA Global Property Investment Conference Goldman 2021 China Investment Conference Citi 2021 China Investment Conference Credit Suisse 2021 China Investment Conference BofA 2021 China Investment Conference 2021 CICC Investment Forum Huaitai Securities 2022 Investment Conference Morgan Stanley 20th Online Asia Pacific Investment Forum

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

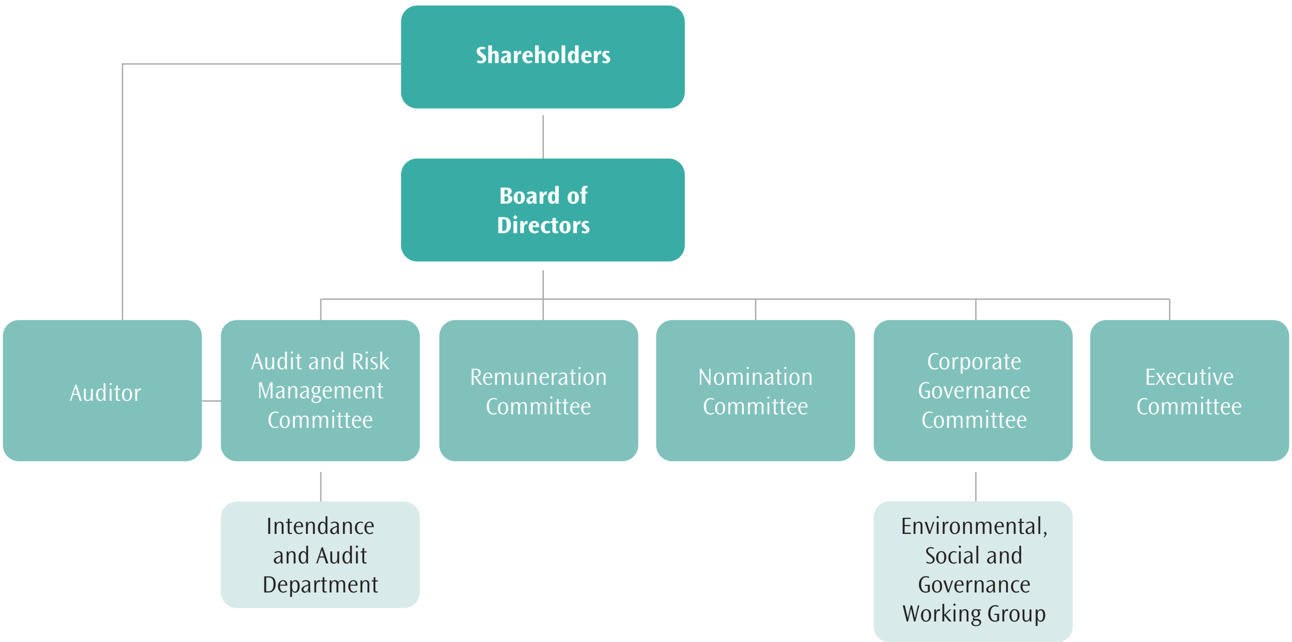
The board (the "**Board**") of directors of the Company (the "**Directors**") believes that good corporate governance practices are the keys to attain long-term and sustainable growth of the business and safeguard the interests of its shareholders. The Company strives to strengthen its corporate governance practices appropriate to the conduct and growth of the Group's business, the cornerstone of which is to have an experienced, committed Board and an effective internal control to enhance its transparency and accountability to the shareholders of the Company.

The Company has applied the principles set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Board is of the view that the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2021, with the exception that the Non-executive Directors are not appointed for a specific term. Key corporate governance principles and practices of the Company as well as the status of the Company's compliance with the CG Code are summarised below.

CORPORATE GOVERNANCE STRUCTURE

The following persons are contributing to the Company's corporate governance:



BOARD OF DIRECTORS

Management Functions

The Board is responsible for the overall strategic leadership and management of the Group with the objectives of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in the annual and interim reports, announcements and other financial disclosures as required under the Listing Rules, and reports to regulators any information required to be disclosed pursuant to statutory requirements.

Having regard to the best interests of the Company and its shareholders, the Board reviews and approves major matters such as the Company's business strategies, budgets, major investments as well as mergers and acquisitions. In addition, the Board supervises and controls the implementation of strategies of the Company and its operation and financial performance of the Company, formulates appropriate risk control policies and procedures in pursuit of the business strategies of the Group, performs and maintains a high standard of corporate governance of the Company and promotes the communication with its shareholders.

The day-to-day management, administration and operation of the Company are delegated to the Executive Committee of the Company and the management team. The Board gives clear directions to the management as to their powers and authorities, and circumstances in which the management should report back to the Board and obtain approval from the Board prior to entering into any commitment by the management.

The Board also delegates certain specific responsibilities to five Board committees of the Company, namely the Executive Committee, the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee (established on 29 March 2021), to implement internal supervision and control on each relevant aspect of the Company. Responsibilities and functions of each Board committee are described below. All the Board committees will report to the Board on their decisions or recommendations made.

Board Composition

The Board currently consists of four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. The biographical details of the Directors and the relationships among the Directors, if any, are set out in the section headed "Directors and Organisation" on pages 77 to 85 of this annual report.

Since 6 August 2013, the Board has adopted a board diversity policy ("**Board Diversity Policy**") in order to achieve a sustainable and balanced development of the Company. In designing the Board's composition, Board diversity takes into account various factors, including but not limited to gender, age, educational background, professional experience, knowledge, culture and length of service. All Board appointments will be based on meritocracy and selection of candidates will be based on a range of diversity factors. The Nomination Committee is responsible for reviewing the Board Diversity Policy (if necessary), making recommendation to the Board of the amendment of this policy and developing measurable objectives for implementing this policy and monitoring progress towards the achievement of these objectives.

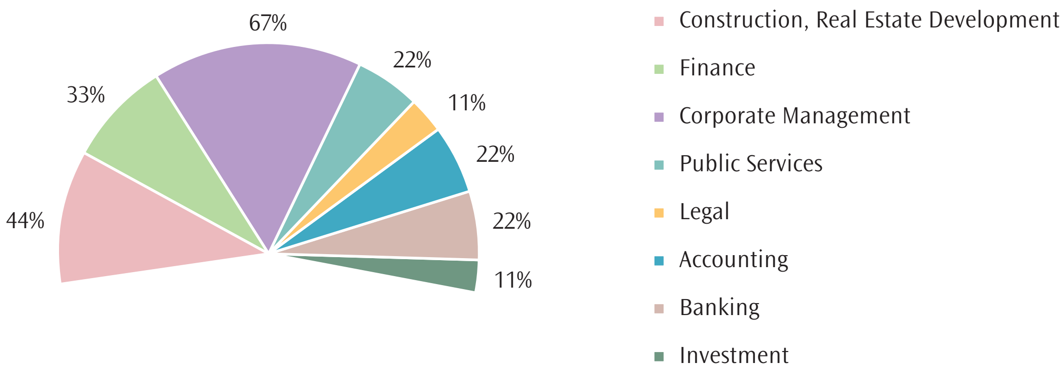
BOARD OF DIRECTORS *(continued)*

Board Composition *(continued)*

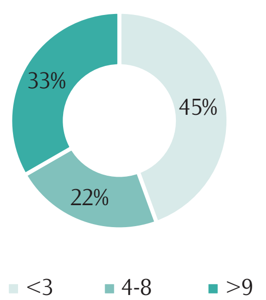
The current composition of the Board reflects an appropriate mix of skills, experience and diversity of perspectives among its members that are relevant to the Company's strategy, governance and business and contribute to the Board's effectiveness.

Board composition and diversity are as follows as at 31 December 2021:

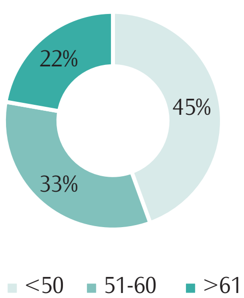
Background and Experience



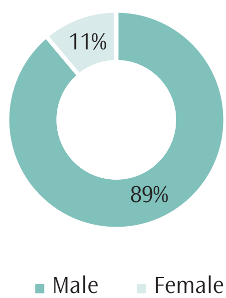
Length of Service (years)



Age Group



Gender



Corporate Governance Report (continued)

BOARD OF DIRECTORS *(continued)*

Board Composition *(continued)*

During the year, the Company has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors including at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

All Independent Non-executive Directors are financially independent from the Group bringing an independent view and judgement and a wide range of business and financial expertise, knowledge and experience to the Group's affairs. The Board considers that there is a reasonable balance between the composition of the Executive Directors and the Non-executive Directors which has provided adequate checks and balances for safeguarding the interests of the shareholders of the Company.

Pursuant to the code provision A.4.3 of the CG Code, serving more than nine years could be relevant to the determination of a non-executive director's independence. Both Dr. Fan Hsu Lai Tai, Rita ("**Dr. Fan**") and Mr. Li Man Bun, Brian David ("**Mr. Li**") have been serving as Independent Non-executive Directors for more than nine years. The Directors opine that they have consistently demonstrated the required character, integrity, independence and experience to discharge the duties of an independent non-executive director. The Directors consider that there is no evidence that length of tenure has an adverse impact on independence of the Independent Non-executive Director and the Directors are not aware of any circumstances that might influence Dr. Fan and Mr. Li in exercising their independent judgement. Based on the aforesaid, the Directors conclude that despite their length of service, both Dr. Fan and Mr. Li will continue to maintain an independent view of the Company's affairs and bring their relevant experience and knowledge to the Board.

Directors' Independence

The Board has received annual written confirmation of independence from each of the Independent Non-executive Directors and considers that all Independent Non-executive Directors are independent of the Company in accordance with the relevant requirements of the Listing Rules.

Chairman and Chief Executive Officer

The roles of the Chairman of the Board and the Chief Executive Officer are separate to ensure a balance of power and authority.

Mr. Yan Jianguo is the Chairman of the Board to lead and manage the Board. He is also responsible for ensuring that before any meeting is held, all Directors receive complete and reliable information in a timely manner and the Directors are properly briefed on issues arising at the meetings. He also promotes culture of openness and debate and encourages Directors with different views to voice their concerns in order to ensure that the Board works effectively and discharges its responsibilities; good corporate governance practices and procedures are established; and appropriate steps are taken to provide effective communication with shareholders and those views of shareholders are communicated to the Board as a whole. The Chairman also holds meeting annually with the Independent Non-executive Directors to discuss corporate governance and other matters without other Directors present.

Mr. Zhang Zhichao is the Chief Executive Officer of the Company. Mr. Zhang is a member of the Executive Committee of the Company which is responsible for the implementation of strategies and objectives set by the Board and for day-to-day management of the Company's businesses.

BOARD OF DIRECTORS *(continued)*

Appointments, Re-Election and Removal

In accordance with the articles of association of the Company, one-third of the Directors will retire from office by rotation for re-election by shareholders at the annual general meeting and every Director is subject to retirement by rotation at least once every three years. In addition, any new appointment to the Board is subject to re-appointment by shareholders at the next following general meeting.

The code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term. The Non-executive Directors of the Company (as well as all other Directors) are not appointed for a specific term according to their service of contract and/or letter of appointment but they are subject to retirement by rotation and re-election once every three years in accordance with the articles of association of the Company.

In addition, the Nomination Committee of the Company will generally oversee the appointment or re-appointment of Directors and the succession planning of the Board, having due regard to the Board Diversity Policy and the Nomination Policy of the Company as summarised in the sections headed "Board Composition" and "Nomination Committee" respectively on pages 99 and 113 of this annual report. The Board will also consider each retiring Director recommended by the Nomination Committee and recommend the retiring Director to stand for re-appointment at the annual general meeting in accordance with the articles of association of the Company.

Directors' Securities Transactions

The Company has adopted a set of code of conduct for securities transactions by Directors ("**Code of Conduct**") on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers. Having made specific inquiries to all Directors, they confirmed that they have complied with the Code of Conduct throughout the year of 2021.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover in respect of legal action against Directors and officers of the Company.

Supply of and Access to Information

For regular Board meetings and Board committee meetings, the agenda and accompanying Board papers are sent in full to all Directors or members of the committees of the Board at least three days before the intended date of a Board meeting or committee meeting.

Management has supplied the Board and its committees with adequate information and explanations so as to enable them to make an informed assessment of the financial and other information put before the Board and its committees for approval. Management is also invited to join the Board or committee meetings where appropriate.

All Directors are also entitled to have access to timely information such as monthly updates in relation to the Group's businesses and have separate and independent access to senior management of the Company.

BOARD OF DIRECTORS *(continued)*

Directors' Training

All Directors have a fiduciary duty and statutory responsibilities towards the Company and the Group. Every newly appointed Director will receive an induction on the first occasion of his/her appointment, so as to ensure that he/she has a proper understanding of the operations and business of the Company, and his/her responsibilities under laws, regulations and particularly the governance policies of the Company.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

According to the training records provided by the Directors to the Company, they participated in continuous professional development in 2021 which comprised attending seminars and talks, giving talks at seminars and reading reference materials relevant to the directors' duties and responsibilities. Details of the type of training they received during the year are summarised as follows:

	Type of Training (see remarks)
Directors	
Mr. Yan Jianguo	A, B, C
Mr. Luo Liang	A, B, C
Mr. Zhang Zhichao	C
Mr. Guo Guanghui	C
Mr. Zhuang Yong	A, B, C
Mr. Zhao Wenhai (appointed with effect from 20 October 2021)	C
Dr. Fan Hsu Lai Tai, Rita	A, C
Mr. Li Man Bun, Brian David	A, C
Professor Chan Ka Keung, Ceajer	A, B, C

Remarks:

A: attending seminars or trainings
B: giving talks at seminars
C: reading reference materials relevant to the director's duties and responsibilities

CORPORATE STRATEGY AND BUSINESS MODEL

The Group is striving to achieve its strategic goal of "to be an exceptional global property development corporation", expanding and creating better livings around its principal business of property development and operation, continually strengthening its three major businesses – "Residential Development", "Urban Services" and "Design Services". Built on 40 years of development experience and having braved the challenges of numerous economic and real estate cycles, the Group cleaves to a long-term market perspective in planning the development of the enterprise. Steady and sustained long-term growth has been the Group's strategy and action guide for the past 40 years and will remain so for the 40 years ahead. The Group firmly believes the measure of a good business is whether it qualifies as "a Company of Four Excellences", offering "good products and good services", and demonstrating "good effectiveness and good citizenship". The Group will maintain its strategies and stay committed to its vision "to be an exceptional global property development corporation", firmly adhering to its operating philosophy of "good products, good services, good effectiveness and good citizenship", maintaining its positioning in major cities, mainstream areas and mainstream products, maintain the strategic structural balance of "today, tomorrow, and the day after tomorrow", where residential development, commercial assets management, together with new businesses including senior living, education and logistics, are the Group's main businesses of today, the growth drivers of tomorrow, and will spur growth the day after tomorrow.

Details of the Group's strategy, business and financial review in the year 2021 are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibility for preparing the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Company's financial statements are prepared in accordance with the relevant laws and standards. Appropriate accounting policies are selected and applied consistently; judgements and estimates made are prudent and reasonable. The Directors endeavour to ensure that a balanced, clear and understandable assessment of the Company's position and prospects are presented in annual reports, interim reports, announcements and other disclosures required under the Listing Rules and other statutory requirements.

ACCOUNTABILITY AND AUDIT *(continued)*

Risk Management and Internal Controls

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. The Board is also responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take when achieving the Company's business objectives, and supervising the management to establish and maintain appropriate and effective risk management and internal control systems. The management is responsible for establishing and maintaining appropriate and effective risk management and internal control systems, and providing the Board with confirmation of the effectiveness of these systems.

The Board has implemented effective risk management and internal control systems to safeguard the Company's assets and the interests of shareholders, to ensure that reliable financial information will be provided to management and to ensure that risks affecting significant investments and business of the Company can be identified and properly managed. However, risk management and internal control systems are designed to manage, rather than eliminate, the risk of failing to achieve business objectives, and it can only provide reasonable, but not absolute, assurance against material misrepresentation or loss.

Risk Management

In the context of the Company's organisational structure and nature of business, the Company has established a sound risk management framework and adopted the "three lines of defence" risk management model combined with both "top-down" and "bottom-up" approaches on risk oversight, identification and assessment in order to identify deficiencies in the Company's organisational structure at an early stage.

The Company's risk management framework is guided by the principle of "three lines of defence" which aims at carrying out risk assessment and risk monitoring for various sectors, embedding risk management into business processes, monitoring and making timely adjustment to risk management procedures:

First line of defence

Business lines identify and evaluate risk areas in the day-to-day operations, formulate risk mitigation measures and escalate the risk issues.

Second line of defence

The Risk Management Taskforce and the Management Level Risk Management Committee established a coordination mechanism to oversee, advise and support the first line in assessing and managing the risk issues. At the meetings of the Management Level Risk Management Committee, the team determined the Company's annual risk management issues and their priorities, established risk management procedures and designated departments in charge, which shall be implemented throughout the year upon the review and approval of the Audit and Risk Management Committee and the Board.

Third line of defence

The Intendance and Audit Department (the "**IA Department**") performs regular review of key risk areas and provides overall assurance to the Audit and Risk Management Committee and the Board as to the effectiveness of the Company's risk management and internal control systems.

ACCOUNTABILITY AND AUDIT *(continued)*

Risk Management and Internal Controls *(continued)*

Risk Management *(continued)*

The Company has established the risk prevention management information system and implemented online risk identification procedures to enhance the risk management efficiency and effectiveness of various functional units. Through the establishment of the risk information platform and leveraging the information technology to integrate data across different platforms, massive business data are collected to build our database and key risk indicator model. Such model enables us to identify high dispersed risk areas and fraud issues, and to implement dynamic and comprehensive monitoring of key risks in the operation processes.

At the project management level, the Company has established management mechanism for major risks of projects, established multi-sectoral collaboration mechanism, set up special work teams, managed risk matters through hierarchical authorisations, and conducted subjects reports periodically. The Company also established major risks enhancement and accountability mechanism and long-term management mechanism to promote the handling of risk matters, supervise the effective implementation of management enhancement measures, and improve the Company's management control ability on operational risks.

The Company has formulated risk assessment standards and risk management protocols across the regional, district and professional corporate levels of the Company that align with strategic direction and business objectives of the Company. Taking into consideration of the Company's annual risk events through multi-channel data collection and analysis, a risk register has been established that assisted the Company to document and understand the current risk exposures, to categorise and prioritise the risk issues, to implement reasonable risk mitigation measures and to monitor how the material risks are changing over time.

Based on the Company's annual strategic objectives, external policy environment, economic environment and internal operation and management factors, combined with interviews and questionnaire assessment with senior management, and headquarter's functional units reporting, the Company has sorted out ten major annual risks during the year, including: real estate policy risk; risk of slowdown in market demand; risk of decline in sales of commercial properties; risk of decline in industry profitability; risk of major group lawsuits and administrative penalties; the risk of a decline in market share due to the difficulty of breakthrough in the non-public market; the risk of a delay in the project development schedule due to the recurrences of pandemic; the risk of implementation of sustainable development strategy; the risk of a volatile liquidity environment outside of China and the risk of overseas markets.

We have also incorporated environmental, social and governance ("**ESG**") risk and "climate change risk" into the Company's risk pool as one of its strategic risks. The Corporate Governance Committee will review and supervise the progress of the management's implementation of sustainability programmes, including climate change programmes. The Audit and Risk Management Committee is responsible for the final review of annual risk issues including climate change risk. Based on the risk ranking results, specific regions and/or risk categories will be selected to conduct climate change scenario analysis, and according to the analysis results, the Company will improve the standards and guidelines for climate risk scoring tools, make the scoring more scientific and systematic, and better integrate climate risk scoring tools with the Company's risk management system and procedures. In order to deepen its efforts and better integrate "climate change" risk and opportunities into the Company's planning of business strategies, the Company has formulated short-, medium- and long-term mitigation and adaptation strategies and measures, sorted out relevant quantitative indicators, and set medium- and long-term targets related to decarbonisation and zero emissions in line with China's "carbon neutrality" goal.

ACCOUNTABILITY AND AUDIT *(continued)*

Risk Management and Internal Controls *(continued)*

Risk Management *(continued)*

In addition, the Board recognises the importance of an effective risk management system and is committed to promote a risk-aware culture throughout the Company that integrating risk management into the course of business operation of the Company and entrenching risk management in the organisational operation and the process of achieving the business goal. Based on the risk register, a case set covering typical cases of all functional units is compiled in which the typical problems found in past audits are classified by level of risk and the causes of the problems and improvement measures are explored. In the meantime, through the production and promotion of risk education products, publication of thematic reports, and departmental training, risk management has been integrated into daily life. The Group strives to continually enhance its risk management framework in order to keep pace with the dynamic business environment.

Internal Controls

In order to improve the efficiency and result of the business operation, and to achieve the development strategy, the Company has established an internal monitoring system to ensure the compliance with the laws and regulations in operation and management, the safety of the assets, and the accuracy and completeness of financial report and related information of the Company. Key control measures that form the foundation of the internal monitoring system are set out below:

(i) The Company has established appropriate corporate governance structure and rules of procedures to define responsibilities and authorities of decision making, executing, and supervising, and therefore, to form scientific division of duties and check and balance mechanism. Each of shareholders meeting, Board, Committees and management is in charge of deciding on certain scope of matters, and such mechanism will be strictly followed.

(ii) One of the key features of the Group's internal monitoring system that underpin the accuracy and reliability of financial reporting includes the setting up of a distinct organisational structure as illustrated in the organisation chart on page 85 of this annual report. A diverse range of control policies and procedures have been deployed to help ensure efficient and effective operations in our growing business units and functions. Each functional department of the Company has its business management code, operation guidelines and post manual based on business needs. They also use necessary control mechanisms to ensure that employees are clear about and exercise authority properly.

(iii) A comprehensive budget management has also been established to allow the Company to ascertain responsibility and authority for each level unit in budget management and regulates the preparation, review and execution program of budget. The budget will be re-assessed semi-annually with reference to the business performance, business needs and strategy and significant risk and opportunities.

(iv) The Company has maintained a standardised accounting procedures and a specific business audit system to guarantee the authenticity and integrity of accounting data and information for disclosure and reporting purposes. There are regular management reports on the Group's cash, liquidity, borrowings and movements so that cash flow position of the Company is closely monitored.

(v) Information technology has been applied to enhance the Company's internal monitoring standard, and establish a compatible information system on operation and management, thus, leveraged on effective combination with internal monitoring process, to achieve the purpose of reducing or eliminating the artificial control factors.

Corporate Governance Report (continued)

ACCOUNTABILITY AND AUDIT *(continued)*

Risk Management and Internal Controls *(continued)*

Internal Controls *(continued)*

During the year, the IA Department created a new internal management system to strengthen the management foundation and guide the management direction. The online risk warning platform has been enabled and put in use a number of remote audit models covering multi-module business of bidding and procurement, sales, cost, design, operation and finance, to ensure the gradual scaling-up, structuring and systematisation of audit models. The business lines could make use of the model data to estimate the risk level of the corresponding business modules, guide the direction of remote auditing, investigate clues in advance, and improve the efficiency of on-site audits.

Based on the internal policies and processes of the Company, the IA Department compiled the internal control test manual of the Company covering 11 main business processes and 121 control activities. At the same time, the IA Department optimised the test manual with reference to the industry news, high risk areas of internal audit, and fraud cases in the industry, and utilised the test manual as a medium to convey risk awareness and risk culture through internal control self-evaluation.

During the implementation of audit projects, the IA Department focuses more on systemic risks of the Company and strengthens the synergy among the headquarter functions, regional companies and local companies. Taking into consideration of common problems or systemic management deficiencies found in past audits, the IA Department sends management recommendation letters to functional departments at headquarters, and coordinates with the functional departments to optimize their business-related standard policies and procedures, so as to prevent the recurrence of similar problems in future. For difficult issues in business lines, the IA Department will also provide advice to functional departments from an audit perspective to promote the healthy development of the company's business.

In addition, the IA Department will assist the Audit and Risk Management Committee and the Board to provide an independent review of the risk management and internal control systems. It monitors the effectiveness of internal control, makes remediation suggestions to the management of the Company on identified deficiencies in the design and implementation, and supervise the management to make and implement remediation plans.

Review of Risk Management and Internal Control Systems

The IA Department regularly reviews the operation of the risk management and internal control systems of the Company and submits review report to the Audit and Risk Management Committee and the Board on a half-yearly basis.

In the 2021's report, the IA Department discussed the major risks of the business of the Company and confirmed the effectiveness of risk management and internal control systems. The Audit and Risk Management Committee is responsible for considering and assessing the risks of the Company and the control measures to be taken and reviewing the effectiveness of the risk management and internal control systems. It will also carry out research on important findings regarding risk management and internal control matters and the response from management to the findings, and report any deficiency of the control systems and corresponding suggestions for improvement to the Board. In addition, the external auditors host regular discussion with the Audit and Risk Management Committee on any internal control problem identified in the course of the audit.

In 2021, the Board has assumed the responsibility and reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries, including financial report, operation and regulation compliance. Upon reviewing the IA Department's reports of the year, the Board considered that the systems are effective and efficient. During the year, no material deficiency of the systems was found, and the Company has rectified any deficiency in its control (if any) which might exist. The Board believes that the systems are operating effectively and various risks that may affect the Company's achievement of goals are under control.

ACCOUNTABILITY AND AUDIT *(continued)*

Risk Management and Internal Controls *(continued)*

Review of Risk Management and Internal Control Systems *(continued)*

The Board had also reviewed and found that the resources, professional qualification and experience of the staff of the accounting, internal audit and financial reporting functions of the Company as well as training programs and budget in 2021 were sufficient.

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company has established the Inside Information Disclosure Policy to:

- ensure that any potential inside information is promptly identified and reported to the Executive Committee of the Company who will make timely decisions on disclosure of inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules;
- conduct its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;
- establish preventive controls and reporting mechanism as well as external communication guidelines applicable to confidential or unpublished inside information in relation to the Group and its securities;
- set out restrictions in securities dealing by senior managers, and other nominated managers and staff who, because of their respective positions in the Company, are likely to be in possession of inside information regarding the Company and its securities in compliance with the Model Code for Securities Transactions by Directors set out in Appendix 10 to the Listing Rules; and
- provide regular training to all employees to help understand the Company's Inside Information Disclosure Policy as well as their duties and obligations in relation to the inside information.

DELEGATION BY THE BOARD

Board Proceedings

The Board meets regularly, and at least four times each year with meeting dates scheduled in advance to facilitate the attendance by the Directors. The Board held seven meetings during the year and meetings were also held as and when necessary to discuss significant transactions, including material acquisitions, disposals and connected transactions, if any. Also, the Board discussed the corporate governance duties performed by it including, without limitation, to review the Company's policies and practices on corporate governance, and compliance with legal and regulatory requirements. The attendance of each Director at meetings of the Board and its committees is set out in the table on page 115 of this annual report.

Notice of at least fourteen days is served for regular Board meetings and reasonable notice is given for all other Board meetings. Agendas and accompanying Board papers are circulated with sufficient time to allow the Directors to prepare before meetings. Directors are also invited to inform the Chairman or the Company Secretary if they intend to include discussion items in the agenda for Board meetings.

Within a reasonable time after meetings, draft and final versions of all minutes for Board meetings and committee meetings will be sent to all Directors and committee members for review. The approved minutes are kept by the Company Secretary, and the Board and committee members may inspect the documents at anytime.

DELEGATION BY THE BOARD *(continued)*

Board Proceedings *(continued)*

The proceedings of the Board meetings apply to the Board committee meetings.

All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that the Company has followed procedures and complied with all applicable laws and regulations. Where necessary, Directors can seek separate independent professional advice at the Company's expenses so as to discharge their duties to the Company.

To safeguard their independence, Directors are required to declare their interest, if any, in any business proposals to be considered by the Board and, where appropriate, they are required to abstain from voting if a Director has a conflict of interest in any matter to be considered by the Board. In addition, physical board meetings will be held to consider all material connected transactions or any transactions involving substantial shareholder's or Director's material interest.

Currently, the Board has set up five committees, namely the Executive Committee, the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee (established on 29 March 2021) in compliance with the Listing Rules. Each committee has its own defined scope of duties and terms of reference. The terms of reference of the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee are available on the websites of the Company and the Stock Exchange. The Company Secretary shall also make available the terms of reference of all the committees to any shareholder upon request.

Executive Committee

The Executive Committee comprises all Executive Directors of the Company, namely Mr. Yan Jianguo, Mr. Luo Liang, Mr. Zhang Zhichao and Mr. Guo Guanghui. The Executive Committee is chaired by Mr. Yan Jianguo.

Major responsibilities and functions of the Executive Committee are as follows:

- To review and approve loans or banking facilities to be granted to the Company, its subsidiaries, jointly controlled entities and associated companies and the opening of bank or securities related accounts matters;
- To review and approve financial instruments to be issued by the Company, its subsidiaries, jointly controlled entities and associated companies;
- To review and approve grant of loan or other financial assistance to the Company's jointly controlled entities and/or associated companies;
- To review and approve provision of corporate guarantees, indemnity and/or letter of comfort by the Company for its subsidiaries, jointly controlled entities and/or associated companies;
- To review and approve land auctions or tenders, and contracts in the ordinary and usual course of business of the Company; and
- To deal with any other specific business delegated by the Board.

The Executive Committee will report to the Board on a regular basis and the resolutions passed by the Executive Committee from time to time shall be tabled for the information of all Directors at the Board meetings.

DELEGATION BY THE BOARD *(continued)*

Executive Committee *(continued)*

During the year, the Executive Committee held seven meetings and passed resolutions by way of written resolution to (amongst other matters) review and approve:

- various bank loans and facilities;
- provision of corporate guarantee for the subsidiaries, joint controlled entities and/or associated companies of the Company;
- land auctions and contracts in the ordinary and usual course of business of the Company; and
- listed securities and corporate bonds issued by the subsidiaries of the Company.

Audit and Risk Management Committee

The Audit and Risk Management Committee currently comprises three members, namely Mr. Li Man Bun, Brian David, Dr. Fan Hsu Lai Tai, Rita and Professor Chan Ka Keung, Ceajer, all of whom are Independent Non-executive Directors. The Audit and Risk Management Committee is chaired by Mr. Li Man Bun, Brian David.

The principal duties of the Audit and Risk Management Committee are as follows:

- To review and monitor the integrity of the financial information of the Group;
- To review the financial control, internal control and risk management systems of the Company; and
- To oversee the matters relating to the external auditor.

The Audit and Risk Management Committee held four meetings during 2021 and reviewed:

- the Group's annual financial reports for the year ended 31 December 2020, and interim and quarterly results for the year ended 31 December 2021;
- the audit plans from the external auditor;
- the internal and independent audit results;
- the risk management, internal control and financial reporting systems;
- the continuing connected transactions and their annual caps; and
- the re-appointment of the external auditor and their remuneration.

The Audit and Risk Management Committee also met with the auditor twice a year in the absence of management to discuss matters relating to any issue arising from audit and any other matters the auditor may wish to raise.

DELEGATION BY THE BOARD *(continued)*

Remuneration Committee

The Remuneration Committee currently comprises three members, namely Professor Chan Ka Keung, Ceajer, Dr. Fan Hsu Lai Tai, Rita and Mr. Li Man Bun, Brian David, all of whom are Independent Non-executive Directors. The Remuneration Committee is chaired by Professor Chan Ka Keung, Ceajer.

The principal duties of the Remuneration Committee are as follows:

- To make recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management;
- To make recommendations to the Board on the remuneration packages of the Directors of the Company and senior management; and
- To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The remuneration of Directors approved by the shareholders of the Company is determined by the Board with reference to factors such as salaries paid by comparable companies, time commitment, responsibilities of the Directors and employment conditions. No Director was involved in determining his/her own remuneration.

The Remuneration Committee held three meetings and passed resolutions by way of written resolution during 2021 and reviewed:

- the remuneration policy and structure of the Group;
- the remuneration package of all Directors of the Company and the senior management and employees of the Group;
- the discretionary management bonus of the Executive Directors of the Company and the employees of the Group; and
- the grant and lapse of Share Options under the Share Option Scheme (as defined in the section headed "Share Option Scheme" in this annual report with details set out thereto).

The remuneration of the senior management by band for the year ended 31 December 2021 is set out below:

Remuneration bands *(RMB)*	**Number of individuals** *(Note)*
5,000,000 or below	1
5,000,001 – 7,500,000	9
7,500,001 – 10,000,000	4

Note: Inclusive of a senior management who ceased as the senior management of the Company due to job reassignment during the year 2021.

DELEGATION BY THE BOARD *(continued)*

Nomination Committee

The Nomination Committee currently comprises three members, namely Dr. Fan Hsu Lai Tai, Rita, Mr. Li Man Bun, Brian David and Professor Chan Ka Keung, Ceajer, all of whom are Independent Non-executive Directors. The Nomination Committee is chaired by Dr. Fan Hsu Lai Tai, Rita.

The principal duties of the Nomination Committee are as follows:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board;
- To identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships;
- To assess the independence of Independent Non-executive Directors; and
- To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee held one meeting and passed resolutions by way of written resolution during 2021 and reviewed:

- the structure, size and composition of the Board;
- the re-election of the retiring Directors at the annual general meeting;
- the independence of the Independent Non-executive Directors of the Company; and
- the appointment of new Director.

In respect of selecting individual to be nominated for directorship, the Nomination Committee will have regard to the Board Diversity Policy and the Procedure Regarding Appointment, Election and Removal of Directors of the Company (equivalent to the nomination policy of the Company and hereafter referred to as "**Nomination Policy**") which has come in force since 27 May 2014. Individual to be nominated shall satisfy the requirements as set out in the Listing Rules including that the nominee should have the character, experience and integrity and be able to demonstrate a standard of competence commensurate with his or her position as a Director.

Based on the formalised process and procedure of nominating a director regulated under the Nomination Policy of the Company, the management team led by the Chairman of the Board will identify a wide and diverse range of candidates from various backgrounds that would be attributable to the business needs and carry out a due diligence on the shortlisted candidates. A comprehensive review will be presented to the Nomination Committee who will further discuss and assess the suitability of the candidates against a range of criteria from an independent perspective in accordance with the Board Diversity Policy, and make recommendation to the Board.

DELEGATION BY THE BOARD *(continued)*

Nomination Committee *(continued)*

During the year, the Nomination Committee reviewed the qualifications, experience, background and the core competencies in the field of relevant industry knowledge of the new Director and discussed their suitability of nominations in accordance with the Nomination Policy and the Board Diversity Policy. At the recommendation of the Nomination Committee, the Board appointed Mr. Zhao Wenhai as Non-executive Director with effect from 20 October 2021.

Diversity of the composition of the Board are illustrated in the section headed "Board Composition" in this Corporate Governance Report.

Corporate Governance Committee

The Corporate Governance Committee was newly established on 29 March 2021 and currently comprises four members, namely Professor Chan Ka Keung, Ceajer, Dr. Fan Hsu Lai Tai, Rita, Mr. Li Man Bun, Brian David and Mr. Luo Liang, the majority of whom are Independent Non-executive Directors. The Corporate Governance Committee is chaired by Professor Chan Ka Keung, Ceajer.

The principal duties of the Corporate Governance Committee are as follows:

- To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- To review and monitor the training and continuous professional development of directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report of the Company; and
- To perform the duties in respect of ESG related issues of the Group under the Listing Rules.

The Corporate Governance Committee held one meeting and passed resolutions by way of written resolution during 2021 and reviewed:

- the Company's policies and practices on corporate governance, and compliance with the CG Code;
- the consultation paper from the Stock Exchange on the review of the CG Code and related Listing Rules;
- the ESG Report for the year 2020; and
- the report in respect of the ESG related issues for the first half of 2021 and the work plan for 2021.

Corporate Governance Report (continued)

ATTENDANCE RECORDS

To ensure that the Directors have spent sufficient time on the affairs of the Company, the Directors disclose to the Company once a year the details of their other offices held in Hong Kong or overseas listed public companies and other significant commitments, as well as an indication of the time involved in those positions. In addition, the Directors usually inform the Company promptly whenever there are changes regarding their other positions.

The Board was satisfied that the Directors had positively contributed to the Board through active participation in the Company's affairs as reflected in their high attendance record on the Board meetings, meetings of Board committees and annual general meeting held in 2021 as set out in the following table:

	Actual Attendance/Number of Meetings a Director was entitled to attend						
Name of Directors	Board Meetings	Audit and Risk Management Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Executive Committee Meetings	Corporate Governance Committee Meetings	Annual General Meeting
Mr. Yan Jianguo	5/7	N/A	N/A	N/A	7/7	N/A	1/1
Mr. Luo Liang	7/7	N/A	N/A	N/A	7/7	1/1	1/1
Mr. Zhang Zhichao	7/7	N/A	N/A	N/A	7/7	N/A	1/1
Mr. Guo Guanghui	7/7	N/A	N/A	N/A	7/7	N/A	1/1
Mr. Zhuang Yong	7/7	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Chang Ying *(Note 1)*	5/5	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Zhao Wenhai *(Note 2)*	2/2	N/A	N/A	N/A	N/A	N/A	N/A
Dr. Fan Hsu Lai Tai, Rita	7/7	4/4	3/3	1/1	N/A	1/1	1/1
Mr. Li Man Bun, Brian David	7/7	4/4	3/3	1/1	N/A	1/1	1/1
Professor Chan Ka Keung, Ceajer	7/7	4/4	3/3	1/1	N/A	1/1	1/1

Notes:

1. *resigned as a Director with effect from 20 October 2021*

2. *appointed as a Director with effect from 20 October 2021*

DIVIDEND POLICY

The Company aims at providing a stable and sustainable return to the shareholders and a dividend policy was adopted by the Company in 2019. Under the dividend policy, the Board shall take into account future operating and profit, cash flows, capital and other reserve requirements of the Group, overall financial position, contractual restrictions, articles of association of the Company, all applicable laws (including the Inland Revenue Ordinance) and other factors when the Board recommends the declaration of dividends and determines the dividend amounts.

The Company will continue to review the dividend policy and retain its sole and absolute discretion to update, revise and/or modify the dividend policy at any time.

COMPANY SECRETARY

The Company Secretary of the Company supports the Board by ensuring good information flow and that the board policies and procedures are strictly followed. The Company Secretary is also responsible for advising the Board on governance matters and facilitating the induction and professional development of Directors.

During the year, Mr. Edmond Chong, the Company Secretary of the Company, has taken no less than 15 hours of relevant professional training.

COMMUNICATION WITH SHAREHOLDERS

The Board is committed to maintain an on-going and open dialogue with current and prospective shareholders of the Company. Apart from reporting to the shareholders and investors on its operation and financial conditions semi-annually and annually, the Company also discloses relevant information monthly and quarterly so that the investors can have a better understanding about the Company's operations and allow for a fair and balanced outlook of the Company and industry to the market.

A shareholders' communication policy was adopted throughout the year pursuant to the CG Code which aims at establishing a two-way relationship and communication between the Company and its shareholders.

Shareholders of the Company are encouraged to attend the general meetings of the Company which provide a useful forum for exchanging views with management of the Company. A separate resolution would be proposed by the Chairman in respect of each substantial issue at the general meetings. The Chairman of the Board and the chairpersons of the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee, or in their absence, other members of the relevant committees, are available at the general meetings to answer questions from shareholders on the business of the Group. The Company's management ensures the external auditors attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditors' independence.

The Company also holds regular meetings with financial analysts and investors, during which the Company's management will provide relevant information and data to the analysts, fund managers and investors, as well as answer their enquiries in a prompt, complete and accurate manner while at all times respecting the relevant regulations restricting the disclosure of inside information. The Company's website is updated continuously, providing up-to-date information regarding latest development of the Company.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene a General Meeting

Shareholder(s) of the Company can request the Directors to convene a general meeting pursuant to section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") by fulfilling the conditions below:

(i) One or more shareholder(s) in aggregate holding not less than 5% of the total voting rights of the Company carrying the right to vote at general meetings may send request(s) to the Company in hard copy form or in electronic form.

(ii) Such request(s):

(1) Must state the general nature of the business to be dealt with at the meeting;

(2) May include the text of a resolution that may properly be moved and is intended to be moved at the meeting;

(3) May consist of several documents in like form; and

(4) Must be authenticated by the person or persons making it.

Procedures for Shareholders to Put Forward Proposals at General Meetings

(i) The procedures for proposing candidate(s) for election as Director(s) at a shareholders' meeting are set out in the Corporate Governance section of the Company's website.

(ii) Shareholder(s) can request the Company to circulate a statement (or notice of a resolution that may properly be moved and is intended to be moved at the annual general meeting) to members of the Company entitled to receive notice of a general meeting (or annual general meeting, where applicable), in pursuance of section 580 (or section 615, in the case of annual general meeting) of the Companies Ordinance subject to the following:

(1) The statement should be of not more than 1000 words and with respect to:

(a) A matter mentioned in a proposed resolution to be dealt with at that meeting; or

(b) Other business to be dealt with at that meeting.

(2) Each shareholder may only request the Company to circulate:

(a) One such statement with respect to the resolution mentioned in (1)(a) above; and

(b) One such statement with respect to the other business mentioned in (1)(b) above.

(3) Such request(s) has to be sent by the shareholders who have a relevant right to vote and fulfill the conditions below:

(a) Shareholders representing at least 2.5% of the total voting rights of all the shareholders who have a relevant right to vote; or

(b) At least 50 shareholders.

SHAREHOLDERS' RIGHTS *(continued)*

Procedures for Shareholders to Put Forward Proposals at General Meetings *(continued)*

(ii) *(continued)*

(3) *(continued)*

Relevant right to vote means:

(a) In relation to a statement with respect to a matter mentioned in a proposed resolution, a right to vote on that resolution at the meeting to which the requests relate;

(b) In relation to any other statement, a right to vote at the meeting to which the requests relate; and

(c) In relation to notice of a resolution, a right to vote on the resolution at the annual general meeting to which the requests relate.

(4) Such request(s):

(a) May be sent to the Company in hard copy form or in electronic form;

(b) Must identify the statement (or notice, in the case of annual general meeting) to be circulated;

(c) Must be authenticated by the person or persons making it; and

(d) Must be received by the Company:

(aa) at least 7 days before the general meeting to which it relates;

(bb) not later than 6 weeks before the annual general meeting to which the requests relate; or if later, not later than the time at which notice of that meeting is given.

Enquiries to the Board

The "Corporate Information" of this annual report provides the registered address of the Company and the email address, fax number and telephone number of the Investor Relations team to facilitate the shareholders of the Company to address their concerns or enquiries to the Board at any time. Please mark for the attention of the Company Secretary in the incoming letters or e-mails.

AUDITOR'S REMUNERATION

For the year ended 31 December 2021, fees for audit services and non-audit services payable to the auditor of the Company amounted to approximately RMB9,367,000 and RMB45,000 respectively. Fee payable for the non-audit services included that for professional services rendered in connection with results announcement and continuing connected transactions.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's articles of association during the year ended 31 December 2021, and a consolidated version is available on the websites of the Company and the Stock Exchange.

Report of Directors

The directors of the Company (the "**Directors**") present the annual report and the audited financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATION

The Group is principally engaged in property development and investment, and other operations. The activities of the Company's principal subsidiaries, associates and joint ventures are set out in notes 43, 18 and 19 respectively to the financial statements.

An analysis of the Group's performance by segment is set out in note 8 to the financial statements.

BUSINESS REVIEW

A fair review of the business of the Company as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing by the Group and an indication of likely future developments in the Group's business, can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" as set out on pages 14 to 76 of this annual report.

In addition, discussions on the Group's environmental policies and performance and compliance with the relevant laws and regulations and an account of the Group's key relationships with its employees, customers, suppliers and stakeholders, that have a significant impact on the Group can be found in the section headed "Sustainable Development" as set out on pages 86 to 93 of this annual report and in the Company's 2021 Environmental, Social and Governance Report to be published in accordance with the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 151 and 152 of this annual report respectively.

An interim dividend of HK45 cents per share was paid on 5 October 2021. The board of Directors (the "**Board**") recommends the payment of a final dividend of HK76 cents per share (2020: HK73 cents per share) to shareholders whose names appear on the Register of Members of the Company on 27 June 2022. Together with the interim dividend of HK45 cents per share (2020: HK45 cents per share), dividends for the year will amount to a total of HK121 cents per share. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable on 11 July 2022.

RESERVES

Movements during the year in the reserves of the Group and of the Company (including but not limited to distributable reserves) are set out in the consolidated statement of changes in equity on pages 155 and 156 of this annual report and note 42 to the financial statements respectively.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 251 and 252 of this annual report.

MAJOR PROPERTIES

Details of the major property development and commercial properties of the Group at 31 December 2021 are set out on pages 47 to 49, 56 to 60 of this annual report.

TANGIBLE FIXED ASSETS

The Group's investment properties were revalued at the reporting date. The revaluation resulted in a net increase in fair value of RMB5,540,183,000 which has been credited directly to the consolidated income statement.

Details of the movement in investment properties and movements in property, plant and equipment of the Group during the year are set out in notes 17 and 16 respectively to the financial statements.

EQUITY-LINKED AGREEMENTS

For the year under review, save for the Share Option Scheme (as defined in the section headed "Share Option Scheme" in this report with details set out thereto) adopted by the Company on 11 June 2018, the Company did not enter into any equity-linked agreement.

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

Save as disclosed below, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Group's listed securities during the year ended 31 December 2021 and up to the date of this report.

Buy-back of Shares

During the year ended 31 December 2021, the Company repurchased a total of 8,370,000 shares of the Company (the "**Shares**") on the Stock Exchange at an aggregate consideration (before expenses) of HK$130,912,752. Such repurchased Shares were cancelled during the year. The repurchases of Shares were effected as the Board considered the prevailing trading price of the Shares was at a level which undervalued the Company's performance, assets value and business prospects. The repurchases of Shares demonstrated the Board's confidence in the Company and would only be conducted under circumstance which the Board considered to be appropriate and in the interest of the Company and its shareholders as a whole.

Details of the Shares repurchased during the year are as follows:

Month	Number of Shares repurchased	Price paid per Share		Aggregate consideration (before expenses)
		Highest *HK$*	Lowest *HK$*	*HK$*
January 2021	8,370,000	18.30	15.08	130,912,752

PURCHASE, SALE OR REDEMPTION OF THE GROUP'S LISTED SECURITIES *(continued)*

Issue of Debentures

China Overseas Development Group Co., Ltd.* ("**China Overseas Development**"), a wholly-owned subsidiary of the Company, issued the following securities during the year and up to the date of this report. The net proceeds, after deducting the expenses in connection with the relevant issuance, are used to repay the existing indebtedness of the Group and finance general working capital.

Securities	Issue Date	Due Date	Issue Scale *(RMB in million)*	Coupon Rate	Name of stock exchange/market on which the securities are listed/issued
2021 medium term notes	15 January 2021	15 January 2024	1,500	3.35%	National interbank bond market
2022 medium term notes					National interbank bond market
(i) First tranche (Type I)	14 January 2022	14 January 2025	1,800	2.88%	
(ii) First tranche (Type II)	14 January 2022	14 January 2027	1,200	3.25%	
(iii) Second tranche (Green)	23 February 2022	23 February 2027	1,000	3.22%	
2021 corporate bonds					Shenzhen Stock Exchange
(i) First tranche (Type I)	15 June 2021	15 June 2024	2,000	3.25%	
(ii) First tranche (Type II)	15 June 2021	15 June 2026	1,000	3.55%	
(iii) Second tranche (Type I)	12 July 2021	12 July 2025	1,000	3.10%	
(iv) Second tranche (Type II)	12 July 2021	12 July 2025	2,000	3.25%	
(v) Third tranche (Type I)	9 August 2021	9 August 2025	500	2.75%	
(vi) Third tranche (Type II)	9 August 2021	9 August 2028	1,500	3.25%	
(vii) Fourth tranche (Type I)	25 November 2021	25 November 2024	1,700	3.08%	
(viii) Fourth tranche (Type II)	25 November 2021	25 November 2026	1,200	3.38%	
(ix) Fifth tranche (Type I)	20 December 2021	20 December 2024	1,300	2.98%	
(x) Fifth tranche (Type II)	20 December 2021	20 December 2026	800	3.38%	

PURCHASE, SALE OR REDEMPTION OF THE GROUP'S LISTED SECURITIES *(continued)*

Issue of Debentures *(continued)*

Beijing China Overseas Plaza Commercial Development Ltd.* ("**Beijing China Overseas Plaza**"), a wholly-owned subsidiary of the Company, issued the following securities during the year and up to the date of this report. The net proceeds, after deducting the expenses in connection with the relevant issuance, are used to repay the indebtedness of the Group and finance general working capital. All the commercial mortgage-backed securities are listed on the Shenzhen Stock Exchange.

Name of Securities	Issue Date	Due Date	Issue Scale
Commercial mortgage-backed securities	23 March 2021	23 March 2039	Preferred class securities of RMB1,000 million 3.85 per cent. and equity class securities of RMB1 million (Beijing China Overseas Plaza subscribed for all equity class securities)
Green commercial mortgage-backed securities (carbon neutrality)	23 June 2021	23 June 2039	Preferred class securities of RMB2,100 million 3.60 per cent. and equity class securities of RMB1 million (Beijing China Overseas Plaza subscribed for all equity class securities)
Commercial mortgage-backed securities	10 November 2021	10 November 2039	Preferred class securities of RMB1,900 million 3.50 per cent. and equity class securities of RMB1 million (Beijing China Overseas Plaza subscribed for all equity class securities)
Green commercial mortgage-backed securities (carbon neutrality)	29 March 2022	29 March 2040	Preferred class securities of RMB5,000 million 3.35 per cent. and equity class securities of RMB1 million (Beijing China Overseas Plaza subscribed for all equity class securities)

Report of Directors (continued)

PURCHASE, SALE OR REDEMPTION OF THE GROUP'S LISTED SECURITIES *(continued)*

Redemption of Listed Securities

The following securities were redeemed by the wholly-owned subsidiaries of the Company during the year and up to the date of this report:

Name of Subsidiary	Securities	Issue Date	Redemption Date	Redemption Value *(RMB'000)*	Remaining Value *(RMB'000)*
CITIC Real Estate Group Company Limited*	RMB1,000 million 4.40 per cent. non-publicly issued corporate bonds which were listed on the Shanghai Stock Exchange	15 January 2016	15 January 2021	400,000	Nil
China Overseas Development	RMB3,000 million 5.60 per cent. medium term notes which were issued on the national interbank bond market	6 February 2018	6 February 2021	3,000,000	Nil
China Overseas Development	RMB6,000 million 3.10 per cent. corporate bonds which were listed on the Shanghai Stock Exchange	23 August 2016	23 August 2021	4,129,300 *(Note)*	1,900,000
China Overseas Development	RMB7,000 million 4.20 per cent. corporate bonds which were listed on the Shanghai Stock Exchange	19 November 2015	19 November 2021	3,403,716	Nil
China Overseas Development	RMB3,500 million 4.00 per cent. corporate bonds which were listed on the Shenzhen Stock Exchange	22 October 2018	22 October 2021 10 December 2021	3,406,054 93,946	Nil
China Overseas Development	RMB2,000 million 3.47 per cent. corporate bonds which were listed on the Shenzhen Stock Exchange	24 January 2019	24 January 2022	2,000,000	Nil
Beijing China Overseas Plaza	Commercial mortgage-backed securities listed on the Shenzhen Stock Exchange: (i) RMB3,701 million 2.50 per cent. (ii) RMB3,001 million 3.90 per cent. (iii) RMB1,001 million 3.85 per cent. (iv) RMB2,101 million 3.60 per cent.	(i) 28 April 2020 (ii) 17 August 2020 (iii) 23 March 2021 (iv) 23 June 2021	Principal amount with interest payable will be repaid in instalments in May and November each year	(i) 5,920 (ii) 1,800 (iii) 600 (iv) 18,900	(i) 3,692,120 (ii) 2,998,300 (iii) 1,000,400 (iv) 2,082,100

Note: China Overseas Development partially redeemed the corporate bonds at par on 23 August 2021. 4,129,300 lots of valid sell-back declarations were received with a total sell-back amount of RMB4,129,300,000. The coupon rate of the remaining corporate bonds has been adjusted to 3.60 per cent. with effect from 23 August 2021 and are scheduled to be mature in August 2026. On 23 September 2021, an amount of RMB29,300,000 corporate bonds were resold, and the remaining unsold amount of RMB4,100,000,000 corporate bonds were cancelled.

Details of the above securities (including the carrying amount) are set out in the relevant announcements of the Company and note 32 to the financial statements.

* *For identification purpose only*

BORROWINGS AND INTEREST CAPITALISED

Analysis of bank and other borrowings, guaranteed notes and corporate bonds and interest capitalised (including capitalisation of exchange losses) are set out in notes 31, 32 and 10 respectively to the financial statements.

DIRECTORS

(a) Directors of the Company

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

Executive Directors

Mr. Yan Jianguo
Mr. Luo Liang
Mr. Zhang Zhichao
Mr. Guo Guanghui

Non-executive Directors

Mr. Zhuang Yong
Mr. Chang Ying (resigned on 20 October 2021)
Mr. Zhao Wenhai (appointed with effect from 20 October 2021)

Independent Non-executive Directors

Dr. Fan Hsu Lai Tai, Rita
Mr. Li Man Bun, Brian David
Professor Chan Ka Keung, Ceajer

In accordance with articles 96 and 105(1) of the Company's articles of association, Mr. Guo Guanghui, Mr. Zhuang Yong, Mr. Zhao Wenhai, and Mr. Li Man Bun, Brian David shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office for each Independent Non-executive Director is the period up to his/her retirement by rotation in accordance with the Company's articles of association.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers the Independent Non-executive Directors to be independent.

No Director proposed for re-election at the forthcoming annual general meeting has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

(b) Directors of the subsidiaries of the Company

The list of directors of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website at http://www.coli.com.hk under the "Corporate Governance" section.

Report of Directors (continued)

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Information regarding Directors' emoluments and senior management's emoluments are set out in notes 13 and 41(b) to the financial statements respectively, and the section headed "Remuneration Committee" on page 112 of the Corporate Governance Report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are set out in the section headed "Directors and Organisation" on pages 77 to 85 of this annual report.

SHARE OPTION SCHEME

The share option scheme was approved and adopted by the shareholders of the Company on 11 June 2018 (the "**Share Option Scheme**") to enable the qualifying grantees to acquire ordinary Shares of the Company and unless otherwise cancelled or amended, it will remain in force for 10 years from 11 June 2018. The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of the Group's businesses, to provide additional incentives to the qualifying grantees (being, among others, any employee of the Group or such other persons that have contributed to the Group as specified in the Share Option Scheme) that have contributed to the Group; and to promote the long term financial success of the Group by aligning the interests of share option holders with shareholders of the Company.

The limit on the number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% of the Shares in issue from time to time. No share options may be granted under any scheme of the Company if this will result in the limit being exceeded.

The number of Shares in respect of the share options that may be granted according to the Share Option Scheme (the "**Share Options**") shall not exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme (i.e. 11 June 2018). On the basis of 10,956,201,535 Shares in issue as at 11 June 2018, this would be 1,095,620,153 Shares.

Total number of ordinary Shares in the capital of the Company available for issue under the Share Option Scheme as at the date of this annual report is 725,340,153 shares which represented approximately 6.62% of the total issued share capital at that date.

Unless otherwise approved by the shareholders of the Company in a general meeting, the number of Shares issued and to be issued upon exercise of the Share Options (whether exercised or outstanding) granted to each of the eligible persons in any 12-month period shall not exceed 1% of the Shares in issue.

Unless otherwise approved by the shareholders of the Company in a general meeting, no Share Options may be granted to any substantial shareholder of the Company, Independent Non-executive Directors or their respective associates, that would result in the Shares issued or to be issued to such person in the 12-month period up to and including the date of Board meeting proposing for the grant (i) in aggregate exceeding 0.1% of the Shares in issue from time to time; and (ii) in aggregate exceeding HK$5 million based on the closing price of the Shares at the date of the Board meeting proposing for such grant.

The exercise price in respect of any particular Share Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Share Option, but shall not be less than whichever is the higher of (i) the closing price of the Shares as stated in the Stock Exchange daily quotation sheet on the date of grant, which must be a business day; and (ii) the average closing price of the Shares as stated in the Stock Exchange daily quotation sheets for the five business days immediately preceding the date of grant.

The period within which the Shares must be taken up under a Share Option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 6 years from the date of grant of the relevant Share Option.

SHARE OPTION SCHEME *(continued)*

The minimum period, if any, for which a Share Option must be held before it can be exercised shall be determined by the Board as its absolute discretion. The Share Option Scheme itself does not specify any minimum holding period.

HK$1.00 is payable by each of the Share Option holders to the Company on the acceptance of the offer of the Share Option. The period within which payments or calls must or may be made should be 28 days after the offer date of a Share Option or such period as the Directors may determine.

The life of the Share Option Scheme is 10 years commencing on 11 June 2018 and expiring on 10 June 2028.

Other details of the Share Option Scheme are set out in Appendix III to the circular published by the Company on 16 April 2018.

During the year, a total of 7,130,000 Share Options were granted on 11 November 2021 to certain eligible persons under the Share Option Scheme with a fair value on the date of grant of approximately HK$2.89 per Share Option granted under the Share Option Scheme. Details of the fair value are set out in note 30 to the financial statements.

During the year, save as disclosed in the section headed "Directors' and Chief Executive's Interests in Securities" of this annual report, details of the movements of the Share Options under the Share Option Scheme are as follows:

Participants	Date of grant	Subscription price HK$ (per Share)	Exercise period (Note b)	Number of Share Options Balance as at 1 January 2021	Granted	Exercised	Cancelled	Lapsed	Balance as at 31 December 2021
Other eligible persons	29.06.2018	25.85	29.06.2020 to 28.06.2024 *(Note c)*	89,970,000	–	–	–	(3,500,000)	86,470,000
	24.11.2020	18.724	24.11.2022 to 23.11.2026 *(Note d)*	279,440,000	–	–	–	(12,210,000)	267,230,000
	11.11.2021	18.70 *(Note a)*	11.11.2023 to 10.11.2027 *(Note e)*	–	5,530,000	–	–	–	5,530,000
				369,410,000	5,530,000	–	–	(15,710,000)	359,230,000

Notes:

(a) The closing price of the Shares immediately before the date of grant (i.e. as of 10 November 2021) was HK$17.80.

(b) Exercise of the Share Options is conditional upon the achievement of certain individual performance targets of each eligible person and certain financial performance targets of the Company as determined by the Board.

(c) One-third of the Share Options granted will be vested on each of 29 June 2020, 29 June 2021 and 29 June 2022.

(d) One-third of the Share Options granted will be vested on each of 24 November 2022, 24 November 2023 and 24 November 2024.

(e) One-third of the Share Options granted will be vested on each of 11 November 2023, 11 November 2024 and 11 November 2025.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

At 31 December 2021, the Directors, the chief executive of the Company and their respective associates had the following interests in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"):

(a) Long Positions in Shares and Underlying Shares of the Company

(i) Long Positions in Ordinary Shares
(all being personal interest and being held in the capacity of beneficial owner)

Name of Director	Number of Shares held	% of Shares in issue *(Note 1)*
Dr. Fan Hsu Lai Tai, Rita	50,000 *(Note 2)*	0.0005%
Mr. Li Man Bun, Brian David	5,660,000	0.0517%

Notes:

1. The percentage was calculated based on the total number of Shares of the Company in issue as at 31 December 2021 (i.e. 10,944,815,035 Shares).

2. Subsequent to the end of the reporting period, Dr. Fan Hsu Lai Tai, Rita sold 50,000 Shares in January 2022. As at the date of this report, Dr. Fan Hsu Lai Tai, Rita did not hold any Share.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES *(continued)*

(a) Long Positions in Shares and Underlying Shares of the Company *(continued)*

(ii) Long Positions in Share Options relating to Ordinary Shares (all being personal interest and being held in the capacity of beneficial owner)

				Number of Share Options				
Name of Director	Date of grant	Subscription price HK$ *(per Share)*	Exercise period *(Note b)*	Balance as at 1 January 2021	Granted	Exercised	Cancelled/ lapsed	Balance as at 31 December 2021
Mr. Yan Jianguo	29.06.2018	25.85	29.06.2020 to 28.06.2024 *(Note c)*	700,000	–	–	–	700,000
	24.11.2020	18.724	24.11.2022 to 23.11.2026 *(Note d)*	1,800,000	–	–	–	1,800,000
Mr. Luo Liang	29.06.2018	25.85	29.06.2020 to 28.06.2024 *(Note c)*	700,000	–	–	–	700,000
	24.11.2020	18.724	24.11.2022 to 23.11.2026 *(Note d)*	1,600,000	–	–	–	1,600,000
Mr. Zhang Zhichao	29.06.2018	25.85	29.06.2020 to 28.06.2024 *(Note c)*	550,000	–	–	–	550,000
	24.11.2020	18.724	24.11.2022 to 23.11.2026 *(Note d)*	1,600,000	–	–	–	1,600,000
Mr. Guo Guanghui	29.06.2018	25.85	29.06.2020 to 28.06.2024 *(Note c)*	600,000	–	–	–	600,000
	24.11.2020	18.724	24.11.2022 to 23.11.2026 *(Note d)*	1,300,000	–	–	–	1,300,000
Mr. Zhuang Yong	29.06.2018	25.85	29.06.2020 to 28.06.2024 *(Note c)*	600,000	–	–	–	600,000
	11.11.2021	18.70 *(Note a)*	11.11.2023 to 10.11.2027 *(Note e)*	–	1,600,000	–	–	1,600,000

Notes:

(a) The closing price of the Shares immediately before the date of grant (i.e. as of 10 November 2021) was HK$17.80.

(b) Exercise of the Share Options is conditional upon the achievement of certain individual performance targets of each eligible person and certain financial performance targets of the Company as determined by the Board.

(c) One-third of the Share Options granted will be vested on each of 29 June 2020, 29 June 2021 and 29 June 2022.

(d) One-third of the Share Options granted will be vested on each of 24 November 2022, 24 November 2023 and 24 November 2024.

(e) One-third of the Share Options granted will be vested on each of 11 November 2023, 11 November 2024 and 11 November 2025.

Report of Directors (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES *(continued)*

(b) Long Positions in Shares and Underlying Shares of the Associated Corporations

(all being personal interest and being held in the capacity of beneficial owner)

Name of associated corporation	Name of Director	Number of shares held *(Note 2)*	% of shares in issue *(Note 1)*
China State Construction Engineering Corporation Limited ("**CSCECL**")	Mr. Luo Liang	294,000	0.001%
	Mr. Zhang Zhichao	70,000	0.000%
	Mr. Guo Guanghui	210,000	0.001%
China State Construction International Holdings Limited ("**CSC**")	Mr. Luo Liang	3,531,469	0.070%
China Overseas Property Holdings Limited	Mr. Li Man Bun, Brian David	1,820,000	0.055%
China Overseas Grand Oceans Group Limited ("**COGO**")	Mr. Luo Liang	105,000	0.003%
	Mr. Zhuang Yong	500,000	0.015%
China State Construction Development Holdings Limited	Mr. Zhang Zhichao	2,984,000	0.138%

Notes:

1. The percentage represents the number of shares interested divided by the number of shares of the related associated corporation in issue (as the case may be) as at 31 December 2021.

2. The number of shares of CSCECL held by each of Mr. Luo Liang, Mr. Zhang Zhichao and Mr. Guo Guanghui represented the "A" shares in CSCECL under the A-shares Restricted Stock Incentive Plan (Phase II) of CSCECL together with bonus shares on the basis of four bonus "A" shares for every ten existing "A" shares.

Save as disclosed above, as at 31 December 2021, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or chief executive of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein. None of the Directors and the chief executive of the Company (including their spouses and children under the age of 18) had, as at 31 December 2021, any interest in, or had been granted any right to subscribe for the shares, options and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above and in note 30 to the financial statements, at no time during the year, the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, as at the date of this report, the following Directors declared interests in the following entities which compete or are likely to compete, either directly or indirectly, with the businesses of the Company:

Mr. Yan Jianguo, the Chairman and Executive Director of the Company, is also the chairman and president of China Overseas Holdings Limited ("**COHL**") and the chairman and non-executive director of CSC. Mr. Zhang Zhichao, the Executive Director and the Chief Executive Officer of the Company, is also a director of COHL. Mr. Zhuang Yong, the Vice Chairman and Non-executive Director of the Company, is also a director of COHL and the chairman and executive director of COGO. Mr. Guo Guanghui, the Executive Director of the Company, is also a non-executive director of COGO. COHL, COGO and CSC are engaged in construction, property development and related businesses.

The entities in which the above Directors had declared interests are managed by separate boards of directors and management, which are accountable to their respective shareholders. In addition, the Board includes three Independent Non-executive Directors and one Non-executive Director (other than Mr. Zhuang Yong) whose views carry significant weight in the Board's decisions. The Audit and Risk Management Committee of the Company, which consists of three Independent Non-executive Directors, meets regularly to assist the Board in reviewing the financial performance, internal control, risk management and compliance systems of the Company and its subsidiaries. The Company is, therefore, capable of carrying on its businesses independently of, and at arm's length from, the businesses in which the Directors had declared interests.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

At 31 December 2021, the following parties (other than the Directors or the chief executive of the Company) were the substantial shareholders (as defined in the Listing Rules) of the Company and had interests in the Shares and underlying Shares of the Company as recorded in the register maintained by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Number of Shares and underlying Shares held			% of Shares in issue *(Note 1)*			Capacity
	(Long Position)	*(Short Position)*	*(Lending Pool)*	*(Long Position)*	*(Short Position)*	*(Lending Pool)*	
Silver Lot Development Limited ("**Silver Lot**")	521,264,928	–	–	4.76%	–	–	Beneficial owner
COHL *(Note 2)*	5,617,734,255	111,564,090 *(Note 4)*	–	51.33%	1.02%	–	Beneficial owner
	521,264,928	–	–	4.76%	–	–	Interest of controlled corporation
CSCECL *(Note 3)*	6,138,999,183	111,564,090 *(Note 4)*	–	56.09%	1.02%	–	Interest of controlled corporation
China State Construction Engineering Corporation ("**CSCEC**") *(Note 3)*	6,138,999,183	111,564,090 *(Note 4)*	–	56.09%	1.02%	–	Interest of controlled corporation
Complete Noble Investments Limited ("**Complete Noble**") *(Notes 5 and 6)*	1,095,620,154	–	–	10.01%	–	–	Beneficial owner
Affluent East Investments Limited ("**Affluent East**") *(Notes 5 and 6)*	1,095,620,154	–	–	10.01%	–	–	Interest of controlled corporation
CITIC Limited ("**CITIC**") *(Notes 5 and 6)*	1,095,620,154	–	–	10.01%	–	–	Interest of controlled corporation
CITIC Glory Limited ("**CITIC Glory**") *(Note 6)*	1,095,620,154	–	–	10.01%	–	–	Interest of controlled corporation
CITIC Polaris Limited ("**CITIC Polaris**") *(Note 6)*	1,095,620,154	–	–	10.01%	–	–	Interest of controlled corporation
CITIC Group Corporation ("**CITIC Group**") *(Note 6)*	1,095,620,154	–	–	10.01%	–	–	Interest of controlled corporation

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES *(continued)*

Notes:

1. The percentage was calculated based on the total number of Shares of the Company in issue as at 31 December 2021 (i.e. 10,944,815,035 Shares).

2. Silver Lot is a direct wholly-owned subsidiary of COHL, thus COHL is deemed by the SFO to be interested in Shares of the Company (including long position, short position and lending pool (if any)) in which Silver Lot is or is taken to be interested.

3. COHL is a direct wholly-owned subsidiary of CSCECL, which in turn is a direct non-wholly owned subsidiary of CSCEC, thus CSCECL and CSCEC are deemed by the SFO to be interested in Shares of the Company (including long position, short position and lending pool (if any)) in which COHL is or is taken to be interested.

4. On 5 January 2016, a subsidiary of COHL (the "**Issuer**") issued exchangeable bonds (the "**Bonds**") with the aggregate principal amount of US$1,500,000,000 which are exchangeable into 280,124,096 Shares of the Company. On 5 January 2020, the Issuer redeemed US$902,600,000 in aggregate principal amount of the Bonds at an aggregate redemption price of US$1,006,760,040. The redeemed Bonds have been cancelled pursuant to the terms and conditions of the Bonds. After that the remaining Bonds can be exchangeable into 111,564,090 Shares of the Company.

5. Complete Noble is a direct wholly-owned subsidiary of Affluent East, which in turn is a direct wholly-owned subsidiary of CITIC.

6. More than 50% of CITIC is held by CITIC Glory and CITIC Polaris, both of which are direct wholly-owned subsidiaries of CITIC Group, in aggregate. Accordingly, CITIC is an indirect non-wholly owned subsidiary of CITIC Group and Affluent East, CITIC, CITIC Glory, CITIC Polaris and CITIC Group are all deemed by the SFO to be interested in Shares of the Company (including long position, short position and lending pool (if any)) in which Complete Noble is or is taken to be interested.

Save as disclosed above, the Company had not been notified by any other person (other than the Directors or the chief executive of the Company) who had an interest in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 31 December 2021.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2021, the five largest customers of the Group accounted for less than 30% of the Group's revenue. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP

Definitions

In this section, the following expressions have the following meanings unless the context requires otherwise:

"COHL"	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, which is interested directly and indirectly, approximately 56.09% of the issued share capital of the Company
"Company"	China Overseas Land & Investment Limited
"COPL"	China Overseas Property Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2669)
"COPL Group"	COPL and its subsidiaries from time to time
"CSC"	China State Construction International Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311)
"CSC Group"	CSC and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time
"CSC Minority Controlled Group"	companies held as to 30% to 50% by the CSC Group, and their respective subsidiaries from time to time (excluding members of the Group and members of the CSC Group, respectively)
"CSCD"	China State Construction Development Holdings Limited (formerly known as Far East Global Group Limited), whose shares are listed on the Main Board of the Stock Exchange (stock code: 830)
"CSCD Group"	CSCD and its subsidiaries from time to time
"CSCEC"	中國建築集團有限公司 (formerly known as 中國建築工程總公司) (China State Construction Engineering Corporation*), a state-owned corporation organised and existing under the laws of the PRC, being the ultimate controlling shareholder of the Company
"CSCECL"	China State Construction Engineering Corporation Limited, a joint stock company incorporated in the PRC, whose shares are listed on the Shanghai Stock Exchange (stock code: 601668). CSCECL is a non-wholly owned subsidiary of CSCEC and the holding company of COHL
"CSCECL Connected Persons"	the associates of CSCECL, 30%-controlled companies held directly or indirectly by CSCECL and connected subsidiaries between CSCECL and the Company, and their respective subsidiaries (excluding subsidiary(ies) listed on any stock exchange and their respective subsidiary(ies)) from time to time
"CSCECL Group"	CSCECL and its subsidiaries (excluding COHL, the Company, CSC, CSCD, COPL and their respective subsidiaries) from time to time
"Group"	the Company and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time

* *English translation for identification purpose only*

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

During the year under review, the Group entered into the following connected transactions or continuing connected transactions which are exempted from independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules or which have been approved by independent shareholders in pursuance of Rule 14A.36 of the Listing Rules:

A. Connected Transactions

(1) Formation of Joint Venture in relation to Land in Zhuhai, The PRC

On 29 March 2021, China Overseas (Zhuhai) Company Limited (an indirect wholly-owned subsidiary of the Company), China Construction Macau (Guangdong Hengqin) Development Company Limited (an indirect wholly-owned subsidiary of CSC) and Zhuhai Hai Yue Real Estate Development Company Limited (the "**JV Company**", being an indirect wholly-owned subsidiary of the Company) entered into an agreement (the "**Cooperation Agreement**"), pursuant to which the parties agreed to form a joint venture through the JV Company for the purpose of the development of a parcel of land situated at Wanzai Area, Shizimen Central Business District, Zhuhai, Guangdong Province, the PRC.

Pursuant to the Cooperation Agreement, the JV Company is owned as to 80% and 20% by the Company and CSC, respectively. The JV Company will continue to be accounted for as a subsidiary of the Company.

The total capital commitment to the JV Company is approximately RMB11,400 million which shall be contributed by shareholders in proportion to their respective equity interests in the JV Company.

COHL is the controlling shareholder of both the Company and CSC. Accordingly, each of the Company and CSC is connected person of each other and the entering into the Cooperation Agreement and the transactions contemplated thereunder constitute connected transactions of both the Company and CSC under Chapter 14A of the Listing Rules.

(2) Disposal of 30% Interest in the Kai Tak Project

On 26 November 2021, Windy Summer Limited (the "**Seller**") and Chung Hoi Finance Limited ("**COLI Finance**"), both wholly-owned subsidiaries of the Company, entered into a share purchase agreement (the "**SPA**") with HAIJIAN I INVESTMENT LIMITED (the "**Purchaser**"), pursuant to which the Seller and COLI Finance have agreed to dispose to the Purchaser 30% interest in the development of a parcel of land situated at New Kowloon Inland Lot No. 6603, Kai Tak Area 4E, Site 1, Kai Tak, Kowloon (the "**Kai Tak Project**"), by way of sale and purchase of 30% of all issued and outstanding shares in Honour Vision Limited (the "**Project Holdco**") and the corresponding shareholder loan for a total consideration of approximately HK$1.35 billion.

The Company's interest in the Project Holdco has been reduced from 80% to 50%. As such, the Project Holdco is no longer a subsidiary of the Company.

The estimated total investment amount (excluding the registered capital) to be provided to the Kai Tak Project will not exceed HK$5.3 billion which shall be contributed by shareholders in proportion to their respective effective interests in the Kai Tak Project.

COHL is a controlling shareholder of the Company and the Purchaser is indirectly owned by COHL as to 50%. Accordingly, the Purchaser is an associate of a connected person of the Company and the transactions contemplated under the SPA constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions

(1) CSCD Master Engagement Agreement

On 26 June 2018, the Company and CSCD entered into a framework agreement (the "**CSCD Master Engagement Agreement**"), pursuant to which the Group may invite the CSCD Group to participate in competitive tender for provision of contracting and engineering works, project management, supervision and consultancy services for the construction works of the Group (the "**Construction Works**") as a contractor or service provider (as the case may be) from time to time for a period commencing from 20 August 2018 and ending on 30 June 2021 (both dates inclusive) provided that the total contract sum that may be awarded to the CSCD Group does not exceed the corresponding cap as set out below.

Period	Cap
20 August 2018 to 31 December 2018	HK$1,200 million
1 January 2019 to 31 December 2019	HK$1,200 million
1 January 2020 to 31 December 2020	HK$1,200 million
1 January 2021 to 30 June 2021	HK$800 million

Upon the expiry of the CSCD Master Engagement Agreement, the Company and CSCD entered into a new framework agreement on 29 March 2021 (the "**New CSCD Master Engagement Agreement**") for a term of three years commencing from 1 July 2021 and ending on 30 June 2024 (both dates inclusive) provided that the total contract sum that may be awarded to the CSCD Group does not exceed the corresponding cap as set out below.

Period	Cap
1 July 2021 to 31 December 2021	HK$300 million
1 January 2022 to 31 December 2022	HK$300 million
1 January 2023 to 31 December 2023	HK$500 million
1 January 2024 to 30 June 2024	HK$150 million

The prices and terms of the tenders awarded by the Group are subject to the standard and systematic tender procedures maintained by the Group, details of which are set out in the announcement of the Company dated 26 June 2018 and 29 March 2021. Those procedures apply to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the Group to the CSCD Group are no more favourable than those awarded to independent third parties.

COHL is the controlling shareholder of the Company, CSC and CSCD. CSC is the indirect holding company of CSCD. Thus, members of the CSCD Group are connected persons of the Company and the transactions contemplated under the New CSCD Master Engagement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(2) CSC Master Engagement Agreement

On 8 April 2020, the Company and CSC entered into a new engagement agreement ("**CSC Master Engagement Agreement**") to replace and supersede the previous CSC master engagement agreement dated 6 October 2017. Pursuant to the CSC Master Engagement Agreement, the Group may invite the CSC Group to participate in competitive tender for the Group's construction works in the PRC, Hong Kong and Macau as construction contractor from time to time for a term of three years commencing from 1 January 2020 and ending on 31 December 2022 (both dates inclusive) provided that the total contract sum that may be awarded to the CSC Group does not exceed the corresponding annual cap as set out below.

Period	Cap
1 January 2020 to 31 December 2020	HK$9,000 million
1 January 2021 to 31 December 2021	HK$9,000 million
1 January 2022 to 31 December 2022	HK$9,000 million

The prices and terms of the tenders awarded by the Group are subject to the standard and systematic tender procedures maintained by the Group, details of which are set out in the announcement of the Company dated 8 April 2020. Those procedures apply to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the Group to CSC Group are no more favourable than those awarded to independent third parties.

On 10 September 2021, the Company entered into a supplemental agreement with CSC to amend the CSC Master Engagement Agreement, in order to facilitate CSC to capture construction contracts that may be awarded to the CSC Group by companies which respective share capital is held as to not less than 30% and not more than 50% by the Group and their respective subsidiaries (excluding China Overseas Grand Oceans Group Limited and its subsidiaries) under the framework of the CSC Master Engagement Agreement.

As COHL is the controlling shareholder of both the Company and CSC, members of CSC Group are connected persons of the Group. The transactions contemplated under the CSC Master Engagement Agreement as amended constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(3) CSCECL Master Engagement Agreement

On 1 April 2019, the Company and CSCECL entered into an engagement agreement (the "**CSCECL Master Engagement Agreement**"), pursuant to which the Group may invite the CSCECL Group to participate in competitive tender as construction contractor for construction related services such as building design, construction piling and foundation, building and property fitting-out work, interior decoration, installation of air-conditioning units and elevators (the "**Construction Related Services**") in the PRC for a term of three years commencing from 1 July 2019 and ending on 30 June 2022 (both dates inclusive) provided that the total contract sum that may be awarded to the CSCECL Group does not exceed the corresponding cap as set out below.

Period	Cap
1 July 2019 to 31 December 2019	RMB6,206 million
1 January 2020 to 31 December 2020	RMB19,768 million
1 January 2021 to 31 December 2021	RMB16,121 million
1 January 2022 to 30 June 2022	RMB8,473 million

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(3) CSCECL Master Engagement Agreement (continued)

The prices and terms of the tenders awarded by the Group are subject to the standard and systematic tender procedures maintained by the Group, details of which are set out in the announcement of the Company dated 1 April 2019. Those procedures apply to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the Group to CSCECL Group are no more favourable than those awarded to independent third parties.

As CSCECL is the intermediate controlling shareholder of the Company, members of the CSCECL Group are connected persons of the Company. The transactions contemplated under the CSCECL Master Engagement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(4) COPL Services Framework Agreement

On 28 April 2020, the Company and COPL entered into a framework agreement ("**COPL Services Framework Agreement**"), pursuant to which the Group may invite the COPL Group to participate in competitive tenders to provide the property management services and other services (the "**Services**") to the Group in respect of the property development projects or properties owned or held by the Group for a term of three years commencing from 1 July 2020 and ending on 30 June 2023 (both dates inclusive) provided that the total contract sum that may be awarded to the COPL Group does not exceed the corresponding cap as set out below.

Period	Cap
1 July 2020 to 31 December 2020	HK$1,076 million
1 January 2021 to 31 December 2021	HK$2,093 million
1 January 2022 to 31 December 2022	HK$2,616 million
1 January 2023 to 30 June 2023	HK$1,633 million

The prices and terms of the tenders awarded by the Group are subject to the standard and systematic tender procedures maintained by the Group, details of which are set out in the announcement of the Company dated 28 April 2020. Those procedures apply to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the Group to the COPL Group are no more favourable than those awarded to independent third parties.

As COHL is the controlling shareholder of both the Company and COPL, members of the COPL Group are connected persons of the Company. The transactions contemplated under the COPL Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(5) COPL Car Parking Spaces Framework Agreement

On 23 October 2019, the Company and COPL entered into a framework agreement (the "**COPL Car Parking Spaces Framework Agreement**"), pursuant to which the COPL Group may from time to time enter into transactions with the Group for the acquisition of rights-of-use of car parking spaces (the "**Transactions**"), situated in the developments or properties built, developed or owned by the Group and managed by the COPL Group as property manager for a term of three years commencing from 1 December 2019 and ending on 30 November 2022 (both dates inclusive) provided that the maximum total agreement sums payable by the COPL Group to the Group does not exceed the corresponding cap as set out below.

Period	Cap
1 December 2019 to 31 December 2019	HK$300 million
1 January 2020 to 31 December 2020	HK$500 million
1 January 2021 to 31 December 2021	HK$600 million
1 January 2022 to 30 November 2022	HK$600 million

To determine the sale price for each Transaction, the Group will obtain the valuation from an independent third party property appraiser and will take into account the factors such as development cost, historical maintenance cost, ongoing management cost savings, terms of the Transactions and the qualifications of the purchaser. In any event, the sale price shall be no less favourable to the Group than that available to independent third party purchaser.

As COHL is the controlling shareholder of both the Company and COPL, members of the COPL Group are connected persons of the Company. The transactions contemplated under the COPL Car Parking Spaces Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(6) Financial Services Agreement

On 1 November 2019, the Company and 中建財務有限公司 (China State Construction Finance Limited*, "**CSCF**") (a subsidiary of CSCECL) entered into a financial services framework agreement (the "**Financial Services Agreement**"), pursuant to which CSCF agreed to provide the Group with deposit services, loan services, bill acceptance and discount services, and other financial services (the "**Financial Services**") on a non-exclusive basis for a term of three years commencing from 1 November 2019 and ending on 31 October 2022 (both dates inclusive) subject to the maximum daily deposit balance (including interests accrued thereon) and the maximum aggregate transaction amount as set out below.

Financial Services	Period	Cap
(i) deposit placed by the Group with CSCF		Maximum daily deposit balance (including interests accrued thereon):
	1 November 2019 to 31 October 2020	RMB7,000 million
	1 November 2020 to 31 October 2021	RMB7,000 million
	1 November 2021 to 31 October 2022	RMB7,000 million
(ii) bill acceptance and discount services handled by CSCF for the Group		Maximum aggregate transaction amount:
	1 November 2019 to 31 October 2020	RMB5,000 million
	1 November 2020 to 31 October 2021	RMB5,000 million
	1 November 2021 to 31 October 2022	RMB5,000 million

The interest rate applicable to the Group for its deposits with CSCF should be the higher of: (i) the highest interest rate for the same type of deposits quoted by other major commercial banks in the PRC (reference shall be made to rates from at least three such banks); and (ii) the interest rate provided by CSCF.

The terms of loans provided to the Group by CSCF shall be no less favourable than the terms of the same type of loans provided by independent third party commercial banks which have existing cooperative relationships with the Group. The interest rate applicable to the Group for its loans to be granted by CSCF shall be the lower of: (i) the lowest interest rate among the interest rates of the same type of loans quoted by other major commercial banks in the PRC (reference shall be made to rates from at least three such banks); and (ii) the interest rate provided by CSCF.

* *English translation for identification purpose only*

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(6) ***Financial Services Agreement*** *(continued)*

The discount amount for bill acceptance and discount services shall be calculated by reference to the same rate as the interest rate applicable to the Group for its loans granted by CSCF.

In addition, as no security over the assets of the Group is granted to CSCF in respect of the loan services, and other financial services are for free, these services to be provided by CSCF to the Group under the Financial Services Agreement will be exempted from all reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, details of which are set out in the announcement of the Company dated 1 November 2019 (the "**Announcement**").

The Group has adopted a number of capital risk control measures and internal control policies and procedures as set out in the Announcement to ensure that adequate measures are taken to manage the risks involved in depositing funds with CSCF, and the terms of the relevant transactions are fair comparing to financial services provided by independent third parties other than CSCF.

As CSCECL is the intermediate holding company of the Company, CSCF is a connected person of the Company. The transactions in relation to the deposit services, bill acceptance and discount services contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(7) ***CSC Framework Agreement in relation to Supply of Materials***

On 28 April 2021, the Company and CSC entered into a framework agreement (the "**CSC Framework Agreement**"), pursuant to which the CSC Group and the CSC Minority Controlled Group may invite the Group to participate in competitive tender as supplier for civil-works, electromechanical and renovation items, goods or materials (the "**Materials**") for construction project(s) of the CSC Group or the CSC Minority Controlled Group in Mainland China for a term of three years commencing from 1 July 2021 and ending on 30 June 2024 (both dates inclusive) provided that the total contract sum that may be awarded to the Group does not exceed the corresponding cap as set out below.

Period	Cap
1 July 2021 to 31 December 2021	RMB150 million
1 January 2022 to 31 December 2022	RMB360 million
1 January 2023 to 31 December 2023	RMB430 million
1 January 2024 to 30 June 2024	RMB260 million

The prices and terms of the tenders awarded to the Group are subject to the standard and systematic tender procedures maintained by the CSC Group or the CSC Minority Controlled Group (as the case may be), details of which are set out in the announcement of the Company dated 28 April 2021. Those procedures apply to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the CSC Group or the CSC Minority Controlled Group (as the case may be) to the Group are no less favourable than those awarded to independent third parties.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(7) CSC Framework Agreement in relation to Supply of Materials (continued)

As COHL is a controlling shareholder of both the Company and CSC, members of the CSC Group and the CSC Minority Controlled Group are connected persons of the Company. The transactions contemplated under the CSC Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(8) CSCECL Supply Chain Management Framework Agreement

On 9 July 2021, the Company and CSCECL entered into a framework agreement (the "**CSCECL Supply Chain Management Framework Agreement**"), pursuant to which 深圳領潮供應鏈管理有限公司 (Shenzhen Lingchao Supply Chain Management Co., Ltd.*) ("**Shenzhen Lingchao**", being a wholly-owned subsidiary of the Company) will provide, and CSCECL Group and CSCECL Connected Persons may engage Shenzhen Lingchao to provide, (i) supply chain management services including procurement of the Materials which can be provided by Shenzhen Lingchao; and/or (ii) supply chain consultation services provided to the CSCECL Group and CSCECL Connected Persons by Shenzhen Lingchao (collectively the "**Supply Chain Management Services**"), from time to time for the period commencing from 9 July 2021 and ending on 31 December 2023 (both dates inclusive) subject to the following caps as set out below:

Period	Cap
9 July 2021 to 31 December 2021	RMB7,700 million
1 January 2022 to 31 December 2022	RMB7,700 million
1 January 2023 to 31 December 2023	RMB7,700 million

Details of the prices and terms of the Supply Chain Management Services are set out in the announcement of the Company dated 9 July 2021. In any event, the sale price shall be no more favourable to the CSCECL Group and CSCECL Connected Persons than that available to independent third party purchaser.

As CSCECL is the intermediate controlling shareholder of the Company, members of the CSCECL Group and CSCECL Connected Persons are connected persons of the Company. The transactions contemplated under the CSCECL Supply Chain Management Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

* *English translation for identification purpose only*

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

Annual review and confirmation regarding continuing connected transaction in accordance with Rule 14A.55 and 14A.56 of the Listing Rules

The Independent Non-executive Directors conducted annual review on the continuing connected transactions mentioned in this section and confirmed that those transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company also engaged auditor to report on the Group's continuing connected transactions mentioned in this section in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor issued an unqualified letter and confirmed that nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions mentioned in this section:

a. have not been approved by the Board;

b. were not, in all material respects, in accordance with the relevant agreements governing such transactions;

c. were not, in all material aspects, in accordance with the pricing policies of the Group; and

d. have exceeded the annual cap set by the Company.

The continuing connected transactions mentioned in this section also constitute related party transactions under the Hong Kong Financial Reporting Standards. A summary of significant related party transactions made during the year were disclosed in note 41 to the financial statements. Transactions under "Fellow subsidiaries" section of item (a) therein also constitute connected/continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The Board confirms that the Company has complied with the disclosure requirements as required by the Listing Rules in relation to the aforementioned connected transactions or continuing connected transactions.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

There is no transaction, arrangement or contract of significance subsisting during or at the end of the financial year 2021 in which the Directors or an entity connected with him/her is or was materially interested, either directly or indirectly.

INTEREST IN CONTRACTS OF SIGNIFICANCE

The transactions set out in paragraphs A, B(2), B(3), B(4), B(6), and B(8) of the section headed "Connected Transactions Entered Into By The Group" above are considered contracts of significance under paragraph 16 of Appendix 16 of the Listing Rules.

EMOLUMENT POLICY, BASIS OF DETERMINING EMOLUMENT TO DIRECTORS AND RETIREMENT BENEFIT SCHEME

Subject to the compliance with relevant rules and regulations, the Company implements an emolument and benefit system comprised of basic salary, incentive bonus and employee benefits. The emolument and employee benefits are reviewed at appropriate time, with reference to both the annual survey on the industry's remuneration level and the Company's operating performance. The emoluments of the Directors are determined by reference to the industry's remuneration level, the Company's operating performance and the respective responsibilities and performances of the Directors. Under the arrangement of the Company's ultimate controlling shareholder, certain Directors and core employees are holding A-shares Restricted Stock Incentive Plan (Phase II) of CSCECL. The purpose of the arrangement is to motivate the core talents. In addition, the Company set up a "688 share option incentive scheme" in 2018. The information of the scheme is set out separately in note 30 to the financial statement and the Report of Directors.

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme (the "**MPF Scheme**") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. With effect from 1 January 2018, Employer Voluntary Contributions are made, under specific criteria set in the company policy, as a part of the employee benefits program. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the scheme. Details of these schemes are set out in notes 3 and 12 to the financial statements.

MANAGEMENT CONTRACTS

Save for employment contracts, no other contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

DONATIONS

During the year, the Group made charitable and other donations amounted to approximately RMB789,000.

AUDIT AND RISK MANAGEMENT COMMITTEE

One of the principal duties of the Audit and Risk Management Committee is to review the Group's financial reporting requirements and system, and risk management and internal control systems. The members of the Audit and Risk Management Committee have been satisfied with the Company's financial reporting disclosures and system, and risk management and internal control procedures.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 98 to 118 of this annual report.

PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company and subject to the provisions of the Companies Ordinance, every Director, former Director, other officer or other former officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto provided that such articles shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has maintained appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year under review.

AUDITOR

Ernst & Young ("**EY**") has been appointed as auditor of the Company following the retirement of PricewaterhouseCoopers at the annual general meeting of the Company held on 26 June 2020. Save as disclosed above, there were no other changes in auditor of the Company during the past three years. The accompanying financial statements have been audited by EY.

A resolution will be proposed at the forthcoming annual general meeting to re-appoint EY as auditor of the Company.

On behalf of the Board

Yan Jianguo
Chairman and Executive Director

Hong Kong, 31 March 2022

Independent Auditor's Report

To the members of China Overseas Land & Investment Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Overseas Land & Investment Limited (the "Company") and its subsidiaries (the "Group") set out on pages 151 to 250, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report (continued)

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
The Group's investment properties amounted to approximately RMB166,204 million as at 31 December 2021 and a fair value gain of approximately RMB5,540 million was accounted for under "Gain arising from changes in fair value of investment properties" in the consolidated income statement. Management engaged independent valuers to determine the valuation of the Group's investment properties. There are significant judgements and estimates involved in the valuation which mainly include: • Completed investment properties: The valuation was arrived at using the investment approach by considering the capitalised income derived from the existing tenancies and the reversionary potential, including reversionary yields and prevailing market rents, of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions. • Investment properties under construction: The valuation was arrived at using the residual method by making reference to estimated selling prices as available in the relevant market. The estimated cost to complete the development and estimated developer's profit as at the date of valuation were also taken into account. The significance of the carrying amounts of the investment properties to the consolidated financial statements and the existence of significant judgements and estimates of the assumptions involved in the property valuations warrant specific audit focus and attention on this area. Related disclosures are included in notes 3(b), 4(a) and 17 to the consolidated financial statements.	Our procedures in relation to the valuation of investment properties included: • Assessing the competence, independence and objectivity of the valuers and discussing the scope of their work; and • Assessing, with the assistance of our internal valuation specialists, the methodologies used by the valuers and, on a sample basis, the appropriateness of the key assumptions, based on our knowledge of the property industry, research evidence of reversionary yields, prevailing market rents and estimated selling prices with reference to comparable market transactions for similar properties, comparing the estimated developer's profit to historical records, and testing, on a sample basis, the data used in the valuation of properties, including the rental rates from existing tenancies and estimated cost to complete, by comparing to the underlying agreements with the tenants and contractors respectively.

Independent Auditor's Report (continued)

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of property portfolio held by the Group	
As at 31 December 2021, the carrying value of the Group's stock of properties was approximately RMB450,456 million. Management assesses the recoverability of property portfolio held by the Group's subsidiaries based on estimates of the net realisable values of the stock of properties. This involves estimation of, inter-alia, construction costs to be incurred to complete the properties under development based on existing plans, and a forecast of future sales based on the current market price of properties of comparable locations and conditions. Management concluded that no significant provision for impairment is necessary for the stock of properties held by the Group's subsidiaries. If the estimated net realisable values of the stock of properties are significantly different from their carrying values as a result of changes in market conditions and/or significant variation in the budgeted development costs, material provision for impairment losses may result. Accordingly, the existence of significant estimation uncertainty and the significance of the carrying amounts of the stock of properties to the consolidated financial statements warrant specific audit focus and attention on this area. Related disclosures are included in notes 3(b), 4(c) and 21 to the consolidated financial statements.	Our procedures in relation to management's recoverability assessment included: • Obtaining an understanding of, evaluating and testing, on a sample basis, the key internal controls around the property development cycle with particular focus on controls over cost budgeting and periodic reviews, sources of impairment assessment data and calculation of impairment provisions; • Understanding management's assessment, with reference to the appropriate supporting evidence, on the impairment of the stock of properties which had relatively low forecasted or actual gross profit margins, within the general property development and sales cycle; and • For significant stock of properties which had relatively low forecasted or actual gross profit margins, assessing the reasonableness of key assumptions adopted by management. For the forecast of future sales, we checked, on a sample basis, the contracted sales price of the underlying properties and recent market transaction prices of properties with comparable locations and conditions, where applicable. For construction costs to be incurred for properties under development, we assessed the reasonableness of the latest budgets of total construction costs and tested, on a sample basis, the incurred construction costs to supporting documentations, e.g., construction contracts and other documentations.

Independent Auditor's Report (continued)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit and Risk Management Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditor's Report (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

The engagement partner on the audit resulting in this independent auditor's report is Chow Chi Chung.

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong
31 March 2022

Consolidated Income Statement

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	7	**242,240,783**	185,789,528
Direct operating costs		**(185,214,985)**	(129,968,676)
		57,025,798	55,820,852
Other income and gains, net	9	**4,712,403**	6,363,300
Gain arising from changes in fair value of investment properties	17	**5,540,183**	9,191,416
Selling and distribution expenses		**(3,778,148)**	(3,512,875)
Administrative expenses		**(3,190,504)**	(2,631,304)
Operating profit		**60,309,732**	65,231,389
Share of profits and losses of			
Associates		**2,781,412**	2,639,918
Joint ventures		**904,445**	2,216,133
Finance costs	10	**(865,928)**	(883,890)
Profit before tax		**63,129,661**	69,203,550
Income tax expenses	11	**(20,068,125)**	(21,494,912)
Profit for the year	12	**43,061,536**	47,708,638
Attributable to:			
Owners of the Company		**40,155,361**	43,903,954
Non-controlling interests		**2,906,175**	3,804,684
		43,061,536	47,708,638
		RMB	RMB
EARNINGS PER SHARE	14		
Basic		**3.67**	4.01
Diluted		**3.67**	3.99

The notes on pages 159 to 250 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Profit for the year	**43,061,536**	47,708,638
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of subsidiaries of the Company	**(197,468)**	(702,389)
Exchange differences on translation of associates	**210,003**	338,290
	12,535	(364,099)
Other comprehensive income for the year	**12,535**	(364,099)
Total comprehensive income for the year	**43,074,071**	47,344,539
Total comprehensive income attributable to:		
Owners of the Company	**40,176,585**	43,539,686
Non-controlling interests	**2,897,486**	3,804,853
	43,074,071	47,344,539

The notes on pages 159 to 250 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current Assets			
Property, plant and equipment	16	**5,524,471**	5,010,803
Investment properties	17	**166,204,097**	140,879,089
Goodwill	34	**56,395**	56,395
Interests in associates	18	**17,862,412**	14,543,727
Interests in joint ventures	19	**22,708,422**	18,770,162
Financial asset at fair value through profit or loss	20	**120,228**	–
Other receivables		**366,255**	450,353
Deferred tax assets	33	**8,107,614**	7,693,664
		220,949,894	187,404,193
Current Assets			
Stock of properties and other inventories	21	**450,620,363**	458,087,286
Land development expenditure	22	**12,388,697**	13,403,278
Trade and other receivables	23	**8,244,489**	12,196,646
Contract assets	27	**926,912**	3,102,710
Deposits and prepayments		**11,393,943**	10,497,858
Deposits for land use rights for property development		**1,020,286**	4,198,634
Amounts due from fellow subsidiaries	24	**62,490**	312,165
Amounts due from associates	24	**6,036,539**	3,580,280
Amounts due from joint ventures	24	**11,428,036**	8,744,043
Amounts due from non-controlling shareholders	24	**3,739,048**	2,699,724
Tax prepaid		**12,139,810**	8,961,644
Bank balances and cash	25	**130,956,191**	110,468,910
		648,956,804	636,253,178
Current Liabilities			
Trade and other payables	26	**90,054,871**	82,807,619
Pre-sales proceeds	27	**100,455,190**	121,121,893
Amounts due to fellow subsidiaries and a related company	28	**3,967,806**	2,599,775
Amounts due to associates	28	**1,872,114**	1,706,459
Amounts due to joint ventures	28	**5,962,081**	4,197,226
Amounts due to non-controlling shareholders	29	**7,534,562**	9,337,457
Lease liabilities – due within one year	35	**260,902**	263,030
Tax liabilities		**39,172,639**	38,123,766
Bank and other borrowings – due within one year	31	**38,220,634**	27,501,259
Guaranteed notes and corporate bonds – due within one year	32	**6,399,786**	16,303,716
		293,900,585	303,962,200
Net Current Assets		**355,056,219**	332,290,978
Total Assets Less Current Liabilities		**576,006,113**	519,695,171

Consolidated Statement of Financial Position (continued)

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Capital and Reserves			
Share capital	30	**74,033,624**	74,033,624
Reserves		**269,526,551**	240,112,907
Equity attributable to owners of the Company		**343,560,175**	314,146,531
Non-controlling interests		**13,546,179**	14,202,789
Total Equity		**357,106,354**	328,349,320
Non-current Liabilities			
Amounts due to non-controlling shareholders	29	**–**	1,542,377
Lease liabilities – due after one year	35	**371,424**	428,798
Bank and other borrowings – due after one year	31	**124,091,050**	109,307,995
Guaranteed notes and corporate bonds – due after one year	32	**73,210,824**	59,867,471
Deferred tax liabilities	33	**21,226,461**	20,199,210
		218,899,759	191,345,851
Total of Equity and Non-Current Liabilities		**576,006,113**	519,695,171

The financial statements on pages 151 to 250 were approved by the Board of Directors on 31 March 2022 and were signed on its behalf by:

Yan Jianguo
Executive Director

Luo Liang
Executive Director

The notes on pages 159 to 250 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company								
	Share capital RMB'000	Property revaluation reserve RMB'000 *(Note (a))*	Translation reserve RMB'000	Merger and other reserves RMB'000 *(Note (b))*	PRC statutory reserve RMB'000 *(Note (c))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020	74,033,624	285,446	760,666	(11,930,006)	10,269,522	207,184,440	280,603,692	8,540,933	289,144,625
Profit for the year	–	–	–	–	–	43,903,954	43,903,954	3,804,684	47,708,638
Exchange differences on translation of subsidiaries of the Company	–	–	(702,558)	–	–	–	(702,558)	169	(702,389)
Exchange differences on translation of associates	–	–	338,290	–	–	–	338,290	–	338,290
Total comprehensive income for the year	–	–	(364,268)	–	–	43,903,954	43,539,686	3,804,853	47,344,539
2019 final dividend	–	–	–	–	–	(5,651,542)	(5,651,542)	–	(5,651,542)
2020 interim dividend	–	–	–	–	–	(4,314,747)	(4,314,747)	–	(4,314,747)
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	921,860	921,860
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	(784,589)	(784,589)
Equity-settled share-based transactions *(Note 30)*	–	–	–	17,594	–	–	17,594	–	17,594
Capital contribution relating to share-based payments borne by an intermediate holding company *(Note 30)*	–	–	–	3,369	–	–	3,369	–	3,369
Return of capital to non-controlling shareholders	–	–	–	–	–	–	–	(23,084)	(23,084)
Non-controlling interests arising from business combination	–	–	–	–	–	–	–	2,503,571	2,503,571
Disposal of subsidiaries	–	–	–	–	–	–	–	(760,755)	(760,755)
Shares repurchased *(Note 30)*	–	–	–	–	–	(51,521)	(51,521)	–	(51,521)
Transfer to PRC statutory reserve	–	–	–	–	95,189	(95,189)	–	–	–
At 31 December 2020	74,033,624	285,446	396,398	(11,909,043)	10,364,711	240,975,395	314,146,531	14,202,789	328,349,320

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2021

	Attributable to owners of the Company								
	Share capital RMB'000	Property revaluation reserve RMB'000 *(Note (a))*	Translation reserve RMB'000	Merger and other reserves RMB'000 *(Note (b))*	PRC statutory reserve RMB'000 *(Note (c))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021	74,033,624	285,446	396,398	(11,909,043)	10,364,711	240,975,395	314,146,531	14,202,789	328,349,320
Profit for the year	–	–	–	–	–	40,155,361	40,155,361	2,906,175	43,061,536
Exchange differences on translation of subsidiaries of the Company	–	–	(188,779)	–	–	–	(188,779)	(8,689)	(197,468)
Exchange differences on translation of associates	–	–	210,003	–	–	–	210,003	–	210,003
Total comprehensive income for the year	–	–	21,224	–	–	40,155,361	40,176,585	2,897,486	43,074,071
2020 final dividend	–	–	–	–	–	(6,664,221)	(6,664,221)	–	(6,664,221)
2021 interim dividend	–	–	–	–	–	(4,067,942)	(4,067,942)	–	(4,067,942)
Transfer from property revaluation reserve to retained profits upon disposal of properties	–	(985)	–	–	–	985	–	–	–
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	617,071	617,071
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	(2,233,675)	(2,233,675)
Equity-settled share-based transactions *(Note 30)*	–	–	–	114,517	–	–	114,517	–	114,517
Capital contribution relating to share-based payments borne by an intermediate holding company *(Note 30)*	–	–	–	1,492	–	–	1,492	–	1,492
Return of capital to non-controlling shareholders	–	–	–	–	–	–	–	(1,809,087)	(1,809,087)
Shares repurchased *(Note 30)*	–	–	–	–	–	(108,413)	(108,413)	–	(108,413)
Transfer to PRC statutory reserve	–	–	–	–	469,393	(469,393)	–	–	–
Acquisition of additional interest of subsidiaries	–	–	–	–	–	(38,374)	(38,374)	(128,405)	(166,779)
At 31 December 2021	74,033,624	284,461	417,622	(11,793,034)	10,834,104	269,783,398	343,560,175	13,546,179	357,106,354

Notes:

(a) *The property revaluation reserve mainly represents the surplus on revaluation of properties transferred from owner-occupied properties to investment properties, net of tax.*

(b) *The reserves mainly represent the merger reserve arising from the acquisition of subsidiaries in 2015 by the Group from China State Construction Engineering Corporation Limited ("CSCECL") and in 2016 from CITIC Limited, which are all state-owned entities and are under common control of the State Council of the People's Republic of China ("PRC"). Other reserves include share option reserve which represents the fair value of share options granted that are yet to be exercised. The amount will either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited/lapsed.*

(c) *The PRC statutory reserve of the Group represents the general and development fund reserve applicable to subsidiaries which were established in accordance with the relevant PRC regulations.*

The notes on pages 159 to 250 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**63,129,661**	69,203,550
Adjustments for:		
Share of profits and losses of associates	**(2,781,412)**	(2,639,918)
Share of profits and losses of joint ventures	**(904,445)**	(2,216,133)
Finance costs	**865,928**	883,890
Depreciation	**407,935**	370,848
Interest income	**(1,957,062)**	(1,818,148)
Gain arising from changes in fair value of investment properties	**(5,540,183)**	(9,191,416)
Gain on disposals of property, plant and equipment	**(23,125)**	(1,850)
Equity-settled share-based payment expenses	**116,009**	20,963
Gain on disposal of subsidiaries	**(9,245)**	–
Effect of foreign exchange rate changes	**(2,457,232)**	(3,112,174)
	50,846,829	51,499,612
Interest received	**1,772,113**	1,503,210
Increase in stock of properties and other inventories	**(2,025,085)**	(69,348,095)
Decrease in land development expenditure	**1,014,581**	4,642,775
Decrease/(increase) in trade and other receivables, deposits and prepayments	**2,738,522**	(2,732,073)
Decrease/(increase) in contract assets	**2,175,059**	(1,318,275)
Decrease in deposits for land use rights for property development	**3,178,348**	9,828,257
Decrease/(increase) in restricted bank deposits	**1,709,995**	(251,773)
(Decrease)/increase in trade and other payables and pre-sales proceeds	**(17,336,867)**	38,273,354
Cash generated from operations	**44,073,495**	32,096,992
Income taxes paid	**(21,508,760)**	(20,896,400)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**22,564,735**	11,200,592
INVESTING ACTIVITIES		
Dividends received from associates	**1,161,252**	845,591
Dividends received from joint ventures	**160,902**	1,306,661
Purchase of property, plant and equipment	**(226,129)**	(312,655)
Acquisition of financial asset at fair value through profit or loss	**(120,228)**	–
Additions of investment properties	**(9,693,481)**	(11,855,963)
Decrease/(increase) in amounts due from fellow subsidiaries	**249,675**	(262,485)
Advances to associates	**(3,009,169)**	(85,928)
Repayment from associates	**1,144,143**	1,954,320
Advances to joint ventures	**(4,176,061)**	(454,940)
Repayment from joint ventures	**1,421,121**	4,700,035
Advances to non-controlling shareholders	**(1,665,660)**	(715,765)
Repayment from non-controlling shareholders	**626,336**	575,562
Capital contributions to associates	**(2,166,855)**	(15,645)
Return of capital from joint ventures	**–**	452,425
Capital contributions to joint ventures	**(29,216)**	(256,542)
Net proceeds on disposals of property, plant and equipment	**92,394**	81,799
Net proceeds on disposals of investment properties	**901,841**	–
Net proceeds on disposals of subsidiaries	**863,741**	–
NET CASH USED IN INVESTING ACTIVITIES	**(14,465,394)**	(4,043,530)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES			
Interest paid		**(7,958,608)**	(8,179,213)
Other finance costs paid		**(139,064)**	(195,140)
Dividends paid to owners of the Company		**(10,732,163)**	(9,966,289)
Dividends paid to non-controlling shareholders		**(2,280,246)**	(661,130)
New bank and other borrowings raised		**68,994,324**	44,578,716
Repayment of bank and other borrowings		**(41,439,035)**	(28,401,361)
Issue of guaranteed notes and corporate bonds		**19,503,000**	19,514,330
Redemption of guaranteed notes and corporate bonds		**(14,430,936)**	(8,931,190)
Acquisition of additional interest in subsidiaries		**(166,779)**	–
Advances from fellow subsidiaries and a related company		**2,331,657**	249,369
Repayment to fellow subsidiaries		**(171,830)**	(158,249)
Contributions from non-controlling shareholders		**617,071**	921,860
Return of capital to non-controlling shareholders		**(1,809,087)**	(23,084)
Advances from associates		**830,187**	1,091,344
Repayment to associates		**(146,224)**	(112,306)
Advances from joint ventures		**2,224,428**	1,913,200
Repayment to joint ventures		**(276,532)**	(2,290,622)
Advances from non-controlling shareholders		**1,398,599**	3,531,510
Repayment to non-controlling shareholders		**(4,697,300)**	(4,579,972)
Principal element of lease payments		**(315,648)**	(215,059)
Deposits received for partial disposal of subsidiaries' interests		**3,198,213**	–
Share repurchase		**(108,413)**	(51,521)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**14,425,614**	8,035,193
NET INCREASE IN CASH AND CASH EQUIVALENTS		**22,524,955**	15,192,255
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**107,664,125**	92,894,556
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(327,679)**	(422,686)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**129,861,401**	107,664,125
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash as per consolidated statement of financial position		**130,956,191**	110,468,910
Less: restricted bank deposits	*25*	**(1,094,790)**	(2,804,785)
		129,861,401	107,664,125

The notes on pages 159 to 250 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 December 2021

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The Company's immediate parent company is China Overseas Holdings Limited ("COHL"), a company incorporated in Hong Kong, and its ultimate holding company is 中國建築集團有限公司 (China State Construction Engineering Corporation*, "CSCEC"), an entity established in the PRC and the PRC government is a substantial shareholder of CSCEC. The registered office and principal place of business of the Company are situated at 10/F, Three Pacific Place, 1 Queen's Road East, Hong Kong. The Group's business activities are principally carried out in Hong Kong, Macau, Guangzhou, Shenzhen, Shanghai, Beijing, Tianjin, Jinan, Nanjing, Suzhou, Chengdu, Changsha, Foshan and other regions in Mainland China.

The Group, comprising the Company and its subsidiaries, is principally engaged in property development and investment, and other operations.

The Company's functional currency is Renminbi ("RMB") and the consolidated financial statements are presented in RMB as the directors of the Company consider that RMB is the appropriate presentation currency for the users of the Group's consolidated financial statements.

2. APPLICATION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are relevant to the Group:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendments to HKFRS 16	*COVID-19-Related Rent Concessions*

The application of the above amendments to HKFRSs has had no material impact on the Group's results and financial position.

* *The English name is a translated name and is for identification purpose only.*

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

2. APPLICATION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

The following amendments and improvements to existing standards, that are relevant to the Group's operation, have been issued but not yet effective for the financial year beginning on 1 January 2021 and have not been early adopted:

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of accounting policies*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 8	*Definition of accounting estimates*[2]
Amendments to HKAS 12	*Deferred tax related to assets and liabilities arising from a single transaction*[2]

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

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

3 *No mandatory effective date yet determined but available for adoption*

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

The Group has already commenced an assessment of the impact of the above amendments and improvements to HKFRSs. So far it has assessed that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial asset at fair value through profit or loss, which are measured at fair values as explained in the accounting policies set out below.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Except for business combination under common control, subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income of a subsidiary is attributed to owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the carrying amount of the net assets attributable to the change in interests and the fair value of the consideration paid or received is recognised directly in retained profits and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9, *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Basis of Consolidation *(continued)*

Business combinations – common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interests.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous year end date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as expenses in the period in which it is incurred.

Business combinations – acquisition method

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Basis of Consolidation *(continued)*

Business combinations – acquisition method *(continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

1. deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12, *Income Taxes* and HKAS 19, *Employee Benefits*, respectively;

2. liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2, *Share-based Payment* at the acquisition date (see the accounting policy below); and

3. assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or when applicable, on the basis specified in another standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Basis of Consolidation *(continued)*

Business combinations – acquisition method *(continued)*

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKFRS 9, *Financial Instruments* or HKAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Fair Value Measurement

The Group measures its investment properties and financial asset at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Fair Value Measurement *(continued)*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Separate Financial Statements

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. Cost includes direct attributable costs of investments.

The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Interests in Associates and Joint Ventures

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates or joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36, *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate or a joint venture that results in the Group losing significant influence or joint control over that associate or joint venture, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9, *Financial Instruments*. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Interests in Associates and Joint Ventures *(continued)*

If an interest in an associate becomes an interest in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

When a group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group. When the Group disposes of a business to its associate or joint venture, the entire gain or loss on disposal is recognised in profit or loss as a loss of control of a business.

Accounting policies of associates and joint ventures are changed where necessary to ensure consistency with the policies adopted by the Group.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's management. The Group's management, who is responsible for resource allocation and assessment of performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction and right-of-use assets for such purposes). Investment properties include land use rights held for undetermined future use, which are regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Related Parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person;

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Property, Plant and Equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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

Assets in the course of construction in progress are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation, on the same basis as other assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss in the period in which the item is derecognised.

Impairment Losses on Tangible and Intangible Assets other than Goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Impairment Losses on Tangible and Intangible Assets other than Goodwill *(continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial Assets

Classification

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

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

- those to be measured at amortised cost.

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

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

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

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Financial Assets *(continued)*

Measurement

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

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost, which include trade and other receivables, amounts due from fellow subsidiaries, associates, joint ventures and non-controlling shareholders and bank balances. Interest income from these financial assets is included in finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses are presented in other gains/(losses).

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Financial Assets *(continued)*

Equity instruments

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

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

Impairment of financial assets measured at amortised cost other than trade receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

When there is a significant increase in credit risk or the proceeds receivable are not settled in accordance with the terms stipulated in the agreements, management considers these receivables as underperforming or non-performing and impairment is measured as lifetime expected credit losses.

When management considers that there is no reasonable expectation of recovery, the financial assets measured at amortised cost will be written off.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Financial Liabilities and Equity Instruments

Financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities (including trade and other payables, amounts due to associates, joint ventures, non-controlling shareholders, fellow subsidiaries and a related company, lease liabilities, bank and other borrowings and guaranteed notes and corporate bonds) are measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Financial Liabilities and Equity Instruments *(continued)*

Debt instruments

Derecognition

The Group derecognises a financial liability when, and only when, the Group's obligations are discharged or cancelled, or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group or the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group or the Company measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with the expected credit loss model under HKFRS 9, *Financial Instruments*; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the revenue recognition policy in profit or loss.

Inventories

Inventories, representing raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Stock of Properties

Completed properties and properties under development are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other directly attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Borrowing costs include interest expense, interest in respect of lease liabilities and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the Group's subsidiaries had borrowed funds in their functional currencies, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Borrowing Costs *(continued)*

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Foreign Currencies *(continued)*

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Leasing

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

Leases are initially measured on a present value basis at the date at which the leased asset is available for use by the Group. These are presented within "Property, plant and equipment" in the consolidated statement of financial position.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate the lease and non-lease components and instead accounts for these as a single lease component.

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Leasing *(continued)*

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

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

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs; and

- restoration costs.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Leasing *(continued)*

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases (presented as rental income within “Revenue” in the consolidated income statement) where the Group is a lessor is recognised as income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Employee Benefits

(i) ***Retirement benefits***

The Group participates in mandatory provident fund schemes in Hong Kong which are the defined contribution plan generally funded through payments to trustee-administered funds. The assets of the scheme are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the government in Mainland China, the subsidiaries in Mainland China participate in the municipal government contribution scheme whereby the subsidiaries are required to contribute to the scheme for the retirement benefit of eligible employees. The municipal government of Mainland China is responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the scheme is to pay the ongoing contributions required by the scheme. The Group’s contributions to the scheme are expensed as incurred.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Employee Benefits *(continued)*

(ii) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(iii) Share-based payments

Incentive shares granted by the Group's holding entities

Incentive shares granted by an intermediate holding company to the employees of the Group are treated as capital contribution. The fair value of employee services received, measured by reference to the fair value of incentive shares on the date of grant, is recognised as an expense over the vesting period, with a corresponding credit to equity.

At the end of each reporting period, the Group revises its estimates of the number of incentive shares that are expected to be vested. The impact of the revision of the original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to equity.

Share options granted by the Company

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible employees (including directors), under which the Group receives services from employees as consideration for share options of the Company. The fair value of the employee services received in exchange for the grant of the share options is recognised as an employee benefit expense with a corresponding increase in equity over the period in which the performance and/or service conditions are fulfilled. The total amount to be expensed is determined by reference to the fair value of the options granted:

– including any market performance conditions (e.g. the entity's share price);

– excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

– including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Employee Benefits *(continued)*

(iii) Share-based payments *(continued)*

Share options granted by the Company (continued)

Non-market performance and service conditions are included in assumptions about the number of share options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The grant by the Company of equity instruments over its equity instruments to the employees of its subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the Company accounts.

At the end of each reporting period, the Company revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to share option reserve. When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital. When the share options are forfeited after the vesting date or still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Share Capital

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

Own equity instruments which are reacquired by the Company or the Group are recognised directly in equity at cost. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Revenue Recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group entitles in exchange for those goods or services.

Property development

The Group determines whether the properties have alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date.

- For properties which have no alternative use to the Group and the Group has no enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied at a point in time when the customer obtains control of the property and the Group satisfies the performance obligations.

- For properties which have no alternative use to the Group and the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied over time in accordance with the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Upon entering into a contract with a buyer, the Group obtains rights to receive consideration from the buyer and assumes performance obligations to transfer goods or provide services to the buyer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

Revenue is measured at the fair value if the consideration received or receivable and represents amounts receivable for goods sold or services provided in the normal course of business, net of discount.

Proceeds received from purchasers prior to meeting the revenue recognition criteria are included in "Pre-sales proceeds" in the consolidated statement of financial position.

Accounting for costs incurred for obtaining a contract

Costs such as stamp duty and sales commission incurred directly attributable for obtaining a pre-sale property contract, if recoverable, are capitalised and recorded in contract assets.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Revenue Recognition *(continued)*

Property development *(continued)*

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Accounting for significant financing component

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

Construction services

When the outcome of a construction service contract can be estimated reliably, revenue and costs are recognised when or as the construction projects are transferred to the customer. Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Hotel operation and building design consultancy services

Revenue from hotel operation and building design consultancy services is recognised when services are provided.

Property rentals

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Revenue Recognition *(continued)*

Dividend income

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets, that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

For distribution of non-cash assets as a dividend to the Company's shareholders, the Group measures the dividend payable at the fair value of the assets being distributed. When the Group settles the dividend payable, the difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable is recognised in profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

4. KEY SOURCES OF JUDGEMENT AND ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

The key assumptions concerning the future, and other key sources of judgement and estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Fair Value of Investment Properties

Investment properties at 31 December 2021 are carried at their fair values of RMB166,204,097,000 (2020: RMB140,879,089,000). The fair values were based on a valuation on these properties conducted by independent firms of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss recognised in profit or loss.

(b) Impairment of Property Portfolio Held by the Group's Associates and Joint Ventures

The carrying amounts of the Group's net investments in a listed associate, unlisted associates and joint ventures (representing interests in and amounts due from these companies) undertaking property development projects in the PRC and Hong Kong included in the consolidated statement of financial position at 31 December 2021 were RMB11,514,920,000 (2020: RMB9,408,245,000), RMB12,384,031,000 (2020: RMB8,715,762,000) and RMB34,136,458,000 (2020: RMB27,514,205,000), respectively.

Management assessed the recoverability of property portfolio held by the Group's unlisted associates and joint ventures based on the judgement and estimation of the net realisable value of the stock of properties of the associates and joint ventures which involve, inter-alia, considerable analysis of the current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on the existing asset structure and a forecast of future sales based on a zero growth rate of the property price. If the actual net realisable values of the stock of properties are more or less than expected as a result of change in the market condition and/or significant variation in the budgeted development costs, a material reversal of or provision for impairment losses may result.

The recoverable amount of the investment in the listed associate is evaluated based on the performance and financial position of the associate, and return on investments including the listed associate's share price performance and dividend yield.

Judgement is required in assessing the ultimate recoverability of the property portfolio held by the Group's associates and joint ventures.

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

4. KEY SOURCES OF JUDGEMENT AND ESTIMATION UNCERTAINTY *(continued)*

(c) Impairment of Stock of Properties

At 31 December 2021, the carrying value of the Group's stock of properties was RMB450,455,839,000 (2020: RMB457,932,040,000). Management assessed the recoverability of the amount based on the judgement and estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of the current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on the existing asset structure and a forecast of future sales based on a zero growth rate of the property price. If the actual net realisable values of the underlying stock of properties are more or less than expected as a result of change in the market condition and/or significant variation in the budgeted development costs, a material reversal of or provision for impairment losses may result.

(d) Land Appreciation Tax ("LAT")

LAT is levied on the appreciation of land value, being the proceeds from the sales of properties less deductible expenditure including land costs, borrowing costs and other property development expenditure.

The subsidiaries engaging in the property development business in the PRC are subject to LAT, which have been included in the tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these tax liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax expense and provisions for LAT in the period in which such determination is made.

(e) Revenue Recognition

Revenue from property development activities is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The properties contracted for pre-sale to customers have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue should be recognised over time depends on the terms of each contract and the relevant laws that apply to that contract. Judgement is required in such determination.

For property development revenue that is recognised over time, the Group recognises such property development revenue by reference to the progress of satisfying the performance obligation at the reporting date. This is measured based on the Group's costs incurred up to the reporting date and budgeted costs which depict the Group's performance towards satisfying the performance obligation. Judgements are required in the determination in these estimates, such as the accuracy of the budgets, the extent of the costs incurred and the allocation of costs to each property unit.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

5. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt, which mainly includes bank and other borrowings and guaranteed notes and corporate bonds disclosed in notes 31 and 32, respectively, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company assess budgets of major projects, taking into account the provision of funding. Based on the operating budgets, the directors of the Company consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group monitors its capital structure on a basis of the Group's net gearing. The net gearing is calculated as net debt divided by equity attributable to owners of the Company. For this purpose, the Group defines net debt as total debt less bank balances and cash. Equity attributable to owners of the Company comprise share capital and reserves attributable to the Company's owners as shown in the consolidated statement of financial position.

The net gearing at the end of the reporting period was as follows:

	2021 RMB'000	2020 RMB'000
Bank and other borrowings	**162,311,684**	136,809,254
Guaranteed notes and corporate bonds	**79,610,610**	76,171,187
Total debt	**241,922,294**	212,980,441
Less: Bank balances and cash	**(130,956,191)**	(110,468,910)
Net debt	**110,966,103**	102,511,531
Equity attributable to owners of the Company	**343,560,175**	314,146,531
Net gearing	**32.3%**	32.6%

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

6. FINANCIAL INSTRUMENTS

Details of significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial assets, financial liabilities and equity instruments are disclosed in note 3.

a. Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
Loans and receivables at amortised cost (including bank balances and cash)	**170,969,999**	146,883,733
Financial liabilities		
Liabilities at amortised cost	**348,447,915**	313,013,267

b. Financial risk management objectives and policies

The Group's major financial instruments include bank and other borrowings, guaranteed notes and corporate bonds, trade and other receivables, trade and other payables, amounts due from/to affiliated companies, financial asset at fair value through profit or loss, bank balances and cash, and lease liabilities. Details of the financial instruments are disclosed in the respective notes.

Management monitors and manages the financial risks relating to the Group through internal risk assessment which analyses exposures by the degree and magnitude of risks. These risks include market risk (including interest rate risk and currency risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

The Group does not enter into or trade any financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to these kinds of risks or the manner in which it manages and measures these risks.

(i) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and changes in foreign exchange rates.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

(i) Market risk *(continued)*

Interest rate risk

The Group's main interest rate risk arising from its variable-rate bank and other borrowings, amounts due to non-controlling shareholders, amounts due from associates and joint ventures, and other receivables amounting to RMB143,298,109,000 (2020: RMB129,758,168,000), RMB476,888,000 (2020: RMB544,888,000), RMB6,655,172,000 (2020: RMB7,073,511,000), and RMB366,255,000 (2020: RMB450,353,000), respectively, which expose the Group to cash flow interest rate risk. The variable-rate bank and other borrowings with original maturities from one to more than ten years are for financing development of property projects. An increase in interest rates would increase interest expenses. Management monitors interest rate exposure on a dynamic basis and will consider hedging significant interest rate exposure should the need arise. Management considers that the exposure to interest rate risk in relation to bank deposits is insignificant due to the low level of the bank interest rate.

The Group's fair value interest rate risk relates primarily to its corresponding fixed-rate bank and other borrowings, guaranteed notes and corporate bonds, amounts due to associates, joint ventures, non-controlling shareholders, fellow subsidiaries and a related company, and amounts due from associates, joint ventures, non-controlling shareholders and a fellow subsidiary amounting to RMB19,013,576,000 (2020: RMB7,051,086,000), RMB79,610,610,000 (2020: RMB76,171,187,000), RMB9,153,503,000 (2020: RMB12,025,469,000) and RMB8,056,237,000 (2020: RMB2,046,963,000), respectively. Management will also consider hedging significant interest rate exposure should the need arise.

Interest rate risk sensitivity analysis

The analysis is prepared assuming that the amount of assets/liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 (2020: 100) basis points higher/lower and all other variables were held constant, the Group's profit after tax and total equity for the year would decrease/increase by RMB117,193,000 (2020: RMB126,987,000) after capitalising finance costs in properties under development and investment properties under construction of RMB1,027,394,000 (2020: RMB1,100,805,000). This is mainly attributable to the Group's exposure to cash flow interest rate risk on its variable-rate bank and other borrowings, amounts due to non-controlling shareholders, amounts due from associates and joint ventures and other receivables.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

(i) Market risk *(continued)*

Currency risk

The Group undertakes certain transactions denominated in foreign currencies. The currencies giving rise to this exchange rate fluctuation risk are primarily HK$-denominated bank borrowings and guaranteed notes and corporate bonds, and United States dollars ("US$")-denominated guaranteed notes and corporate bonds, in aggregate accounting for 39.2% of the Group's interest-bearing debt. Management manages its foreign currency risk by closely reviewing the movement of the foreign currency rates and considers hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period, mainly attributable to amounts due from/to associates and joint ventures, bank balances and cash, bank and other borrowings and guaranteed notes and corporate bonds, are as follows:

	2021 RMB'000	2020 RMB'000
Assets		
HK$	**6,092,548**	1,082,436
US$	**3,048,774**	2,243,041
Liabilities		
HK$	**54,276,375**	55,232,828
US$	**40,516,322**	42,086,275

Currency risk sensitivity analysis

The Group mainly exposes to the currency risk of US$ and HK$. The following details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in the functional currencies of group entities against US$ and HK$, respectively. 5% (2020: 5%) is the sensitivity rate used as it represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2020: 5%) change in foreign currency rates. The sensitivity analysis includes amounts due from associates and joint ventures, bank balances and cash, bank and other borrowings and guaranteed notes and corporate bonds in currencies other than the functional currencies of the group entities.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

(i) Market risk *(continued)*

Currency risk *(continued)*

Currency risk sensitivity analysis (continued)

For a 5% (2020: 5%) decrease of functional currencies of group entities against US$ and HK$, all other variables were held constant, the Group's profit after tax and total equity for the year would decrease by RMB2,457,232,000 (2020: RMB3,112,174,000) after an increase in capitalising of exchange losses in properties under development of RMB299,370,000 (2020: RMB4,187,000).

For a 5% (2020: 5%) increase of functional currencies of group entities against US$ and HK$, all other variables were held constant, the Group's profit after tax and total equity for the year would increase by RMB2,756,602,000 (2020: RMB3,116,360,000).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Credit risk

At 31 December 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties and financial guarantees provided by the Group were arising from:

- the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amounts of financial guarantees issued by the Group as disclosed in note 39.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amounts of each individual trade and other receivable at the end of the reporting period to ensure that adequate impairment provisions are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank deposits is limited because the counterparties are banks and other financial institutions with high credit ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

(ii) Credit risk *(continued)*

For the trade receivables and contract assets arising from sales of properties, the Group managed the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loan financing procedures before delivery of properties unless strong credit records of the customers could be established. The Group closely monitors the collection of progress payments from customers in accordance with the payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

Meanwhile, the Group has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

For other receivables, amounts due from fellow subsidiaries, associates, joint ventures and non-controlling shareholders, the Group does not have any other significant concentration of credit risk. The Group would closely monitor the financial positions including the net assets backing of the fellow subsidiaries, associates, joint ventures and non-controlling shareholders, which are mainly engaged in property development business in Hong Kong and the PRC and their property development projects are profitable. Based on the above assessment, management considered that the expected credit loss is minimal and the directors of the Company are of the opinion that the risk of default by counterparties is low.

Except for trade receivables and contract assets for which the loss allowances are measured at an amount equal to lifetime expected credit losses under simplified approach, the loss allowances of other financial assets are measured at an amount equal to 12-month expected credit losses.

(iii) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on bank and other borrowings and guaranteed notes and corporate bonds as a significant source of liquidity. At 31 December 2021, the Group maintains substantial undrawn committed revolving banking facilities to allow for flexibility in meeting its funding requirements.

The following table analyses the contractual undiscounted cash flows of the Group's financial liabilities by relevant maturity groupings based on the remaining period from the end of reporting period to the earliest date the Group is required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from flat rate at the end of the reporting period. The undiscounted amounts are subject to changes if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

(iii) Liquidity risk *(continued)*

	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2021						
Trade and other payables	84,184,707	1,273,987	1,135,047	113,920	86,707,661	86,556,732
Amounts due to fellow subsidiaries and a related company	4,061,525	–	–	–	4,061,525	3,967,806
Amounts due to associates	1,887,970	–	–	–	1,887,970	1,872,114
Amounts due to joint ventures	5,981,422	–	–	–	5,981,422	5,962,081
Amounts due to non-controlling shareholders	7,923,794	–	–	–	7,923,794	7,534,562
Lease liabilities	297,493	146,940	107,032	148,080	699,545	632,326
Bank and other borrowings	42,697,805	41,765,196	78,157,048	12,847,050	175,467,099	162,311,684
Guaranteed notes and corporate bonds	7,666,901	14,627,339	35,216,045	46,346,190	103,856,475	79,610,610
Financial guarantee contracts	67,633,825	510,695	9,008,622	–	77,153,142	–
	222,335,442	58,324,157	123,623,794	59,455,240	463,738,633	348,447,915
At 31 December 2020						
Trade and other payables	75,172,158	2,879,152	2,012,396	143,962	80,207,668	79,957,704
Amounts due to fellow subsidiaries and a related company	2,735,904	–	–	–	2,735,904	2,599,775
Amounts due to associates	1,719,836	–	–	–	1,719,836	1,706,459
Amounts due to joint ventures	4,240,935	–	–	–	4,240,935	4,197,226
Amounts due to non-controlling shareholders	9,830,611	1,615,640	–	–	11,446,251	10,879,834
Lease liabilities	305,489	285,515	143,052	9,956	744,012	691,828
Bank and other borrowings	31,722,915	38,778,930	75,561,573	5,697,078	151,760,496	136,809,254
Guaranteed notes and corporate bonds	9,863,052	11,981,307	40,559,465	40,229,024	102,632,848	76,171,187
Financial guarantee contracts	70,432,133	794,780	482,733	–	71,709,646	–
	206,023,033	56,335,324	118,759,219	46,080,020	427,197,596	313,013,267

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amounts if those amounts are claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee that the guaranteed financial receivables held by the counterparty suffer credit losses.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

6. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

During the year, there were no transfers between different levels with the fair value hierarchy.

	2021 Level 3 RMB'000	2020 Level 3 RMB'000
Financial assets at fair value through profit or loss	**120,228**	–

The fair value of unlisted equity investment designated at fair value through profit or loss has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation technique and the inputs, including significant unobservable inputs, used in the fair value measurement of unlisted equity investment are not disclosed as such disclosures, in the opinion of the directors, would result in particulars of excessive length and provide no additional useful information to the users of the financial statements.

(ii) Financial assets and liabilities carried at other than fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values, except for the guaranteed notes and corporate bonds as disclosed in note 32. The fair values of guaranteed notes and corporate bonds is measured at quoted market price and are within level 1 of the three-level fair value hierarchy.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

7. REVENUE

Revenue comprises sales from property development activities, property rentals and income from other operations. An analysis of the Group's revenue for the year is as follows:

	2021 **RMB'000**	2020 RMB'000
Sales from property development activities	**236,355,530**	180,785,776
Property rentals	**4,667,337**	4,052,088
Others *(Note)*	**1,217,916**	951,664
Revenue	**242,240,783**	185,789,528

Note: Others mainly comprise revenue from hotel operations, provision of construction and building design consultancy services and others.

8. SEGMENT INFORMATION

The Group managed its business units based on their products and services, based on which information is prepared and reported to the Group's management for the purposes of resource allocation and performance assessment. The Group's operating and reportable segments under HKFRS 8 and the types of revenue are as follows:

Property development	–	property development and sales
Property investment	–	property rentals
Other operations	–	hotel operations, provision of construction and building design consultancy services and others

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

8. SEGMENT INFORMATION *(continued)*

Segment Revenue and Results

The following is an analysis of the Group's revenue and results (including share of results of associates and joint ventures) by reportable segments:

Year ended 31 December 2021

	Property development RMB'000	Property investment RMB'000	Other operations RMB'000	Segment total RMB'000
Revenue from contracts with customers				
– Recognised at a point in time	**209,426,587**	**–**	**–**	**209,426,587**
– Recognised over time	**26,928,943**	**–**	**1,217,916**	**28,146,859**
	236,355,530	**–**	**1,217,916**	**237,573,446**
Revenue from other sources				
– Rental income	**–**	**4,667,337**	**–**	**4,667,337**
Segment revenue – External	**236,355,530**	**4,667,337**	**1,217,916**	**242,240,783**
Segment profit (including share of profits and losses of associates and joint ventures)	**51,936,108**	**8,089,348**	**128,884**	**60,154,340**

Year ended 31 December 2020

	Property development RMB'000	Property investment RMB'000	Other operations RMB'000	Segment total RMB'000
Revenue from contracts with customers				
– Recognised at a point in time	149,712,971	–	–	149,712,971
– Recognised over time	31,072,805	–	951,664	32,024,469
	180,785,776	–	951,664	181,737,440
Revenue from other sources				
– Rental income	–	4,052,088	–	4,052,088
Segment revenue – External	180,785,776	4,052,088	951,664	185,789,528
Segment profit (including share of profits and losses of associates and joint ventures)	54,169,938	11,589,787	69,524	65,829,249

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

8. SEGMENT INFORMATION *(continued)*

Reconciliation of reportable segment profits to the consolidated profit before tax

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment profits include profits from subsidiaries and share of profits and losses of associates and joint ventures. These represent the profit earned by each segment without allocation of interest income on bank deposits, corporate expenses, finance costs and net foreign exchange gains recognised in the consolidated income statement.

	2021 RMB'000	2020 RMB'000
Reportable segment profits	**60,154,340**	65,829,249
Unallocated items:		
Interest income on bank deposits	**1,616,669**	1,331,513
Corporate expenses	**(232,652)**	(185,496)
Finance costs	**(865,928)**	(883,890)
Net foreign exchange gains recognised in the consolidated income statement	**2,457,232**	3,112,174
Consolidated profit before tax	**63,129,661**	69,203,550

Segment Assets and Liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

At 31 December 2021

	Property development RMB'000	**Property investment RMB'000**	**Other operations RMB'000**	**Segment total RMB'000**
Segment assets (including interests in and amounts due from associates and joint ventures) *(Note a)*	**568,287,914**	**167,073,291**	**3,589,302**	**738,950,507**
Segment liabilities (including amounts due to associates and joint ventures) *(Note b)*	**(249,465,016)**	**(19,898,676)**	**(1,514,358)**	**(270,878,050)**

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

8. SEGMENT INFORMATION *(continued)*

Segment Assets and Liabilities *(continued)*

At 31 December 2020

	Property development RMB'000	Property investment RMB'000	Other operations RMB'000	Segment total RMB'000
Segment assets (including interests in and amounts due from associates and joint ventures) *(Note a)*	568,207,149	141,590,896	3,390,416	713,188,461
Segment liabilities (including amounts due to associates and joint ventures) *(Note b)*	(262,055,468)	(18,556,494)	(1,715,648)	(282,327,610)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than bank balances and cash; and
- all liabilities are allocated to reportable segments other than bank and other borrowings, guaranteed notes and corporate bonds.

	2021 RMB'000	2020 RMB'000
Reportable segment assets	**738,950,507**	713,188,461
Unallocated items:		
Bank balances and cash	**130,956,191**	110,468,910
Consolidated total assets	**869,906,698**	823,657,371
Reportable segment liabilities	**(270,878,050)**	(282,327,610)
Unallocated items:		
Bank and other borrowings	**(162,311,684)**	(136,809,254)
Guaranteed notes and corporate bonds	**(79,610,610)**	(76,171,187)
Consolidated total liabilities	**(512,800,344)**	(495,308,051)

Notes:

(a) Segment assets include interests in and amounts due from associates of RMB17,862,412,000 (2020: RMB14,543,727,000) and RMB6,036,539,000 (2020: RMB3,580,280,000) and interests in and amounts due from joint ventures of RMB22,708,422,000 (2020: RMB18,770,162,000) and RMB11,428,036,000 (2020: RMB8,744,043,000), respectively.

(b) Segment liabilities include amounts due to associates and joint ventures of RMB1,872,114,000 (2020: RMB1,706,459,000) and RMB5,962,081,000 (2020: RMB4,197,226,000), respectively.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

8. SEGMENT INFORMATION *(continued)*

Other Segment Information

Year ended 31 December 2021

	Property development RMB'000	Property investment RMB'000	Other operations RMB'000	Consolidated RMB'000
Amounts included in the measurement of segment results and segment assets:				
Additions to non-current assets *(Note)*	**284,141**	**10,878,764**	**87,940**	**11,250,845**
Depreciation	**32,284**	**209,473**	**166,178**	**407,935**
Gain arising from changes in fair value of investment properties	**–**	**5,540,183**	**–**	**5,540,183**
Interest income on amounts due from fellow subsidiaries, associates, joint ventures and non-controlling shareholders	**290,157**	**–**	**–**	**290,157**
Share of profits and losses of associates	**2,781,412**	**–**	**–**	**2,781,412**
Share of profits and losses of joint ventures	**904,445**	**–**	**–**	**904,445**

Year ended 31 December 2020

	Property development RMB'000	Property investment RMB'000	Other operations RMB'000	Consolidated RMB'000
Amounts included in the measurement of segment results and segment assets:				
Additions to non-current assets *(Note)*	95,338	12,484,056	263,581	12,842,975
Depreciation	110,519	133,508	126,821	370,848
Gain arising from changes in fair value of investment properties	–	9,191,416	–	9,191,416
Interest income on amounts due from fellow subsidiaries, associates, joint ventures and non-controlling shareholders	469,222	–	–	469,222
Share of profits and losses of associates	2,639,918	–	–	2,639,918
Share of profits and losses of joint ventures	2,216,133	–	–	2,216,133

Note: Non-current assets exclude interests in associates, interests in and loans to joint ventures, financial asset at fair value through profit or loss, other receivables and deferred tax assets.

Revenue from Major Products and Services

An analysis of the Group's revenue for the year from its major products and services is set out in note 7.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

8. SEGMENT INFORMATION *(continued)*

Information about Geographical Areas

The Group's property development, property investment and other operations are carried out in Mainland China, Hong Kong, Macau and the United Kingdom. The following table provides a geographical analysis of the Group's revenue from external customers (based on where the products and services are delivered or provided) and non-current assets (based on the location of assets).

	Revenue by geographical market		Non-current assets (Note)	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
PRC				
Hua Nan Region	**58,521,386**	20,300,254	**27,112,620**	22,740,903
Hua Dong Region	**43,962,957**	50,034,445	**52,484,929**	43,345,940
Hua Bei Region	**71,598,305**	42,521,531	**61,911,991**	52,027,185
Northern Region	**30,142,984**	30,675,330	**6,937,114**	6,203,740
Western Region	**34,238,798**	29,961,067	**14,747,907**	12,718,588
Hong Kong and Macau	**3,483,324**	11,975,316	**2,652,449**	2,791,854
The United Kingdom	**293,029**	321,585	**5,937,953**	6,118,077
Total	**242,240,783**	185,789,528	**171,784,963**	145,946,287

Note: Non-current assets exclude interests in associates, interests in and loans to joint ventures, financial asset at fair value through profit or loss, other receivables and deferred tax assets.

Information about major customers

There was no revenue from a single customer accounted for 10% or more of the Group's revenue for both years.

9. OTHER INCOME AND GAINS, NET

	2021 RMB'000	2020 RMB'000
Other income and gains, net include:		
Interest income on bank deposits	**1,616,669**	1,331,513
Interest income on amounts due from fellow subsidiaries, associates, joint ventures and non-controlling shareholders	**290,157**	469,222
Other interest income	**50,236**	17,413
Total interest income	**1,957,062**	1,818,148
Income from primary land development *(Note 22)*	**2,595**	142,378
Net foreign exchange gains recognised in the consolidated income statement	**2,457,232**	3,112,174

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

10. FINANCE COSTS

	2021 **RMB'000**	2020 RMB'000
Interest on bank and other borrowings, guaranteed notes and corporate bonds	**7,844,825**	7,949,090
Interest on amounts due to fellow subsidiaries and a related company, associates, joint ventures and non-controlling shareholders	**330,479**	408,368
Interest on lease liabilities and other finance costs	**281,951**	188,559
Total finance costs	**8,457,255**	8,546,017
Less: Amount capitalised	**(7,591,327)**	(7,662,127)
	865,928	883,890

Finance costs capitalised during the year are calculated by applying a weighted average capitalisation rate of 3.15% (2020: 3.41%) per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSES

	2021 **RMB'000**	2020 RMB'000
Current tax:		
PRC Corporate Income Tax ("CIT")	**11,869,001**	10,291,676
PRC LAT	**6,856,260**	7,310,595
PRC withholding income tax	**333,352**	390,636
Hong Kong profits tax	**354,349**	619,913
Macau income tax	**18,020**	41,515
Others	**26,632**	6,637
	19,457,614	18,660,972
Deferred tax *(Note 33)*:		
Current year	**610,511**	2,833,940
Total	**20,068,125**	21,494,912

Under the Law of PRC on CIT (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of PRC subsidiaries is 25% (2020: 25%).

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

11. INCOME TAX EXPENSES *(continued)*

Hong Kong profits tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profit for the year.

Macau income tax is calculated at the prevailing tax rate of 12% (2020: 12%) in Macau.

Details of deferred tax are set out in note 33.

The income tax expenses for the year are reconciled to the profit before tax per the consolidated income statement as follows:

	2021 **RMB'000**	2020 RMB'000
Profit before tax	**63,129,661**	69,203,550
Tax at the applicable tax rate of 25% (2020: 25%)	**15,782,415**	17,300,888
PRC withholding income tax	**333,352**	390,636
LAT	**6,856,260**	7,310,595
Tax effect of LAT	**(1,714,065)**	(1,827,649)
Tax effect of share of profits and losses of associates and joint ventures	**(921,464)**	(1,214,013)
Tax effect of expenses not deductible for tax purpose	**811,124**	692,809
Tax effect of income not taxable for tax purpose	**(623,223)**	(1,033,116)
Tax effect of tax losses not recognised	**73,721**	78,023
Effect of different tax rates	**(481,497)**	(364,324)
Others	**(48,498)**	161,063
Income tax expenses for the year	**20,068,125**	21,494,912

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

12. PROFIT FOR THE YEAR

	2021 RMB'000	2020 RMB'000
Profit for the year has been arrived at after charging/(crediting):		
Auditors' remuneration		
Audit services	**9,367**	9,617
Non-audit services	**45**	48
	9,412	9,665
Depreciation	**407,935**	370,848
Staff costs including benefits and interests of directors *(Note)*	**2,758,511**	2,340,048
Share of tax of		
Associates	**1,822,152**	2,332,500
Joint ventures	**456,749**	796,503
Cost of stock of properties and other inventories recognised as expenses	**181,583,106**	127,585,267
Rental income in respect of investment properties under operating leases, net of outgoings of RMB1,632,349,000 (2020: RMB1,329,727,000)	**(2,859,768)**	(2,722,361)

Note: During the year ended 31 December 2021, equity-settled share-based payment expenses incurred in respect of the Share Option Schemes and A-shares Restricted Stock Incentive Plan (note 30) were RMB114,517,000 and RMB1,492,000 (2020: RMB17,594,000 and RMB3,369,000), respectively, which have been included in the staff costs as disclosed above.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustees. During the year ended 31 December 2021, the aggregate amount of forfeited contributions in respect of employees who left before their interests vested fully and thus utilised to reduce contributions during the year was RMB24,000 (2020: RMB28,000).

The employees of the Group's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme.

The total cost for retirement schemes recognised in the consolidated income statement of RMB176,006,000 (2020: RMB59,488,000), which has been included in staff costs disclosed above, represents contributions to the schemes by the Group in respect of the current accounting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

13. BENEFITS AND INTERESTS OF DIRECTORS

		Year ended 31 December 2021 As director				
	Notes	Directors' fees RMB'000	Basic salaries, allowances and benefits-in-kind *(Note (vi))* RMB'000	Performance related bonus RMB'000	Contributions to provident fund RMB'000	Total RMB'000
Executive Directors						
Yan Jianguo	*(i)*	–	4,543	2,600	15	7,158
Luo Liang		–	2,355	7,700	205	10,260
Zhang Zhichao	*(ii)*	–	2,219	6,600	184	9,003
Guo Guanghui		–	1,936	5,900	178	8,014
		–	11,053	22,800	582	34,435
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-executive Directors						
Zhuang Yong	*(iii)*	–	–	–	–	–
Chang Ying	*(viii), (ix)*	–	–	–	–	–
Zhao Wenhai	*(x)*	–	–	–	–	–
Independent Non-executive Directors						
Fan Hsu Lai Tai, Rita	*(vii)*	500 (approximately RMB413)	–	–	–	500 (approximately RMB413)
Li Man Bun, Brian David	*(vii)*	500 (approximately RMB413)	–	–	–	500 (approximately RMB413)
Chan Ka Keung, Ceajer	*(iv), (vii)*	500 (approximately RMB413)	–	–	–	500 (approximately RMB413)
		1,500 (approximately RMB1,239)	–	–	–	1,500 (approximately RMB1,239)

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

13. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

		Year ended 31 December 2020 As director				
	Notes	Directors' fees RMB'000	Basic salaries, allowances and benefits-in-kind *(Note (vi))* RMB'000	Performance related bonus RMB'000	Contributions to provident fund RMB'000	Total RMB'000
Executive Directors						
Yan Jianguo	*(i)*	–	4,895	2,600	16	7,511
Luo Liang		–	2,419	9,200	253	11,872
Zhang Zhichao	*(ii)*	–	1,785	8,000	191	9,976
Guo Guanghui		–	1,981	7,660	217	9,858
		–	11,080	27,460	677	39,217
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-executive Directors						
Zhuang Yong	*(iii)*	–	–	–	–	–
Chang Ying	*(viii), (ix)*	–	–	–	–	–
Independent Non-executive Directors						
Fan Hsu Lai Tai, Rita	*(vii)*	500 (approximately RMB445)	–	–	–	500 (approximately RMB445)
Li Man Bun, Brian David	*(vii)*	500 (approximately RMB445)	–	–	–	500 (approximately RMB445)
Chan Ka Keung, Ceajer	*(iv), (vii)*	257 (approximately RMB229)	–	–	–	257 (approximately RMB229)
Lam Kwong Siu	*(v), (vii)*	243 (approximately RMB216)	–	–	–	243 (approximately RMB216)
		1,500 (approximately RMB1,335)	–	–	–	1,500 (approximately RMB1,335)

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

13. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

Notes:

(i) Mr. Yan was appointed as an Executive Director and the Chief Executive Officer of the Company effective from 1 January 2017. Mr. Yan was also appointed as the Chairman of the Company effective from 13 June 2017. Mr. Yan ceased to act concurrently as the Chief Executive Officer of the Company effective from 11 February 2020.

(ii) Mr. Zhang was appointed as an Executive Director and the Chief Executive Officer of the Company effective from 11 February 2020.

(iii) Appointed effective from 11 February 2020 and no longer entitled to any director fee as from 1 March 2020.

(iv) Appointed effective from 27 June 2020.

(v) Retired effective from 27 June 2020.

(vi) Allowances and benefits-in-kind include housing allowance and non-cash benefits including the expense incurred in respect of the annual leave in lieu and share-based payments.

(vii) The directors' fees are paid in HK$. The RMB amounts are disclosed for presentation purpose only.

(viii) In March 2020, Mr. Chang Ying decided to waive his director's emoluments during his term of office (i.e. from 15 September 2016 up to 31 December 2019), with a total amount of HK$989,000 (equivalent to approximately RMB861,000). Mr. Chang ceased to receive any director's emolument with effect from 1 January 2020.

(ix) Resigned effective from 20 October 2021.

(x) Appointed effective from 20 October 2021.

The performance related bonus was determined based on the Group's performance for the year.

Of the five individuals with the highest emoluments in the Group, three (2020: one) were directors of the Company whose emoluments are included above. The emoluments of the remaining two (2020: four) individuals were set out as follows:

	2021 RMB'000	2020 RMB'000
Basic salaries, allowances and benefits-in-kind	**4,420**	8,486
Performance related bonus	**10,800**	35,000
Provident fund contributions	**373**	845
	15,593	44,331

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

13. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2021	2020
HK$9,000,001 to HK$9,500,000	1	–
HK$9,500,001 to HK$10,000,000	1	–
HK$11,000,001 to HK$11,500,000	–	1
HK$12,500,001 to HK$13,000,000	–	2
HK$13,000,001 to HK$13,500,000	–	1
	2	4

Save as disclosed above, no directors waived any emoluments in both years ended 31 December 2021 and 2020.

No directors received any emoluments as inducement to join or upon joining the Company or as compensation for loss of office in both years ended 31 December 2021 and 2020.

During the year, Mr. Yan Jianguo held directorship in CSCEC, and/or its subsidiaries/associated companies, which engaged in construction, property development and property investment and related businesses.

Save as disclosed above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during both years ended 31 December 2021 and 2020.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2021 RMB'000	2020 RMB'000
Earnings		
Earnings for the purpose of calculation of basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	40,155,361	43,903,954

Basic earnings per share

	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	10,945,018	10,955,707

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

14. EARNINGS PER SHARE *(continued)*

Diluted earnings per share

	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	**10,945,018**	10,955,707
Effect of dilution of share options under the Company's share option scheme – weighted average number of ordinary shares	**–**	57,844
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	**10,945,018**	11,013,551

No adjustment has been made to the basic earnings per share presented for the year ended 31 December 2021 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share presented.

15. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Dividends recognised as distributions during the year		
Interim dividend in respect of the financial year ended 31 December 2021 of HK45 cents per share (2020: Interim dividend in respect of the financial year ended 31 December 2020 of HK45 cents per share)	**4,067,942**	4,314,747
Final dividend in respect of the financial year ended 31 December 2020 of HK73 cents per share (2020: Final dividend in respect of the financial year ended 31 December 2019 of HK57 cents per share)	**6,664,221**	5,651,542
	10,732,163	9,966,289

The final dividend of HK76 cents per share in respect of the financial year ended 31 December 2021, amounting to approximately RMB6,737,628,000 has been proposed by the Board and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The amount of the final dividend proposed, which was calculated based on the number of ordinary shares in issue at the date of approval of these consolidated financial statements, has not been recognised as dividend payable in the consolidated financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

16. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets *(Note 35(i))*							
	Leasehold land and buildings RMB'000	Prepaid lease payments for land RMB'000	Other right-of-use assets RMB'000	Hotel buildings RMB'000	Plant, machinery and equipment RMB'000	Furniture, fixtures, office equipment and motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2020	1,770,608	596,864	237,775	1,999,781	332,157	656,623	217,024	5,810,832
Additions	47,477	263	674,357	940	6,861	88,627	168,487	987,012
Transfer from properties under development	–	–	–	–	–	–	466,959	466,959
Disposals	(10,391)	–	(6,728)	(17,442)	(80,348)	(92,221)	–	(207,130)
Exchange realignment	(9,686)	–	(2,932)	–	–	(1,638)	–	(14,256)
At 31 December 2020 and 1 January 2021	**1,798,008**	**597,127**	**902,472**	**1,983,279**	**258,670**	**651,391**	**852,470**	**7,043,417**
Additions	**13,952**	**4,399**	**232,022**	**–**	**4,889**	**192,796**	**10,093**	**458,151**
Transfer upon completion	**20,688**	**–**	**–**	**591,139**	**2,704**	**23,131**	**(637,662)**	**–**
Transfer from stock of properties	**13,299**	**–**	**–**	**14,192**	**–**	**–**	**516,780**	**544,271**
Disposals	**(39,538)**	**(20,000)**	**(229,064)**	**(67,949)**	**(5,610)**	**(23,858)**	**–**	**(386,019)**
Exchange realignment	**(10,950)**	**–**	**(2,748)**	**–**	**–**	**(3,676)**	**–**	**(17,374)**
At 31 December 2021	**1,795,459**	**581,526**	**902,682**	**2,520,661**	**260,653**	**839,784**	**741,681**	**7,642,446**
DEPRECIATION								
At 1 January 2020	384,330	116,961	36,586	532,928	223,522	497,091	–	1,791,418
Provided for the year	47,388	11,414	200,336	59,706	24,251	27,753	–	370,848
Eliminated on disposals	(1,268)	–	(3,923)	(4,676)	(33,774)	(83,540)	–	(127,181)
Exchange realignment	(814)	–	(1,334)	–	–	(323)	–	(2,471)
At 31 December 2020 and 1 January 2021	**429,636**	**128,375**	**231,665**	**587,958**	**213,999**	**440,981**	**–**	**2,032,614**
Provided for the year	**39,867**	**12,945**	**273,195**	**46,007**	**19,256**	**16,665**	**–**	**407,935**
Eliminated on disposals	**(24,457)**	**(7,458)**	**(196,114)**	**(62,535)**	**(7,645)**	**(18,541)**	**–**	**(316,750)**
Exchange realignment	**(2,292)**	**–**	**(1,131)**	**–**	**–**	**(2,401)**	**–**	**(5,824)**
At 31 December 2021	**442,754**	**133,862**	**307,615**	**571,430**	**225,610**	**436,704**	**–**	**2,117,975**
CARRYING VALUE								
At 31 December 2021	**1,352,705**	**447,664**	**595,067**	**1,949,231**	**35,043**	**403,080**	**741,681**	**5,524,471**
At 31 December 2020	1,368,372	468,752	670,807	1,395,321	44,671	210,410	852,470	5,010,803

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the relevant lease or 25 years
Prepaid lease payments for land	20 to 70 years
Other right-of-use assets	1 to 30 years
Hotel buildings	20 years or over the remaining lease terms
Plant, machinery and equipment	3 to 10 years
Other assets	3 to 8 years

17. INVESTMENT PROPERTIES

	Completed			Under construction	
	PRC RMB'000	Hong Kong and Macau RMB'000	The United Kingdom RMB'000	PRC RMB'000	Total RMB'000
FAIR VALUE					
At 1 January 2020	75,013,000	2,690,488	6,164,168	30,153,000	114,020,656
Additions	1,003,005	–	34,121	10,818,837	11,855,963
Gain arising from changes in fair value of investment properties	2,255,069	(73,069)	3,989	7,005,427	9,191,416
Transfer upon completion	8,091,000	–	–	(8,091,000)	–
Transfer from stock of properties	1,123,386	–	–	4,892,736	6,016,122
Exchange realignment	–	(120,867)	(84,201)	–	(205,068)
At 31 December 2020 and 1 January 2021	**87,485,460**	**2,496,552**	**6,118,077**	**44,779,000**	**140,879,089**
Additions	**248,510**	**–**	**23,845**	**10,520,339**	**10,792,694**
Gain arising from changes in fair value of investment properties	**667,718**	**(8,095)**	**54,060**	**4,826,500**	**5,540,183**
Transfer upon completion	**22,462,000**	**–**	**–**	**(22,462,000)**	**–**
Transfer from stock of properties	**654,213**	**–**	**–**	**9,592,014**	**10,246,227**
Disposals	**(702,643)**	**(17,346)**	**–**	**(181,852)**	**(901,841)**
Exchange realignment	**–**	**(94,226)**	**(258,029)**	**–**	**(352,255)**
At 31 December 2021	**110,815,258**	**2,376,885**	**5,937,953**	**47,074,001**	**166,204,097**

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

17. INVESTMENT PROPERTIES *(continued)*

Leasing Arrangements

Investment properties are leased to tenants under operating leases with rentals payable monthly. Where considered necessary to reduce credit risk, the Group may obtain rental deposits from the tenant.

For future minimum lease receivables in leases of investment properties, please refer to note 37.

Investment Properties Valuation

The fair values of the investment properties held by the Group at 31 December 2021 have been arrived on the basis of a valuation carried out on that date by Cushman & Wakefield Limited and CBRE Limited. The current use of the investment properties equates to their highest and best use.

The valuers mentioned above are independent firms of professional valuers not connected with the Group, who have appropriate qualification and recent experience in the valuation of similar properties in the relevant locations.

The Group's finance team reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation assumptions and results are held between management and the valuers at least twice a year when the valuation is performed for interim and annual financial reporting.

All of the Group's investment properties held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Fair values of the Group's investment properties are categorised as level 3 measurement in the three-level fair value hierarchy. During the year, there were no transfers between different levels within the fair value hierarchy.

Fair Value Measurements Using Significant Unobservable Inputs

The valuation for completed investment properties was arrived at by considering the capitalised income derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

The valuation for investment properties under construction was arrived at by making reference to comparable selling prices, as available in the relevant market. The estimated construction costs to complete the development and estimated developer's profits at the date of valuation are also taken into account.

There was no change to the valuation techniques during the year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

17. INVESTMENT PROPERTIES *(continued)*

Fair Value Measurements Using Significant Unobservable Inputs *(continued)*

Information about fair value measurements using significant unobservable inputs

Description	Fair value at 31 December 2021 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Investment properties under construction in the PRC	**47,074,001**	Residual method	Estimated selling prices	RMB10,000 – RMB82,300 per sq m
			Estimated costs to completion	RMB4,500 – RMB17,500 per sq m
			Estimated developer's profit	5.0% – 25.0%
Completed investment properties in the PRC	**110,815,258**	Investment approach	Prevailing market rents	RMB17 – RMB1,059 per sq m per month
			Reversionary yield	3.5% – 8.0%
Completed investment properties in Hong Kong and Macau	**2,376,885**	Investment approach	Prevailing market rents	HK$15 – HK$250 per sq ft per month
			Reversionary yield	2.1% – 3.8%
Completed investment properties in the United Kingdom	**5,937,953**	Investment approach	Prevailing market rents	GBP46 – GBP64 per sq ft per year
			Capitalisation rate	4.4% – 5.0%

Description	Fair value at 31 December 2020 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Investment properties under construction in the PRC	44,779,000	Residual method	Estimated selling prices	RMB12,200 – RMB94,500 per sq m
			Estimated costs to completion	RMB1,900 – RMB24,300 per sq m
			Estimated developer's profit	5.0% – 25.0%
Completed investment properties in the PRC	87,485,460	Investment approach	Prevailing market rents	RMB30 – RMB1,073 per sq m per month
			Reversionary yield	3.5% – 8.25%
Completed investment properties in Hong Kong and Macau	2,496,552	Investment approach	Prevailing market rents	HK$15 – HK$300 per sq ft per month
			Reversionary yield	2.1% – 3.8%
Completed investment properties in the United Kingdom	6,118,077	Investment approach	Prevailing market rents	GBP47 – GBP64 per sq ft per year
			Capitalisation rate	4.5% – 5.0%

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

17. INVESTMENT PROPERTIES *(continued)*

Fair Value Measurements Using Significant Unobservable Inputs *(continued)*

Information about fair value measurements using significant unobservable inputs *(continued)*

Estimated costs to completion and the developer's profit required are estimated by the independent valuers based on market conditions at the end of the reporting period. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The lower is the costs and developer's profit, the higher is the fair value.

Estimated selling prices and prevailing market rents are estimated based on the independent valuers' view of recent lettings or selling transactions within the subject properties and other comparable properties. The higher is the selling prices and rents, the higher is the fair value.

The reversionary yield and capitalisation rate are estimated by the independent valuers based on the risk profile of the properties being valued and the market conditions. The lower is the yield and capitalisation rate, the higher is the fair value.

18. INTERESTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Cost of investments		
Listed in Hong Kong	**3,889,208**	3,889,208
Unlisted	**5,827,633**	3,805,596
Share of post-acquisition profits and other comprehensive income, net of dividends received	**8,145,571**	6,848,923
	17,862,412	14,543,727
Market value of the interest in the listed associate	**4,218,652**	4,617,437

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

18. INTERESTS IN ASSOCIATES *(continued)*

Set out below are the particulars of the principal associates at 31 December 2021. In the opinion of the directors of the Company, to give details of other associates would result in particulars of excessive length.

Name of entity	Place of incorporation/ establishment	Place of operation	Proportion of nominal value of issued ordinary capital/registered capital held by the Group		Principal activities
			2021	2020	
China Overseas Grand Oceans Group Ltd. ("COGO")*	Hong Kong	PRC	**38.32%**	38.32%	Property investment and development, property leasing and investment holding
金茂投資(長沙)有限公司	PRC	PRC	**20%**	20%	Property development
廣州利合房地產開發有限公司	PRC	PRC	**20%**	20%	Property development
上海佳晟房地產開發有限公司	PRC	PRC	**49%**	49%	Property development
北京金良興業房地產開發有限公司	PRC	PRC	**40%**	40%	Property development
濟南泰暉房地產開發有限公司	PRC	PRC	**33%**	33%	Property development
廈門市海貿地產有限公司	PRC	PRC	**50%**	–	Property development

* *COGO is listed on the Main Board of the Hong Kong Stock Exchange.*

All of these associates are accounted for using the equity method in these consolidated financial statements.

Set out below is the summarised financial information of an associate of the Group at 31 December 2021 which, in the opinion of the directors of the Company, is material to the Group.

Summarised Statement of Financial Position

	COGO	
	2021 RMB'000	2020 RMB'000
Current		
Bank balances and cash	**32,492,369**	28,069,091
Other current assets	**158,150,213**	132,916,641
Total current assets	**190,642,582**	160,985,732
Financial liabilities (excluding trade payables)	**(20,455,762)**	(19,367,759)
Other current liabilities (including trade payables)	**(107,130,573)**	(90,821,286)
Total current liabilities	**(127,586,335)**	(110,189,045)
Non-current		
Total non-current assets	**8,143,839**	6,427,765
Financial liabilities	**(32,551,346)**	(26,798,712)
Other liabilities	**(2,892,481)**	(3,189,358)
Total non-current liabilities	**(35,443,827)**	(29,988,070)
Net assets	**35,756,259**	27,236,382

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

18. INTERESTS IN ASSOCIATES *(continued)*

Summarised Statement of Comprehensive income

	COGO	
	2021	2020
	RMB'000	RMB'000
Revenue	**53,830,471**	42,909,060
Depreciation	**(90,578)**	(94,405)
Interest income	**353,695**	270,202
Finance costs	**(54,100)**	(43,125)
Profit before tax	**10,149,386**	9,539,835
Income tax expenses	**(4,504,484)**	(4,935,694)
Profit for the year	**5,644,902**	4,604,141
Other comprehensive income	**555,319**	1,035,288
Total comprehensive income	**6,200,221**	5,639,429
Dividends received from COGO	**384,708**	309,427

Reconciliation of Summarised Financial Information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate

	COGO	
	2021	2020
	RMB'000	RMB'000
Opening net assets at 1 January	**27,236,382**	21,513,308
Profit for the year	**5,644,902**	4,604,141
Other comprehensive income and other equity movements	**555,319**	1,941,088
Dividends paid	**(1,011,230)**	(822,155)
Reserve movement from non-controlling interests	**3,330,886**	–
Closing net assets at 31 December	**35,756,259**	27,236,382
Non-controlling interests	**(7,028,370)**	(3,103,157)
Equity attributable to owners of the associate	**28,727,889**	24,133,225
Group's effective interest (%)	**38.32%**	38.32%
Carrying value of the Group's interest at 31 December	**11,008,527**	9,247,852

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

18. INTERESTS IN ASSOCIATES *(continued)*

Aggregate Information of Associates that are not Individually Material

	2021 **RMB'000**	2020 RMB'000
The Group's share of profit and losses for the year	**846,032**	963,508
The Group's share of total comprehensive income for the year	**846,032**	963,508
Aggregate carrying amount of the Group's interests in these associates	**6,853,885**	5,295,875

The financial guarantees granted to the Group's associates are disclosed in note 39.

19. INTERESTS IN JOINT VENTURES

	2021 **RMB'000**	2020 RMB'000
Cost of investments, unlisted	**7,399,933**	5,608,957
Loans to joint ventures *(Note)*	**10,016,723**	8,431,612
Share of post-acquisition profits and other comprehensive income, net of dividends received	**5,291,766**	4,729,593
	22,708,422	18,770,162

Note: *The loans to joint ventures are classified as equity loan in nature, which are unsecured, interest-free and recoverable on demand, except for the amounts of RMB6,655,172,000 (2020: RMB6,757,911,000) which bear variable interest rate of Hong Kong Interbank Offered Rate ("HIBOR") plus 1% (2020: HIBOR plus 1%) per annum.*

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

19. INTERESTS IN JOINT VENTURES *(continued)*

Set out below are the particulars of the principal joint ventures at 31 December 2021. In the opinion of the directors of the Company, to give details of other joint ventures would result in particulars of excessive length.

Name of entity	Place of incorporation/ establishment	Place of operation	Proportion of nominal value of issued ordinary capital/registered capital held by the Group		Principal activities
			2021	2020	
Ultra Keen Holdings Limited	Hong Kong	Hong Kong	**30%^**	30%^	Property development
Infinite Sun Limited	Hong Kong	Hong Kong	**30%^**	30%^	Property development
Dragon Star H.K. Investments Limited	Hong Kong	Hong Kong	**20%^**	20%^	Property development
Marble Edge Investments Limited	Hong Kong	Hong Kong	**18%^**	18%^	Property development
Grand Ample Limited	Hong Kong	Hong Kong	**33.3%^**	33.3%^	Property development
Asia Power Development Limited	Hong Kong	Hong Kong	**50%^**	–	Property development
重慶嘉益房地產開發有限公司	PRC	PRC	**50%^**	50%^	Property development
中海保利達地產（佛山）有限公司	PRC	PRC	**50%^**	50%^	Property development
北京南悦房地產開發有限公司	PRC	PRC	**35%^**	35%^	Property development
青島海捷置業有限公司	PRC	PRC	**50%^**	–	Property development

^ *The Group exercises joint control over decisions about the relevant activities which require unanimous consent with other joint venture partners in accordance with joint venture agreements and/or the companies' articles, and accordingly, these companies have been accounted for as joint ventures.*

All of these joint ventures are accounted for using the equity method in these consolidated financial statements. In the opinion of the directors of the Company, there are no individually material joint ventures.

Aggregate Information of Joint Ventures that are not Individually Material

	2021 RMB'000	2020 RMB'000
The Group's share of profit and losses for the year	**904,445**	2,216,133
The Group's share of total comprehensive income for the year	**904,445**	2,216,133
Aggregate carrying amount of the Group's interests in these joint ventures	**22,708,422**	18,770,162

The financial guarantees granted to the Group's joint ventures are disclosed in note 39.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

20. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Investment in unlisted equity security in the PRC	**120,228**	–

The above equity investment was classified as financial asset at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income. For information about the method used in determining fair value, please refer to note 6.

21. STOCK OF PROPERTIES AND OTHER INVENTORIES

	2021 RMB'000	2020 RMB'000
Completed properties	**83,695,963**	56,923,081
Properties under development *(Note)*	**366,759,876**	401,008,959
Total stock of properties	**450,455,839**	457,932,040
Other inventories	**164,524**	155,246
	450,620,363	458,087,286

Note: Included in the amount are properties under development of RMB212,200,639,000 (2020: RMB230,672,805,000) which are not expected to be realised within twelve months from the end of the reporting period.

At 31 December 2021, stock of properties included the costs incurred in fulfilling customer contracts amounting to RMB86,162,587,000 (2020: RMB87,597,743,000).

At 31 December 2021, the stock of properties included costs incurred for a project in Beijing of RMB3,581,456,000 (2020: RMB11,024,937,000), whereby the Group entered into agreements with the Beijing local government for land development works such as relocation of residents and infrastructure constructions, and subsequent development of residential properties for sale.

22. LAND DEVELOPMENT EXPENDITURE

	2021 RMB'000	2020 RMB'000
Costs incurred	**12,388,697**	13,403,278

The Group entered into agreements ("Agreements") with the Beijing local government to redevelop some lands in Beijing. The Group assists the Beijing local government for the land redevelopment works, which included but is not limited to the removal of the existing buildings situated on the land, the relocation of the existing residents, the provision of infrastructure systems including roads, the drainage system, water, gas and electricity supply and the construction of public facilities. Pursuant to the Agreements, the Group will be reimbursed for the actual costs incurred in carrying out the land development and be entitled to the fixed returns irrespective of whether the Group will obtain the land use rights of the land in the future. The fixed return is recognised as income from primary land development under other income in the consolidated financial statements with reference to the progress for the land redevelopment works.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

23. TRADE AND OTHER RECEIVABLES

Proceeds receivable in respect of property development are settled in accordance with the terms stipulated in the sale and purchase agreements.

Except for the proceeds from property development and rental income from leases of properties which are receivable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers.

At the end of the reporting period, the ageing analysis of trade receivables, based on the date the trade receivables recognised, is as follows:

	2021 RMB'000	2020 RMB'000
Trade receivables, aged		
0–30 days	**5,059,654**	7,354,974
31–90 days	**326,623**	479,419
Over 90 days	**901,780**	1,397,458
	6,288,057	9,231,851
Other receivables – current portion	**1,956,432**	2,964,795
	8,244,489	12,196,646

In determining the recoverability of trade receivables, management has closely monitored the credit qualities and the collectability of these receivables and considers that the expected credit risks of them are minimal in view of the track record of repayment from them, the history of cooperation with them and forward-looking information. The concentration of credit risk is limited due to the customer base being large and unrelated. The provision of trade and other receivables was insignificant at the end of the reporting period (2020: insignificant).

24. AMOUNTS DUE FROM FELLOW SUBSIDIARIES/ASSOCIATES/JOINT VENTURES/NON-CONTROLLING SHAREHOLDERS UNDER CURRENT ASSETS

At 31 December 2021, the amounts due from fellow subsidiaries are unsecured, interest-free and recoverable on demand. At 31 December 2020, the amounts due from fellow subsidiaries were unsecured, interest-free and recoverable on demand, except for the amount of RMB49,675,000 which bore fixed interest rate at 5.05% per annum.

At 31 December 2021, the amounts due from associates are unsecured, interest-free and recoverable on demand, except for the amounts of RMB2,951,303,000 which bear fixed interest rates at 5% per annum (2020: amounts of RMB469,015,000 and RMB315,600,000 which bear fixed and variable interest rates, respectively, ranging from 4.75% to 6.18% per annum).

At 31 December 2021, the amounts due from joint ventures are unsecured, interest-free and recoverable on demand, except for the amounts of RMB5,104,934,000 (2020: RMB1,528,273,000) which bear fixed interest rates, ranging from 4.65% to 12% (2020: 4.35% to 8.5%) per annum.

At 31 December 2021 and 2020, the amounts due from non-controlling shareholders are unsecured, interest-free and recoverable on demand.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

25. BANK BALANCES AND CASH

At 31 December 2021, bank balances and cash included cash and cash equivalents of RMB129,861,401,000 (2020: RMB107,664,125,000) and restricted bank deposits of RMB1,094,790,000 (2020: RMB2,804,785,000). The restricted bank deposits are mainly guarantee deposits designated for certain property development projects.

At 31 December 2021, current deposits of RMB1,512,155,000 (2020: RMB4,516,889,000) were placed by the Group in China State Construction Finance Limited, a fellow subsidiary of the Company and non-bank financial institution approved by the China Banking and Insurance Regulatory Commission, which carried interest rates ranging from 0.455% to 1.725% (2020: 0.455% to 1.725%) per annum. This related party transaction also constitutes continuing connected transactions as defined in Chapter 14A of the Listing Rules.

All bank deposits of the Group carry interest at market rates ranging from 0.001% to 3.45% (2020: 0.01% to 3.48%) per annum.

Cash and cash equivalents included the regulated pre-sales proceeds of properties of RMB23,538,748,000. In accordance with applicable prevailing government regulation, the deposits can only be used for payments of construction cost of related property projects. Such deposits will be released according to the completion stage of the related properties.

At the end of the reporting period, the Group had the following bank balances and cash denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
Bank balances and cash denominated in:		
RMB	122,544,289	101,887,208
HK$	6,092,548	5,240,195
US$	1,915,162	2,812,012

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

25. BANK BALANCES AND CASH *(continued)*

The reconciliation of liabilities arising from financing activities is as follows:

	Bank and other borrowings RMB'000	Guaranteed notes and corporate bonds RMB'000	Accrued interest RMB'000	Amounts due to fellow subsidiaries and a related company RMB'000	Amounts due to associates RMB'000	Amounts due to joint ventures RMB'000	Amounts due to non-controlling shareholders RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2020	122,267,507	67,696,918	1,127,101	2,556,926	727,421	6,980,871	15,703,389	208,307	217,268,440
Financing cash flow	16,109,492	10,530,352	(8,139,808)	91,120	979,038	(383,737)	(1,228,584)	(215,059)	17,742,814
Exchange realignment	(2,444,769)	(2,081,530)	(25,305)	(48,271)	–	51,969	(76,963)	(1,711)	(4,626,580)
Other non-cash movements	877,024	25,447	7,949,090	–	–	(2,451,877)	(3,518,008)	700,291	3,581,967
At 31 December 2020 and 1 January 2021	**136,809,254**	**76,171,187**	**911,078**	**2,599,775**	**1,706,459**	**4,197,226**	**10,879,834**	**691,828**	**233,966,641**
Financing cash flow	**27,555,289**	**5,072,064**	**(7,860,648)**	**2,159,827**	**683,963**	**1,947,896**	**(3,298,701)**	**(315,648)**	**25,944,042**
Exchange realignment	**(2,168,424)**	**(1,659,964)**	**(15,007)**	**(62,006)**	**–**	**–**	**–**	**(1,339)**	**(3,906,740)**
Other non-cash movements	**115,565**	**27,323**	**7,844,825**	**(729,790)**	**(518,308)**	**(183,041)**	**(46,571)**	**257,485**	**6,767,488**
At 31 December 2021	**162,311,684**	**79,610,610**	**880,248**	**3,967,806**	**1,872,114**	**5,962,081**	**7,534,562**	**632,326**	**262,771,431**

26. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Trade payables, aged		
0–30 days	**22,694,559**	27,951,928
31–90 days	**9,285,168**	6,808,434
Over 90 days	**40,959,622**	29,848,576
	72,939,349	64,608,938
Other payables	**11,486,856**	9,942,188
Retentions payable	**5,628,666**	8,256,493
	90,054,871	82,807,619

Other payables mainly include rental and other deposits, other taxes payable and accrued charges.

Of the other payables and retentions payable, an amount of RMB3,757,113,000 (2020: RMB5,131,384,000) is due beyond twelve months from the end of the reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

27. CONTRACT ASSETS AND PRE-SALES PROCEEDS

Details of contract assets are as follows:

	2021 RMB'000	2020 RMB'000
Contract assets related to sales of properties *(Note (i))*	**432,984**	2,681,621
Costs for obtaining contracts *(Note (ii))*	**493,928**	421,089
Total contract assets	**926,912**	3,102,710

Notes:

(i) Contract assets consist of unbilled amounts resulting from sales of properties when revenue recognised exceeds the amounts billed to the customer.

The decrease in contract assets for the year ended 31 December 2021 was the result of the increase in the amounts billed to the customer during the year.

(ii) Management expects that the incremental costs, primarily sales commissions and stamp duties, as a result of obtaining the pre-sale property contracts, are recoverable. The Group has capitalised the amounts and amortised when the related revenue is recognised. For the years ended 31 December 2021 and 2020, the amount of amortisation was insignificant and there was no impairment loss in relation to the costs capitalised.

(iii) In determining the recoverability of contract assets, management has closely monitored the credit qualities and the collectability of the assets and considers that the expected credit risks of them are minimal in view of the track record of repayment from them and forward-looking information. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the provision of contract assets was insignificant at the end of the reporting period (2020: insignificant).

At 31 December 2021, contract assets with a carrying amount of RMB829,006,000 (2020: RMB3,054,543,000) are expected to be recovered within twelve months from the end of the reporting period.

(iv) Total contracts assets as at 1 January 2020 consist of contract assets related to sales of properties of RMB1,121,750,000 and costs of obtaining contracts of RMB632,243,000.

Details of pre-sales proceeds are as follows:

	2021 RMB'000	2020 RMB'000
Contract liabilities related to sales of properties *(Note (v))*	**92,344,538**	111,121,080
Value-added tax related to sales of properties as included in pre-sales proceeds	**8,110,652**	10,000,813
Total pre-sales proceeds	**100,455,190**	121,121,893

(v) The decrease in contract liabilities during the year was in line with the increase in the Group's revenue recognised for the year.

The Group receives payments from customers based on the billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

27. CONTRACT ASSETS AND PRE-SALES PROCEEDS *(continued)*

The following table shows the amount of revenue recognised in the current reporting period in relation to carried-forward contract liabilities:

	2021 **RMB'000**	2020 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**86,559,054**	77,307,536

Management expects that the transaction price allocated to the unsatisfied contracts related to sales of properties at 31 December 2021 amounting to RMB118,607,910,000 (2020: RMB158,502,000,000) will be recognised as revenue within the coming three financial years.

28. AMOUNTS DUE TO FELLOW SUBSIDIARIES AND A RELATED COMPANY/ ASSOCIATES/JOINT VENTURES

At 31 December 2021, the amounts due to fellow subsidiaries of RMB2,264,260,000 (2020: RMB124,695,000) are unsecured, interest-free and repayable on demand, except for the amounts due to certain fellow subsidiaries and a related company (which is the joint venture of a fellow subsidiary) of RMB1,703,546,000 (2020: RMB2,475,080,000) in aggregate which bear a fixed interest rate at 5.65% (2020: 5.50%) per annum.

At 31 December 2021, the amounts due to associates and joint ventures are unsecured, interest-free and repayable on demand, except for the amounts due to associates and joint ventures of RMB729,000,000 (2020: RMB615,000,000) and RMB829,610,000 (2020: RMB624,384,000), respectively, which bear fixed interest rates ranging from 2.18% to 3.0% (2020: 2.18% to 7.0%) per annum.

29. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

At 31 December 2021, the current amounts due to non-controlling shareholders are unsecured, interest-free and repayable on demand, except for the amounts of RMB5,890,928,000 (2020: RMB6,768,628,000) and RMB476,888,000 (2020: RMB544,888,000) which bear fixed and variable interest rates, respectively, ranging from 3.48% to 7.5% (2020: 3.15% to 7.5%) per annum.

At 31 December 2020, the non-current amounts due to non-controlling shareholders were unsecured, interest-bearing at a fixed rate of 4.75% per annum.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

30. SHARE CAPITAL

	Number of shares '000	HK$'000	RMB'000
Issued and fully paid			
At 1 January 2020	10,956,201	90,420,438	74,033,624
Shares repurchased *(Note (i))*	(3,016)	–	–
At 31 December 2020 and 1 January 2021 *(Note (ii))*	**10,953,185**	**90,420,438**	**74,033,624**
Shares repurchased *(Note (i))*	**(8,370)**	**–**	**–**
At 31 December 2021	**10,944,815**	**90,420,438**	**74,033,624**

Notes:

(i) During the year ended 31 December 2021, the Company repurchased a total of 8,370,000 (2020: 3,016,500) of its shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of RMB108,413,000 (2020: RMB51,521,000) (inclusive of transaction costs) which was paid fully out of the Company's retained profits in accordance with Section 257 of the Hong Kong Companies Ordinance. All repurchased shares were cancelled during the year (2020: Out of the shares repurchased, 2,116,500 shares were cancelled in 2020 while the remaining 900,000 shares were cancelled in January 2021). The total amount paid for the repurchase of the shares has been charged to retained profits of the Company.

(ii) The number of shares as at 31 December 2020 excluded 900,000 shares which were repurchased in 2020 and cancelled in January 2021.

Share-based Payments

Share Option Scheme by the Company

On 29 June 2018, the Company offered to grant share options (the "2018 Share Options") to certain eligible persons (collectively, the "2018 Options Grantees"), to subscribe for a total of 107,320,000 shares of the Company, subject to acceptance of the 2018 Options Grantees, under the share option scheme adopted by the Company on 11 June 2018. Out of the 107,320,000 2018 Share Options granted, a total of 2,000,000 were granted to directors of the Company. The exercise price is HK$25.85 per share.

One-third of the 2018 Share Options granted will vest on each of 29 June 2020, 29 June 2021 and 29 June 2022. The closing price of 2018 Share Options on the date of grant was HK$25.85 per share.

On 24 November 2020, the Company offered to grant share options (the "2020 Share Options") to certain eligible persons (collectively, the "2020 Options Grantees"), to subscribe for a total of 285,840,000 shares of the Company, subject to acceptance of the 2020 Options Grantees, under the share option scheme adopted by the Company on 11 June 2018. Out of the 285,840,000 2020 Share Options granted, a total of 6,300,000 were granted to directors of the Company. The exercise price is HK$18.724 per share.

One-third of the 2020 Share Options granted will vest on each of 24 November 2022, 24 November 2023 and 24 November 2024. The closing price of 2020 Share Options on the date of grant was HK$17.96 per share.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

30. SHARE CAPITAL *(continued)*

Share-based Payments *(continued)*

Share Option Scheme by the Company *(continued)*

On 11 November 2021, the Company offered to grant share options (the "2021 Share Options") to certain eligible persons (collectively, the "2021 Options Grantees"), to subscribe for a total of 7,130,000 shares of the Company, subject to acceptance of the 2021 Options Grantees, under the share option scheme adopted by the Company on 11 June 2018. Out of the 7,130,000 2021 Share Options granted, a total of 1,600,000 were granted to a director of the Company. The exercise price is HK$18.70 per share.

One-third of the 2021 Share Options granted will vest on each of 11 November 2023, 11 November 2024 and 11 November 2025. The closing price of 2021 Share Options on the date of grant was HK$18.70 per share.

The fair values of the 2018 Share Options on 29 June 2018, the 2020 Share Options on 24 November 2020 and the 2021 Share Options on 11 November 2021 determined using the Binomial Options Pricing Model were HK$6.36, HK$2.64 and HK$2.89 per share, respectively. The significant inputs adopted in the model include:

Risk-free rate	2018 Share Options: 2.12% with reference to the market yield rates of the Hong Kong Government Bond (maturing 21 June 2021 and 6 December 2021) as of 29 June 2018
	2020 Share Options: 0.34% with reference to the market yield rates of the Hong Kong Government Bond (maturing 20 August 2025 and 27 August 2027) as of 24 November 2020
	2021 Share Options: 1.42% with reference to the Hong Kong Dollar Swap Rate (5Y and 7Y) as of 11 November 2021
Historical volatility	31.91%, 31.89% and 31.31% calculated based on the historical price with a period equals to the life of the 2018, 2020 and 2021 Share Options, respectively
Cap of the share-based payments	40% of the respective Grantees' remuneration for the 2018 Share Options
Dividend yield	3.09%, 5.68% and 6.31% based on the average dividend yield in the past six years for the 2018, 2020 and 2021 Share Options, respectively
Expected option life	6 years for both 2018, 2020 and 2021 Share Options

The Binomial Options Pricing Model for the share options requires inputs of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

30. SHARE CAPITAL *(continued)*

Share-based Payments *(continued)*

Share Option Scheme by the Company *(continued)*

Set out below are summaries of options granted under the plans:

	2021		2020	
	Average exercise price per share	Number of share options ’000	Average exercise price per share	Number of share options ’000
At 1 January	HK$20.47	378,860	HK$25.85	102,310
Granted during the year	HK$18.70	7,130	HK$18.724	285,840
Forfeited during the year	HK$20.31	(15,710)	HK$25.77	(9,290)
At 31 December	HK$20.44	370,280	HK$20.47	378,860

No options were exercised and expired during the year.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price per share	Number of share options ’000	Weighted average remaining contractual life of options outstanding at end of the year
29 June 2018	28 June 2024	HK$25.85	89,620	2.5 years
24 November 2020	23 November 2026	HK$18.724	273,530	4.9 years
11 November 2021	10 November 2027	HK$18.70	7,130	5.9 years
			370,280	

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

30. SHARE CAPITAL *(continued)*

Share-based Payments *(continued)*

A-shares Restricted Stock Incentive Plan by the Group's Holding Entities

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase II) (the "Incentive Plan") of CSCECL, an intermediate holding company of the Company, 10,200,000 incentive shares were granted to certain employees of the Company (the "Employees", including two directors and certain members of senior management) on 29 December 2016 (the "Grant Date") with an exercise price of RMB4.866 per share, subject to a lock-up period of the two-year service from the Grant Date (the "Lock-up Period"). During the Lock-up Period, the incentive shares are not transferrable, nor subject to any guarantee, indemnity or pledge. One-third of the incentive shares are vested each year starting from the beginning of the third year on a time-apportionment basis since the Grant Date. Subject to CSCECL's achievement of performance conditions and individuals' key performance indicators, the restriction over the incentive shares will be removed, or otherwise, CSCECL has constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or individuals' key performance indicators are not achieved.

The fair value of the incentive shares on the Grant Date determined using the Black-Scholes valuation model was RMB2.21 per share. The significant inputs adopted in the model include:

Closing price on the Grant Date	RMB9.16 per share
Exercise price	RMB4.866 per share
Average volatility	44%
Average dividend yield	3.32%
Average annual risk-free interest rate	2.84%

The volatility measured at the standard deviation of continuously compounded share returns is calculated based on statistical analysis of historical daily share prices.

Pursuant to the bonus issue of CSCECL on the basis of 4 new shares for 10 existing shares during 2018, there was an increase in the number of ordinary shares of CSCECL. As the fair value of the incentive shares on the Grant Date remained as RMB2.21 per share, the number of incentive shares granted on the Grant Date and the exercise price per share were adjusted to 14,280,000 shares and RMB3.476 per share, respectively.

Set out below is the summary of incentive shares granted to the Employees under the Incentive Plan:

	2021 Number of incentive shares '000	2020 Number of incentive shares '000
At 1 January	**4,200**	8,820
Adjustment upon intra-group transfer of employees during the year	**(210)**	(420)
Share repurchased during the year	**(39)**	(34)
Exercised during the year	**(3,951)**	(4,166)
At 31 December	**–**	4,200

No incentive shares were granted during the year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

31. BANK AND OTHER BORROWINGS

	2021 RMB'000	2020 RMB'000
Bank and other borrowings		
– secured	**4,172,586**	4,499,097
– unsecured	**158,139,098**	132,310,157
	162,311,684	136,809,254

	2021 RMB'000	2020 RMB'000
The bank and other borrowings are repayable as follows:		
Within one year	**38,220,634**	27,501,259
More than one year, but not exceeding two years	**38,624,571**	35,658,906
More than two years, but not exceeding five years	**74,652,538**	68,876,949
After five years	**10,813,941**	4,772,140
Total bank and other borrowings	**162,311,684**	136,809,254
Less: Amounts classified as current liabilities	**(38,220,634)**	(27,501,259)
Amounts classified as non-current liabilities	**124,091,050**	109,307,995

Borrowings of the Group with a carrying amount of RMB107,945,930,000 (2020: RMB81,475,265,000) bear interest at rates ranging from 3.50% to 7.00% (2020: 3.50% to 7.00%) per annum and are denominated in RMB. Borrowings of the Group amounting to RMB1,709,747,000 (2020: RMB1,784,216,000), which are denominated in GBP, are based on the London Interbank Offered Rate plus a specified margin per annum. The remaining borrowings of the Group amounting to RMB52,656,007,000 (2020: RMB53,549,773,000), which are denominated in HK$, are based on the HIBOR plus a specified margin per annum.

The Group's weighted average borrowing cost is 3.55% (2020: 3.8%) per annum. The borrowings amounting to RMB19,013,576,000 (2020: RMB7,051,086,000) and RMB143,298,108,000 (2020: RMB129,758,168,000) are carried at fixed interest rates and variable interest rates respectively.

At 31 December 2021 and 2020, secured bank and other borrowings of the Group were pledged by certain assets as set out in note 40.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

32. GUARANTEED NOTES AND CORPORATE BONDS

	2021 RMB'000	2020 RMB'000
The guaranteed notes and corporate bonds are repayable as follows:		
Within one year	**6,399,786**	16,303,716
More than one year, but not exceeding two years	**18,977,351**	6,567,138
More than two years, but not exceeding five years	**32,299,297**	30,513,229
After five years	**21,934,176**	22,787,104
Total guaranteed notes and corporate bonds	**79,610,610**	76,171,187
Less: Amounts classified as current liabilities	**(6,399,786)**	(16,303,716)
Amounts classified as non-current liabilities	**73,210,824**	59,867,471

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

32. GUARANTEED NOTES AND CORPORATE BONDS *(continued)*

At 31 December 2021 and 2020, the Group has the following guaranteed notes and corporate bonds issued with similar terms and conditions and different features:

Issue date	Principal amount (in million)	Issue price	Fixed interest rate per annum	Maturity date	Fair value at 31 December 2021(vii) RMB'000	Carrying amount at 31 December 2021 RMB'000	Carrying amount at 31 December 2020 RMB'000
15 November 2012	US$700(i) (approximately RMB4,801)	99.665%	3.95%(v)	15 November 2022	4,514,247	4,399,786	4,567,138
15 November 2012	US$300(i) (approximately RMB2,058)	99.792%	5.35%(v)	15 November 2042	2,317,111	1,871,693	1,945,023
29 October 2013	US$500(i) (approximately RMB3,431)	99.595%	5.375%(v)	29 October 2023	3,364,096	3,141,556	3,262,063
29 October 2013	US$500(i) (approximately RMB3,431)	99.510%	6.375%(v)	29 October 2043	4,347,737	3,120,976	3,243,391
8 May 2014	US$450(i) (approximately RMB3,087)	99.554%	5.95%(v)	8 May 2024	3,103,328	2,824,569	2,932,714
8 May 2014	US$250(i) (approximately RMB1,715)	103.080%	5.95%(v)	8 May 2024	1,724,071	1,585,194	1,652,313
11 June 2014	US$500(i) (approximately RMB3,430)	99.445%	6.45%(v)	11 June 2034	4,159,670	3,121,610	3,243,269
19 November 2015	RMB3,404	100%	4.20%(vi)	19 November 2021	–	–	3,403,716
15 January 2016	RMB400	100%	4.40%(vi)	15 January 2021	–	–	400,000
23 August 2016	RMB6,000(iv)	100%	3.10%(vi)	23 August 2026	1,924,569	1,900,000	6,000,000
6 February 2018	RMB3,000	100%	5.60%(vi)	6 February 2021	–	–	3,000,000
26 April 2018	US$750(i) (approximately RMB5,177)	99.844%	4.25%(v)	26 April 2023	4,895,762	4,743,675	4,925,702
26 April 2018	US$750(i) (approximately RMB5,177)	99.646%	4.75%(v)	26 April 2028	5,304,360	4,728,002	4,911,261
22 October 2018	RMB3,500(iii)	100%	4.00%(vi)	22 October 2024	–	–	3,500,000
24 January 2019	RMB2,000(iii)	100%	3.47%(vi)	24 January 2025	2,000,880	2,000,000	2,000,000
24 January 2019	RMB1,500(iv)	100%	3.75%(vi)	24 January 2026	1,525,145	1,500,000	1,500,000
15 July 2019	HK$2,000(i) (approximately RMB1,770)	100%	2.90%(vi)	15 January 2025	1,652,940	1,620,368	1,683,055
15 July 2019	US$450(i) (approximately RMB3,102)	99.849%	3.45%(v)	15 July 2029	2,973,783	2,846,851	2,957,910
27 November 2019	US$294(i) (approximately RMB2,027)	99.173%	3.05%(v)	27 November 2029	1,891,479	1,852,474	1,923,645
2 March 2020	US$300(i) (approximately RMB2,077)	99.570%	2.375%(v)	2 March 2025	1,904,420	1,887,366	1,959,242
2 March 2020	US$500(i) (approximately RMB3,462)	99.247%	2.75%(v)	2 March 2030	3,137,978	3,133,263	3,253,932
2 March 2020	US$200(i) (approximately RMB1,385)	99.857%	3.125%(v)	2 March 2035	1,237,147	1,259,307	1,308,673
28 April 2020	RMB3,701(iii)(viii)	100%	2.50%(v)	28 April 2038	3,646,581	3,692,120	3,698,040
14 August 2020	RMB2,000(iii)	100%	3.20%(vi)	14 August 2026	2,010,452	2,000,000	2,000,000
17 August 2020	RMB3,001(iv)(viii)	100%	3.90%(v)	17 August 2038	3,030,742	2,998,300	3,000,100
9 November 2020	RMB2,400	100%	3.40%(vi)	9 November 2023	2,422,102	2,400,000	2,400,000
14 December 2020	RMB1,500	100%	3.60%(vi)	14 December 2023	1,519,284	1,500,000	1,500,000
15 January 2021	RMB1,500	100%	3.35%(vi)	15 January 2024	1,512,537	1,500,000	–
23 March 2021	RMB1,001(iii)(viii)	100%	3.85%(v)	23 March 2039	1,010,245	1,000,400	–
15 June 2021	RMB2,000	100%	3.25%(vi)	15 June 2024	2,014,064	2,000,000	–
15 June 2021	RMB1,000	100%	3.55%(vi)	15 June 2026	1,011,529	1,000,000	–
23 June 2021	RMB2,101(iii)(viii)	100%	3.60%(v)	23 June 2039	2,073,122	2,082,100	–
12 July 2021	RMB1,000(ii)	100%	3.10%(vi)	12 July 2025	1,003,572	1,000,000	–
12 July 2021	RMB2,000(iii)	100%	3.25%(vi)	12 July 2025	2,014,052	2,000,000	–
9 August 2021	RMB500(ii)	100%	2.75%(vi)	9 August 2025	499,122	500,000	–
9 August 2021	RMB1,500(iv)	100%	3.25%(vi)	9 August 2028	1,497,413	1,500,000	–
10 November 2021	RMB1,901(iii)(viii)	100%	3.50%(v)	10 November 2039	1,903,019	1,901,000	–
25 November 2021	RMB1,700	100%	3.08%(vi)	25 November 2024	1,703,786	1,700,000	–
25 November 2021	RMB1,200	100%	3.38%(vi)	25 November 2026	1,202,375	1,200,000	–
20 December 2021	RMB1,300	100%	2.98%(vi)	20 December 2024	1,299,064	1,300,000	–
20 December 2021	RMB800	100%	3.38%(vi)	20 December 2026	801,234	800,000	–
					84,153,018	79,610,610	76,171,187

	2021 RMB'000	2020 RMB'000
Less: Amounts classified as current liabilities	(6,399,786)	(16,303,716)
Amounts classified as non-current liabilities	73,210,824	59,867,471

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

32. GUARANTEED NOTES AND CORPORATE BONDS *(continued)*

Notes:

(i) The guaranteed notes are unconditionally and irrevocably guaranteed by the Company. They shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the trust deed which include, inter alia, the negative pledge given by the Company and the related subsidiaries.

(ii) The guaranteed notes and corporate bonds are with terms for adjustment of the interest rate and sell back option at the end of the second year from issue date.

(iii) The guaranteed notes and corporate bonds are with terms for adjustment of the interest rate and sell back option at the end of the third year from issue date.

(iv) The guaranteed notes and corporate bonds are with terms for adjustment of the interest rate and sell back option at the end of the fifth year from issue date.

(v) Payable semi-annually

(vi) Payable annually

(vii) The fair values of the guaranteed notes and corporate bonds at 31 December 2021 were determined based on the closing market prices of the guaranteed notes and corporate bonds and are within Level 1 of the fair value hierarchy.

(viii) Representing commercial mortgage-backed securities guaranteed by a subsidiary of the Company, and secured by certain investment properties and rental receivables of those investment properties.

33. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior years.

Deferred tax liabilities/(assets)

	Accelerated tax depreciation RMB'000	Revaluation of properties RMB'000	Fair value adjustment on properties RMB'000	Undistributed earnings of PRC subsidiaries and joint ventures RMB'000	Other taxable temporary differences RMB'000	Unrealised profit RMB'000	Unused tax loss RMB'000	Provision for LAT RMB'000	Other deductible temporary differences RMB'000	Total RMB'000
At 1 January 2020	25,844	12,871,882	1,658,630	116,021	1,403,393	(144,244)	(1,555,305)	(5,336,255)	(177,861)	8,862,105
Charged/(credited) to profit or loss	2,619	2,309,784	(79,478)	–	240,520	(24,359)	476,250	(89,959)	(1,437)	2,833,940
Acquisition of subsidiaries	–	–	898,433	37,622	–	–	–	(125,221)	–	810,834
Exchange realignment	(1,333)	–	–	–	–	–	–	–	–	(1,333)
At 31 December 2020 and 1 January 2021	27,130	15,181,666	2,477,585	153,643	1,643,913	(168,603)	(1,079,055)	(5,551,435)	(179,298)	12,505,546
Charged/(credited) to profit or loss	1,933	1,344,227	(862,237)	(23,770)	66,221	(73,164)	350,015	(352,551)	159,837	610,511
Exchange realignment	(1,062)	–	–	–	–	–	3,852	–	–	2,790
At 31 December 2021	28,001	16,525,893	1,615,348	129,873	1,710,134	(241,767)	(725,188)	(5,903,986)	(19,461)	13,118,847

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

33. DEFERRED TAX *(continued)*

Deferred tax liabilities/(assets) *(continued)*

The following is an analysis of the deferred tax balances for financial reporting purpose:

	2021 **RMB'000**	2020 RMB'000
Net deferred tax assets	**(8,107,614)**	(7,693,664)
Net deferred tax liabilities	**21,226,461**	20,199,210
	13,118,847	12,505,546

Under the CIT Law of PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB10,484,677,000 (2020: RMB9,042,192,000) has not been provided for in the consolidated financial statements as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

At the end of the reporting period, the Group had unused tax losses of RMB4,505,775,000 (2020: RMB4,317,862,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in the tax losses are losses of RMB975,115,000 (2020: RMB803,299,000) that will expire within five years from the end of the reporting period. Other tax losses may be carried forward indefinitely.

34. GOODWILL

	2021 **RMB'000**	2020 RMB'000
Carrying amounts	**56,395**	56,395

The amount represented goodwill arising from acquisition of the entire equity interest in Hua Yi Designing Consultants Limited ("Hua Yi"). Hua Yi and its subsidiary are principally engaged in the provision of construction and building design consultancy services. For the purpose of impairment testing, the attributable amount of goodwill, having indefinite useful lives, has been allocated to the other operations category in the reportable segment.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

35. LEASES

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

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2021 RMB'000	2020 RMB'000
Property, plant and equipment		
Leasehold land and buildings	1,352,705	1,368,372
Prepaid lease payments for land	447,664	468,752
Other right-of-use assets	595,067	670,807
	2,395,436	2,507,931
Lease Liabilities		
Current	260,902	263,030
Non-current	371,424	428,798
	632,326	691,828

Additions to right-of-use assets during the year ended 31 December 2021 are RMB250,373,000 (2020: RMB722,097,000).

(ii) Amounts recognised in the consolidated income statement

The following amounts relating to leases were recognised in the consolidated income statement:

	2021 RMB'000	2020 RMB'000
Depreciation of right-of-use assets (included in administrative expenses)	326,007	259,138
Expenses related to short-term leases	197,235	152,894
Interest expense (included in finance costs)	25,464	26,061
	548,706	438,093

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

35. LEASES *(continued)*

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices and warehouses. Lease agreements are typically made for fixed periods of 1 year to 30 years.

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

The total cash outflow included in the consolidated statement of cash flows within operating activities and financing activities for leases are RMB197,235,000 (2020: RMB152,894,000) and RMB315,648,000 (2020: RMB215,059,000), respectively.

Further information about the leasing activities and future minimum lease receivables are disclosed in notes 16, 17 and 37, respectively.

36. DISPOSAL OF SUBSIDIARIES

On 26 November 2021, the Group disposed of 30% interests of issued share capital and the corresponding shareholder's loan of Honour Vision Limited (the "Project Company") to HAIJIAN I INVESTMENT LIMITED (the "Purchaser") at an aggregate consideration of HK$1,348,131,000 (equivalent to RMB1,094,683,000). The Purchaser is an indirectly owned subsidiary of the Company's controlling shareholder, China Overseas Holdings Limited. The Project Company is the holding company of Kai Tai Project in Hong Kong. The disposal was completed on 10 December 2021.

In addition to the above disposal, the Group has completed a disposal of a subsidiary at a consideration of RMB175,039,000 during the year.

The above disposals had the following effect on the Group's asset and liabilities:

	RMB'000
Stock of properties and other inventories	5,879,555
Other receivables	35,257
Deposits and prepayments	2,686
Bank balances and cash	405,981
Trade and other payables	(354,075)
Pre-sales proceeds	(390,848)
Tax liabilities	(112)
Net asset	5,578,444
The gain on disposal of subsidiaries is calculated as follows:	
Interests in joint ventures	1,763,431
Decrease in amounts due to a fellow subsidiary	729,790
Amounts due from joint ventures	1,824,746
Cash consideration received	1,269,722
Net assets of subsidiaries disposed of	(5,578,444)
Gain on disposal of subsidiaries	9,245

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

36. DISPOSAL OF SUBSIDIARIES *(continued)*

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

	RMB'000
Cash consideration received during the year	1,269,722
Less: Cash and cash equivalents disposed	(405,981)
	863,741

37. OPERATING LEASE ARRANGEMENTS

The Group as Lessor

At the end of the reporting period, completed investment properties and other properties with carrying amounts of RMB119,130,096,000 (2020: RMB96,100,089,000) and RMB931,244,000 (2020: RMB671,676,000), respectively, were let out under operating leases.

Property rental income earned during the year was RMB4,667,337,000 (2020: RMB4,052,088,000), of which RMB4,492,117,000 (2020: RMB3,941,238,000) was derived from the letting of investment properties. All of the properties leased out have committed tenants for one to twenty years without termination options granted to tenants.

At the end of the reporting period, the Group had contracted with tenants for the following undiscounted future minimum lease receivables:

	2021 RMB'000	2020 RMB'000
Within one year	**4,201,503**	3,518,640
After one but within two years	**3,174,673**	2,683,618
After two but within three years	**1,912,668**	1,847,730
After three but within four years	**1,133,653**	1,032,779
After four but within five years	**773,014**	675,283
After five years	**1,512,196**	1,666,405
	12,707,707	11,424,455

38. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments not provided for in the consolidated financial statements:

	2021 RMB'000	2020 RMB'000
Capital expenditure in respect of investment properties:		
Contracted but not provided for	**7,575,572**	4,171,160

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

39. FINANCIAL GUARANTEES

At the end of the reporting period, the financial guarantees were as follows:

(a) Guarantees given by the Group to banks in respect of credit facilities granted to:

	2021 RMB'000	2020 RMB'000
Associates		
– Maximum	**336,000**	1,496,948
– Utilised	**336,000**	1,496,948
Joint ventures		
– Maximum	**9,370,568**	685,233
– Utilised	**6,272,950**	685,233

(b) At 31 December 2021, the Group had counter indemnities amounting to RMB1,266,780,000 (2020: RMB703,812,000) for guarantees issued in respect of certain construction contracts undertaken by the Group.

(c) At 31 December 2021, the Group provided guarantees amounting to RMB67,446,574,000 (2020: RMB69,527,465,000) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

The directors of the Company considered that the fair values of financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of short maturity periods and low applicable default rates.

40. PLEDGE OF ASSETS

At the end of the reporting period, certain assets of the Company's subsidiaries have been pledged to secure the bank borrowings and guaranteed notes and corporate bonds of the Company's subsidiaries. The carrying values of the pledged assets at 31 December 2021 and 2020 were as follows:

	2021 RMB'000	2020 RMB'000
Investment properties	**38,729,617**	16,942,002
Stock of properties	**136,179**	9,307,582
	38,865,796	26,249,584

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

41. RELATED PARTY TRANSACTIONS

(a) In addition to those balances and transactions disclosed elsewhere in the consolidated financial statements, the following material related party transactions have been entered into by the Group during the year:

Nature of transaction	*Notes*	**2021 RMB'000**	2020 RMB'000
Fellow subsidiaries			
Property development project construction fee#	*(a)*	**9,206,795**	8,206,943
Rental and utility income	*(b)*	**93,612**	72,170
Heating pipes connection service fee	*(a)*	**18,649**	28,161
Building design consultancy income	*(c)*	**17,284**	17,575
Property management and value-added services fee#	*(c)*	**809,667**	627,711
Material procurement and supply chain management services income	*(c)*	**83,055**	–
Interest expenses	*(g)*	**22,178**	23,721
Interest income#	*(h)*	**26,935**	21,867
Sales of properties#	*(f)*	**225,986**	173,532
Associates			
Interest income	*(d)*	**84,827**	136,665
Royalty income	*(e)*	**165,200**	178,000
Lease payments	*(b)*	**211,256**	140,626
Building design consultancy income	*(c)*	**4,538**	6,695
Material procurement service income	*(c)*	**206,291**	7,258
Information technology service income	*(c)*	**18,250**	–
Joint ventures			
Interest income	*(d)*	**178,395**	296,080

Notes:

(a) *Property development project construction fee and heating pipes connection service fee are charged in accordance with respective contracts. The amounts represent aggregate transaction amounts during the year in relation to contracts signed in the current and prior years.*

(b) *Rental and utility income and lease payments are charged in accordance with respective tenancy agreements.*

(c) *Building design consultancy income, property management fee and value-added services fee, material procurement and supply chain management services income, material procurement service income and information technology service income are charged in accordance with respective contracts.*

(d) *Interest income is charged at interest rates as specified in notes 19 and 24 on the outstanding amounts.*

(e) *Royalty income is charged at annual fee as specified in the contracts.*

(f) *The Group entered into various sale and purchase agreements with certain subsidiaries of China Overseas Property Holdings Limited, a fellow subsidiary of the Company, for the disposal of car parking spaces in the PRC.*

(g) *Interest expenses were mainly paid to China State Construction Finance Limited for borrowing with carrying amount of RMB1,200,000,000 (2020: RMB643,690,000) as at 31 December 2021.*

(h) *Interest income is charged at interest rates as specified in note 25 on the deposits placed in China State Construction Finance Limited.*

\# *These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.*

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

41. RELATED PARTY TRANSACTIONS *(continued)*

(b) The remuneration of the Company's directors and other members of key management of the Group during the year was as follows:

	2021 RMB'000	2020 RMB'000
Basic salaries, allowances and benefits-in-kind	**37,239**	36,927
Performance related bonus	**88,309**	108,132
Provident fund contribution	**2,472**	3,033
	128,020	148,092

(c) Transactions with Other State-Controlled Entities in the PRC

The Group operates in an economic environment predominated by entities directly or indirectly owned or controlled by the PRC government. In addition, the Group is itself part of a larger group of companies under CSCEC which is controlled by the PRC government. Apart from the transactions already disclosed above, the Group also conducts business with other state-controlled entities ("State-controlled Entities"). The directors of the Company consider that those State-controlled Entities are independent third parties so far as the Group's businesses with them are concerned.

In connection with their property development activities, the Group awarded certain construction and other work contracts to entities, which, to the best knowledge of management, are State-controlled Entities.

The Group has also entered into various transactions with the PRC government departments or agencies which include the acquisition of land mainly through tendering to those government departments or agencies.

Other than those disclosed in section (a) above and the acquisition of land from the government departments or agencies, the directors of the Company consider that the other transactions with those State-controlled Entities are not material to the Group.

In addition, in the normal course of business, the Group has maintained various trade balances with contractors and have entered into various deposits and lending transactions with banks and financial institutions which are State-controlled Entities. In view of the nature of those transactions, the directors of the Company are of the opinion that quantitative information on the extent of transactions between the Group and the government-related entities would not be meaningful.

The Group is active in the sale and leasing of properties and other services in various provinces in the PRC. The directors of the Company are of the opinion that it is impracticable to ascertain the identity of all the counterparties and accordingly whether the transactions are with State-controlled Entities. However, the directors of the Company are of the opinion that other than those disclosed in section (a) above, the transactions with State-controlled Entities are not material to the Group's operations.

In addition to the above transactions, details of the Group's amounts due from and to related parties are disclosed in the consolidated statement of financial position and notes 19, 24, 25, 28 and 29.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		2021 RMB'000	2020 RMB'000
Non-current Assets			
Property, plant and equipment		**10,752**	37,733
Investments in subsidiaries		**2,500,858**	1,717,598
		2,511,610	1,755,331
Current Assets			
Stock of properties		**52**	961
Other receivables		**1,112**	3,146
Deposits and prepayments		**12,006**	13,317
Amounts due from subsidiaries		**159,510,998**	165,324,534
Amounts due from associates		**100**	971
Amounts due from joint ventures		**620,622**	821,202
Bank balances and cash		**2,744,715**	3,994,179
		162,889,605	170,158,310
Current Liabilities			
Other payables and deposits		**66,865**	48,773
Amounts due to subsidiaries		**22,817,314**	31,396,169
Bank borrowings – due within one year		**11,417,750**	–
Lease liabilities – due within one year		**10,976**	15,243
Tax liabilities		**3,548**	3,687
Other financial liabilities		**389,957**	190,482
		34,706,410	31,654,354
Net Current Assets		**128,183,195**	138,503,956
Total Assets Less Current Liabilities		**130,694,805**	140,259,287
Capital and Reserves			
Share capital		**74,033,624**	74,033,624
Reserves	*Note (a)*	**11,781,691**	10,375,475
Total Equity		**85,815,315**	84,409,099
Non-current Liabilities			
Bank borrowings – due after one year		**44,475,833**	55,547,858
Lease liabilities – due after one year		**–**	20,790
Other financial liabilities		**403,657**	281,540
		44,879,490	55,850,188
Total of Equity and Non-Current Liabilities		**130,694,805**	140,259,287

The statement of financial position of the Company was approved by the Board of Directors on 31 March 2022 and were signed on its behalf by:

Yan Jianguo
Executive Director

Luo Liang
Executive Director

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

(a) *Reserves of the Company*

	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2020	319,435	7,701,819	8,021,254
Profit and total comprehensive income for the year	–	12,354,437	12,354,437
2019 final dividend	–	(5,651,542)	(5,651,542)
2020 interim dividend	–	(4,314,747)	(4,314,747)
Equity settled share-based transactions *(Note 30)*	17,594	–	17,594
Shares repurchased *(Note 30)*	–	(51,521)	(51,521)
At 31 December 2020 and 1 January 2021	**337,029**	**10,038,446**	**10,375,475**
Profit and total comprehensive income for the year	**–**	**12,132,275**	**12,132,275**
2020 final dividend	**–**	**(6,664,221)**	**(6,664,221)**
2021 interim dividend	**–**	**(4,067,942)**	**(4,067,942)**
Equity settled share-based transactions *(Note 30)*	**114,517**	**–**	**114,517**
Share repurchased *(Note 30)*	**–**	**(108,413)**	**(108,413)**
At 31 December 2021	**451,546**	**11,330,145**	**11,781,691**

The Company's reserve available for distribution to shareholders at 31 December 2021 represents the retained profits of RMB11,330,145,000 (2020: RMB10,038,446,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following are the particulars of the principal subsidiaries at 31 December 2021 which, in the opinion of the directors of the Company, principally affect the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Company's directors, result in particulars of excessive length. All subsidiaries registered in the PRC are operating in the PRC. Unless otherwise specified, all other subsidiaries are incorporated and operating principally in Hong Kong.

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Asia Metro Investment Limited	1 ordinary share HK$1	–	80	Property development
Carmelite Riverside London S.a.r.l. (iv)	15,000 shares of GBP1 each	–	100	Property investment
China Overseas Finance (Cayman) III Limited (iii)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) V Limited (iii)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) VI Limited (iii)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) VII Limited (iii)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance Cayman VIII Limited (iii)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Property Limited	100 ordinary shares HK$1,000	100	–	Investment holding, property consultancy and real estate agency
China Overseas (Zhong Guo) Limited	5,000,000 ordinary shares HK$50,000,000	–	100	Investment holding
Chung Hoi Finance Limited	500,000 ordinary shares HK$5,000,000	100	–	Loan financing, investment holding and security investments
Goldwell Development Limited	100 ordinary shares HK$100	–	100	Property development and investment
Great Fortune Property Limited (v)	48,100,000 shares of GBP1 each	–	100	Property investment
Longcross Limited	30,370,000 ordinary shares HK$30,370,000 404,552,883 non-voting deferred shares HK$404,552,883	–	100	Property investment
Macfull Limited	1,250 ordinary shares HK$1	–	80	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
One Finsbury Circus London Prop Co S.a.r.l. (iv)	12,024 shares of GBP1 each	–	100	Property investment
One South Place London Limited (v)	2 Shares of GBP1 each	–	100	Property investment
上海中海海昆房地產有限公司 (ii)	RMB10,000,000	–	100	Property development
上海中海海煦房地產有限公司 (ii)	RMB10,000,000	–	100	Property development
上海海升環盛房地產開發有限公司 (ii)	RMB10,000,000	–	70	Property development
上海中建投資有限公司 (ii)	RMB450,000,000	–	51	Property investment
上海寰宇匯商業管理有限公司 (i)	US$196,000,000	–	100	Property investment
上海中海海華房地產有限公司 (ii)	RMB10,000,000	–	98	Property development
上海中海廣逸房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
上海海匯房地產開發有限公司 (ii)	RMB10,000,000	–	70	Property development
大連中信海港投資有限公司 (ii)	RMB250,000,000	–	80	Property development
大連鼎泰錦城房地產有限公司 (ii)	RMB20,000,000	–	100	Property development
大連匯港置業有限公司 (ii)	RMB50,000,000	–	80	Property development
大連中海鼎業房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
大連鼎鑫嘉業房地產開發有限公司 (ii)	RMB30,000,000	–	100	Property development
大連鼎泰港隆房地產有限公司 (ii)	RMB20,000,000	–	100	Property development
大連鼎泰海通房地產有限公司 (ii)	RMB20,000,000	–	100	Property development
西安中海東誠置業有限公司 (ii)	RMB50,000,000	–	100	Property development
西安中海長興房地產有限公司 (ii)	RMB100,000,000	–	100	Property development
西安鼎盛東越置業有限公司 (ii)	RMB10,000,000	–	50	Property development
蘇州竹輝興業有限公司 (i)	US$20,000,000	–	100	Property development
中海發展（蘇州）有限公司 (ii)	RMB20,000,000	–	100	Property development
中海地產（蘇州）有限公司 (ii)	RMB20,000,000	–	100	Property development
蘇州中海海隆房地產有限公司 (ii)	RMB200,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
中海海盛(蘇州)房地產有限公司 (ii)	RMB30,000,000	–	100	Property development
中海海納(蘇州)房地產有限公司 (ii)	RMB650,000,000	–	100	Property development
中海海誠(蘇州)房地產有限公司 (ii)	RMB30,000,000	–	100	Property development
寧波中海海棠房地產有限公司 (ii)	RMB20,000,000	–	100	Property development
寧波中海海源房地產有限公司 (ii)	RMB20,000,000	–	100	Property development
佛山市順德中海嘉森房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
佛山市順德中海嘉業房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
佛山市順德嘉潤房地產開發有限公司 (ii)	RMB1,000,000,000	–	100	Property development
佛山中海盛和房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
佛山中海千燈湖房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
杭州中海宏鯤房地產有限公司 (ii)	RMB500,000,000	–	100	Property development
杭州中海襄晟房地產有限公司 (ii)	RMB30,000,000	–	100	Property development
杭州中海海創房地產有限公司 (ii)	RMB30,000,000	–	100	Property development
杭州中海啟暉房地產有限公司 (ii)	RMB30,000,000	–	100	Property development
杭州中海海躍房地產有限公司 (ii)	RMB20,000,000	–	100	Property development
長沙中海融城房地產開發有限公司 (ii)	RMB30,000,000	–	100	Property development
長沙潤湘置業開發有限公司 (ii)	RMB30,000,000	–	100	Property development
長沙潤湖置業開發有限公司 (ii)	RMB30,000,000	–	100	Property development
長春海華房地產開發有限公司 (i)	US$49,800,000	–	100	Property development
長春海勝房地產開發有限公司 (ii)	RMB50,000,000	–	100	Property development
長春海瀛房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
長春海燁房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
長春海頣房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
重慶中海海能房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
重慶嘉江房地產開發有限公司 (i)	US$50,000,000	–	60	Property development
重慶海躍置業有限公司 (ii)	RMB2,395,400,000	–	100	Property development
重慶信悦置業有限公司 (ii)	RMB20,000,000	–	100	Property development
珠海市海悦房地產開發有限公司 (ii)	RMB200,000,000	–	80	Property development
武漢中海鼎盛房地產有限公司 (ii)	RMB20,000,000	–	100	Property development
武漢中海鼎榮房地產有限公司 (ii)	RMB20,000,000	–	100	Property development
武漢中海海耀房地產有限公司 (ii)	RMB500,000,000	–	80	Property development
武漢中海海盛房地產有限公司 (ii)	RMB20,000,000	–	100	Property development
中海企業發展集團有限公司 (i)	RMB20,000,000,000	–	100	Property development and investment, and investment holding
中海海嘉(威海)地產有限公司 (ii)	RMB550,000,000	–	100	Property development
中海深圳房地產開發有限公司 (ii)	RMB50,000,000	–	100	Property development
深圳市中海凱驪酒店管理有限公司 (ii)	RMB150,000,000	–	100	Hotel management
深圳市中海啟明房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
深圳市中海啟宏房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
深圳市中海啟華房地產開發有限公司 (ii)	RMB10,000,000	–	80	Property development
深圳市雲龍城投資發展有限公司 (ii)	RMB190,000,000	–	80	Property development
香港華藝設計顧問(深圳)有限公司 (i)	RMB100,000,000	–	100	Design consultancy services
廈門中海嘉業地產有限公司 (ii)	RMB10,000,000	–	100	Property development
廈門中海海怡地產有限公司 (ii)	RMB10,000,000	–	100	Property development
昆明海豪房地產開發有限公司 (ii)	RMB1,500,000,000	–	60	Property development
昆明海祥房地產開發有限公司 (ii)	RMB100,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
昆明海嘉房地產開發有限公司 (ii)	RMB60,000,000	–	60	Property development
昆明海潮房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
廣州中海盛安房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
廣州中海盛榮房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
廣州中海海懿房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
廣州中海盛合房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
濟南中海城房地產開發有限公司 (ii)	RMB30,000,000	–	100	Property development
濟南中海華山商業地產有限公司 (ii)	RMB500,000,000	–	100	Property development
濟南中海興業投資有限公司 (ii)	RMB100,000,000	–	100	Property development
濟南中海豪峰房地產開發有限公司 (ii)	RMB31,000,000	–	100	Property development
濟南中海海瀛投資有限公司 (ii)	RMB325,000,000	–	65	Property development
哈爾濱中海地產有限公司 (ii)	RMB20,000,000	–	100	Property development
哈爾濱中海龍祥房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
哈爾濱中海龍譽房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
太原中海仲興房地產開發有限公司 (ii)	RMB50,000,000	–	100	Property development
太原中海景昌房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
太原中海凱源房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
石家莊中海房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
石家莊中海盈安房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
石家莊中海新石房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
北京中信房地產有限公司 (ii)	RMB50,000,000	–	100	Property development
北京中信新城房地產有限公司 (ii)	RMB500,000,000	–	80	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
北京國泰飯店有限公司 (ii)	RMB96,536,700	–	100	Hotel and serviced apartment operation
北京古城興業置業有限公司 (ii)	RMB50,000,000	–	70	Property development
北京世紀順龍房地產開發有限公司 (ii)	RMB30,000,000	–	51	Property development
北京安泰興業置業有限公司 (ii)	RMB10,000,000	–	100	Property development and investment
北京中海宏業房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
北京鑫安興業房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
北京中海興達房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
北京金安興業房地產開發有限公司 (ii)	RMB100,000,000	–	80	Property development
北京中開盈泰房地產開發有限公司 (ii)	RMB1,000,000,000	–	80	Property development
北京中海亦莊智慧置業有限公司 (ii)	RMB10,000,000	–	100	Property development
北京中海盈順房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
北京中海廣場商業發展有限公司 (ii)	RMB30,000,000	–	100	Property investment
北京奧城四季商業發展有限公司 (ii)	RMB830,000,000	–	100	Property investment
北京中海新城置業有限公司 (ii)	RMB100,000,000	–	100	Property development
北京中海盈達房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
北京中海鑫海房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
北京中海華藝城市規劃設計有限公司 (ii)	RMB1,000,000	–	100	Design consultancy services
青島市聯明地產有限公司 (ii)	RMB30,000,000	–	100	Property development
青島海捷置業有限公司 (ii)	RMB1,936,000,000	–	100	Property development
中海佳隆成都房地產開發有限公司 (ii)	RMB50,000,000	–	100	Property development
中海嘉卓(成都)房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
東莞市嘉錦房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
東莞市中海嘉鑫房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
東莞市中海嘉樺房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
東莞市中海嘉朗房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
東莞市中海嘉睿房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
東莞市中海嘉麟房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
福州海翔地產有限公司 (ii)	RMB910,000,000	–	100	Property development
福州海富地產有限公司 (ii)	RMB1,510,000,000	–	100	Property development
福州中海地產有限公司 (ii)	RMB30,000,000	–	100	Property development
福州中海海逸地產有限公司 (ii)	RMB3,008,000,000	–	100	Property development
南京海融房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
南京海方房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
南京海嘉房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
南京海旭房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
南京海昌房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
南京海巍房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
瀋陽中海海嘉房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
瀋陽市中海海盛房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
瀋陽中海福華房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
瀋陽中海海悦房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
瀋陽中海興業房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
瀋陽中海海順房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
鄭州海如房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
鄭州海盈房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
鄭州海嘉房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
鄭州海旭房地產開發有限公司 (ii)	RMB500,000,000	–	80	Property development
鄭州中海地產有限公司 (ii)	RMB20,000,000	–	100	Property development
天津中海海順地產有限公司 (ii)	RMB30,000,000	–	100	Property development
天津中海海豪地產有限公司 (ii)	RMB30,000,000	–	100	Property development
天津中海海佑地產有限公司 (ii)	RMB30,000,000	–	100	Property development
天津中海海闊地產有限公司 (ii)	RMB30,000,000	–	60	Property development
天津中海海朝地產有限公司 (ii)	RMB30,000,000	–	100	Property development
天津中海天嘉湖房地產開發有限公司 (ii)	RMB600,000,000	–	100	Property development
天津中海海滔地產有限公司 (ii)	RMB30,000,000	–	100	Property development
天津中海海鑫地產有限公司 (ii)	RMB30,000,000	–	100	Property development
中海保利達地產(天津)有限公司 (i)	US$49,500,000	–	51	Property development
海創佳業(煙台)地產有限公司 (i)	RMB1,610,500,000	–	100	Property development
海創福業(煙台)地產有限公司 (i)	RMB454,000,000	–	100	Property development
新疆中海地產有限公司 (ii)	RMB100,000,000	–	60	Property development
烏魯木齊海新展房地產有限公司 (ii)	RMB20,000,000	–	100	Property development
貴陽中海房地產有限公司 (ii)	RMB20,000,000	–	100	Property development
萬寧仁和發展有限公司 (i)	US$206,200,000	–	99.9	Property development and hotel operation
南昌中海豪庭置業發展有限公司 (ii)	RMB2,000,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
海口中海興業房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
肇慶中海嘉興房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
中山市金運宏房地產開發有限公司 (ii)	RMB5,000,000	–	100	Property development
江蘇潤榮房地產有限公司 (ii)	RMB30,000,000	–	100	Property development

Notes:

(i) *Foreign investment enterprise registered in the PRC*

(ii) *Limited liability company registered in the PRC*

(iii) *Incorporated in the Cayman Islands and operating in Hong Kong*

(iv) *Incorporated and operating in Luxembourg*

(v) *Incorporated and operating in Jersey*

None of the subsidiaries had any debt securities in issue at the end of the year except for guaranteed notes and corporate bonds (note 32) issued by China Overseas Finance (Cayman) III Limited (US$1,000,000,000), China Overseas Finance (Cayman) V Limited (US$1,000,000,000), China Overseas Finance (Cayman) VI Limited (US$1,200,000,000), China Overseas Finance (Cayman) VII Limited (US$1,500,000,000), China Overseas Finance (Cayman) VIII Limited (HK$2,000,000,000 and US$1,744,000,000), 中海企業發展集團有限公司 (RMB25,800,000,000) and 北京中海廣場商業發展有限公司 (RMB11,673,920,000).

Five-Year Financial Summary

For the year ended 31 December 2021

(A) CONSOLIDATED RESULTS

	For the year ended 31 December				
	2017 RMB'000 (Restated)	2018 RMB'000 (Restated)	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
Revenue	142,798,668	144,027,289	163,650,953	185,789,528	**242,240,783**
Operating profit	54,071,963	59,414,910	62,344,200	65,231,389	**60,309,732**
Share of profits and losses of					
Associates	1,001,140	1,854,405	2,254,638	2,639,918	**2,781,412**
Joint ventures	665,942	1,020,061	1,112,179	2,216,133	**904,445**
Finance costs	(1,198,448)	(1,331,912)	(759,297)	(883,890)	**(865,928)**
Profit before tax	54,540,597	60,957,464	64,951,720	69,203,550	**63,129,661**
Income tax expenses	(18,298,378)	(21,727,807)	(22,204,315)	(21,494,912)	**(20,068,125)**
Profit for the year	36,242,219	39,229,657	42,747,405	47,708,638	**43,061,536**
Attributable to:					
Owners of the Company	35,059,478	37,716,257	41,618,313	43,903,954	**40,155,361**
Non-controlling interests	1,182,741	1,513,400	1,129,092	3,804,684	**2,906,175**
	36,242,219	39,229,657	42,747,405	47,708,638	**43,061,536**

Notes:

(i) For the year ended 31 December 2019, the Group had changed its presentation currency from Hong Kong dollars to Renminbi. Accordingly, the consolidated results for the years ended 31 December 2017 and 2018 had been restated to conform with the current year's presentation.

(ii) In accordance with the transitional provisions in HKFRS 9 and HKFRS 15, the Group adopted modified retrospective approach and respective adjustments were recognised at 1 January 2018 with the difference recognised in opening restated balance of equity. The consolidated results for the year ended 31 December 2017 were not restated accordingly.

(iii) The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for previous years, as permitted under the specific transition provisions in the standard. Accordingly, the consolidated results for the years ended 31 December 2017 and 2018 were not restated.

Five-Year Financial Summary (continued)

For the year ended 31 December 2021

(B) CONSOLIDATED NET ASSETS

	At 31 December				
	2017 RMB'000 (Restated)	2018 RMB'000 (Restated)	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
Non-current assets					
Property, plant and equipment	3,235,005	3,204,320	4,019,414	5,010,803	**5,524,471**
Prepaid lease payments for land	477,922	464,632	–	–	**–**
Investment properties	80,823,233	97,516,027	114,020,656	140,879,089	**166,204,097**
Goodwill	56,395	56,395	56,395	56,395	**56,395**
Interests in associates	6,832,846	11,404,846	12,430,239	14,543,727	**17,862,412**
Interests in joint ventures	10,296,208	11,915,982	23,876,179	18,770,162	**22,708,422**
Investments in syndicated property project companies	20,096	–	–	–	**–**
Available-for-sale investments	96,149	–	–	–	**–**
Financial assets at fair value through profit lor loss	–	–	–	–	**120,228**
Amounts due from associates	7,444,927	4,309,058	1,103,456	–	**–**
Amounts due from joint ventures	5,471,919	4,004,362	–	–	**–**
Other receivables	376,089	339,170	433,142	450,353	**366,255**
Deferred tax assets	4,069,062	5,146,843	7,324,745	7,693,664	**8,107,614**
	119,199,851	138,361,635	163,264,226	187,404,193	**220,949,894**
Current assets	416,486,120	495,586,101	560,631,561	636,253,178	**648,956,804**
Total assets	535,685,971	633,947,736	723,895,787	823,657,371	**869,906,698**
Non-current liabilities					
Amounts due to non-controlling shareholders	(3,153,835)	(1,759,365)	(2,293,675)	(1,542,377)	**–**
Lease liabilities – due after one year	–	–	(136,267)	(428,798)	**(371,424)**
Bank and other borrowings – due after one year	(74,912,576)	(87,840,629)	(99,050,354)	(109,307,995)	**(124,091,050)**
Guaranteed notes and corporate bonds					
– due after one year	(47,773,575)	(56,408,350)	(58,835,801)	(59,867,471)	**(73,210,824)**
Deferred tax liabilities	(11,374,609)	(13,582,530)	(16,186,850)	(20,199,210)	**(21,226,461)**
	(137,214,595)	(159,590,874)	(176,502,947)	(191,345,851)	**(218,899,759)**
Current liabilities	(171,430,330)	(217,745,008)	(258,248,215)	(303,962,200)	**(293,900,585)**
Total liabilities	(308,644,925)	(377,335,882)	(434,751,162)	(495,308,051)	**(512,800,344)**
Net assets	227,041,046	256,611,854	289,144,625	328,349,320	**357,106,354**
Equity attributable to owners of the Company	220,526,257	247,762,454	280,603,692	314,146,531	**343,560,175**
Non-controlling interests	6,514,789	8,849,400	8,540,933	14,202,789	**13,546,179**
Total equity	227,041,046	256,611,854	289,144,625	328,349,320	**357,106,354**

Notes:

(i) For the year ended 31 December 2019, the Group had changed its presentation currency from Hong Kong dollars to Renminbi. Accordingly, the consolidated net assets at 31 December 2017 and 2018 had been restated to conform with the current year's presentation.

(ii) In accordance with the transitional provisions in HKFRS 9 and HKFRS 15, the Group adopted modified retrospective approach and respective adjustments were recognised at 1 January 2018 with the difference recognised in opening restated balance of equity. The consolidated net assets at 31 December 2017 were not restated accordingly.

(iii) The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for previous years, as permitted under the specific transition provisions in the standard. Accordingly, the consolidated net assets at 31 December 2017 and 2018 were not restated.

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