大悦城控股 GRANDJOY | 中粮 COFCO

Joy Up

Our Life, Enjoy the World

大悦中國 • 賦美生活

JOY CITY PROPERTY LIMITED
大悅城地產有限公司
Incorporated in Bermuda with limited liability
Stock Code : 207

2021
Annual Report

OUR MISSIONS

Contribute quality green living space and services, lead the trend of a fashionable lifestyle, in order to become a leader among real estate brands in the PRC with the greatest sustainable development potential.

OUR VISIONS

Maximize the benefits of customers, shareholders and staff members wholeheartedly.

Contents

Company Profile

Joy City Property Limited is a large-scale commercial property developer and operator, focusing on the development, operation, sales, leasing and management of complexes and commercial properties in the PRC.

COFCO Corporation, the ultimate controlling shareholder of Joy City Property Limited, is a large state-owned enterprise directly under the administration of the Central Government of China, and has been selected as one of the Fortune Global 500 for 27 consecutive years. COFCO Corporation is one of the first batch of 16 enterprises under the direct management of the Central Government with the approval of SASAC to engage in the development, investment and management of real estate projects. Joy City is the flagship brand of COFCO Corporation in the commercial property sector.

The Group mainly engages in the development, operation and management of urban complexes under the brand of Joy City. It also engages in the development, sales, investment and management of other property projects. The Group has four business segments, namely investment properties, property development, hotel operations and output management and other services. As of the end of 2021, the Group had expanded into the core cities and their surrounding areas in five major city groups including Beijing-Tianjin-Hebei, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing and middle Yangtze River. Meanwhile, the Group successfully established its presence in 22 cities including Beijing, Shanghai, Tianjin, Shenyang, Yantai, Jinan, Hangzhou, Nanjing, Chengdu, Xi'an, Chongqing, Qingdao, Wuhan, Kunming, Sanya, Changsha, Suzhou, Xiamen, Nanchang, Wuxi, Anshan and Shaoxing in mainland China and Hong Kong. It possesses or manages 25 Joy City urban complexes, 4 Joy Breeze projects and premium investment properties at prime locations in first-tier cities, including Beijing COFCO Plaza, Hong Kong COFCO Tower and Beijing COFCO • Landmark Tower, as well as high quality properties held for sale, namely Shanghai Parkview, Shanghai Rui Hong Ocean One, Xiamen Yunxi One and Qingdao Chuangzhi • COFCO Splendid City, and a number of international top-class luxury hotels in operation, including The St. Regis Sanya Yalong Bay Resort, MGM Grand Sanya and Waldorf Astoria Beijing. The Group's property projects are strategically located in central districts of first- or second- tier cities with superior quality as well as good investment value and appreciation potentials.

The Group has always served urban development and the creation of a better life for the people as a city operator and a service provider, shouldered its social responsibilities as an enterprise directly under the central government, and made active contributions to give back to the state and society.

Major Business Structure

Property Development

1. Shanghai Jing'an Joy Center
2. Shanghai Parkview
3. COFCO Ruihong Ocean One
4. Shenyang Joy City E Cube
5. Jinan COFCO • Shine City
6. Hangzhou Joy City • Apartment
7. Chengdu Tianfu Shine City
8. Chengdu Jiancha Project
9. Chongqing COFCO • Central Park Shine City
10. Qingdao Gold Sand • COFCO Shine City
11. Qingdao Chuangzhi • COFCO Splendid City
12. Qingdao COFCO Joy Breeze • Joy Street
13. Qingdao COFCO Joy Breeze • Platinum Joy
14. Qingdao Joy Park
15. Qingdao Joy Bay
16. Wuhan Joy City Apartment
17. Wuhan Joy City Joy Center
18. Wuhan COFCO Optics Valley Shine City
19. Kunming Longshengfu
20. COFCO • Sanya Joy Center
21. COFCO • Sanya Joy Plaza
22. COFCO • Sanya Platinum Joy Mansion
23. Suzhou Yuelong Garden
24. Xiamen Yunxi One
25. Nanchang Joy City • Office Building
26. Nanchang Shine Joy City
27. Nanjing Joy City • Office Building
28. Nanjing In Joy

Hotel Operations

1. The St. Regis Sanya Yalong Bay Resort
2. MGM Grand Sanya
3. Sanya Yalong Bay Cactus Resort Sanya by Gloria
4. Waldorf Astoria Beijing
5. Le Joy Hotel Beijing

Investment Properties

1. Xidan Joy City
2. Chaoyang Joy City
3. Shanghai Jing'an Joy City
4. Tianjin Nankai Joy City
5. Shenyang Joy City
6. Yantai Joy City
7. Jinan Joy City
8. Hangzhou Joy City
9. Chengdu Joy City
10. Chengdu Tianfu Joy City
11. Chongqing Joy City
12. Qingdao Joy Breeze
13. Wuhan Joy City
14. Sanya Joy City
15. Suzhou Joy Breeze
16. Xiamen Jimei Joy City
17. Nanchang Joy City
18. Nanjing Joy City
19. Beijing COFCO Plaza
20. Beijing COFCO • Landmark Tower
21. Fraser Suites Top Glory Shanghai
22. Hong Kong COFCO Tower

Output Management and Related Services

1. Joy City Commercial Management
2. Tianjin Heping Joy City
3. Tianjin Xiqing Joy Breeze
4. Kunming Joy City
5. Shanghai Parkside Joy City
6. Xi'an Joy City
7. Beijing Jingxi Joy City
8. Beijing Daxing Joy Breeze
9. Changsha North Star Delta Joy City
10. Wuxi Jiangnan Joy City
11. Shaoxing IFC Joy City
12. Anshan Joy City
13. Beijing Huijing Twin Towers (originally Beijing LG Twin Towers)

Major Events and Awards


大悦城
JOY CITY
Joy City New City
ecco

Major Events

On 28 January, the Group held a topping-out ceremony for Sanya Joy Center project (Phase I).

On 20 May, the Group joined hands with New Hope Group to win the bid for the land parcel G52 at Chengnan Center, Pukou District, Nanjing, at a consideration of RMB6,060 million. The construction planning for the land parcel includes Nanjing Joy City Shopping Mall.

On 23 June, Luan Richeng, the deputy Communist Party secretary and president of COFCO Corporation, attended the groundbreaking ceremony of Xiamen Jimei Joy City.

On 8 July, the Group entered into a cooperation agreement with Shaoxing Guojin Group, signifying the formal initiation of the light-asset project "Shaoxing IFC Joy City"

On 13 July, the Group successfully issued Commercial Mortgage Backed Securities (CMBS) of RMB1,801 million under China Securities–Shenyang Joy City Asset-backed Special Program, with a final coupon rate of 3.80%.

On 17 September, the Group signed a club loan agreement with eight major overseas banks and successfully obtained a loan of US$600 million, of which US$100 million was in compliance with the requirements of the Green and Sustainable Finance Certification Scheme.

From 19 to 21 September, the ninth Joy City Shopping Festival kicked off in 11 major cities across the country.

On 25 September, Suzhou Joy Breeze, the flagship product of the Group's Joy Breeze product line, made its official debut, recording over 200,000 visits and sales of over RMB18 million on the first day of opening.

On 19 October, the Group signed an agreement with Xiqing District Government of Tianjin Municipality, marking the formal initiation of Tianjin Xiqing Joy Breeze Project.

On 31 December, Chongqing Joy City, the Group's first commercial project in Chongqing, saw its official opening. The project explored a new "business-industry integration" type of comprehensive commercial ecological chain operation model with five core concepts of "culture, commerce, industry, tourism and science".

Major Awards

1. Joy City Property
   →Hong Kong Quality Assurance Agency
   →Outstanding Green and Sustainable Loan Issuer
   (Commercial Real Estate Industry in China)
   Excellent and Visionary Green Loan Framework

2. Beijing COFCO • Landmark Tower
   →Beijing Forum on China Building Economy and China International Fair For Trade In Services
   →New Landmark of China Building Economy

3. COFCO Plaza
   →Dongcheng District Government of Beijing Municipality
   →2020 Top 100 Enterprises in Dongcheng District

4. Le Joy Hotel Brand
   →21st Century Business
   →Herald Golden-Pillow Award of China Hotels
   China's Outstanding Stylish Business Hotel Brand

5. Xidan Joy City
   →International E-Commerce Innovation Association (IECIA)
   →2021 ECI Awards
   Marketing Innovation Award

6. Chaoyang Joy City
   →Mall China
   →New Media Marketing Star Award in Shopping Mall Industry

7. Shenyang Joy City
   →TopDigital
   →2021 TopDigital Innovative Marketing Award

8. Shanghai Jing'an Joy City
   →Commerce Commission of Shanghai Jing'an District "Excellent Organization Award" in the 2021 competition activity themed on promoting consumption, improving quality and expanding capacity in Jing'an District

9. Tianjin Nankai Joy City
   →CCFA Golden Lily Award
   →Best Practice Cases for Digitized Application

10. Yantai Joy City
    →winshang.com
    →Golden Tripod Award
    Urban Innovation Project of the Year

11. Chengdu Joy City
    →Mall China
    →New Media Marketing Star Award in Shopping Mall Industry

12. Tianjin Heping Joy City
    →winshang.com
    →2021 Fashionable Experience Landmark Award

13. Shanghai Parkside Joy City
    →Xinmin Evening News
    →2021 Xinmin Quality Lifestyle Awards
    Fashionable Shopping Mall of the Year

14. Hangzhou Joy City
→zj.qq.com
→2021 Outstanding Project in East China Retail Industry

15. Kunming Joy City
→Linkshop
→New Urban Commercial Property Landmark of the Year

16. Xi'an Joy City
→Mall China
→2021 Excellence Award for Business Innovation in Shopping Mall Industry

17. Anshan Joy City
→Gold Light Awards
→2021 CGLA New Urban Landmark Award

18. Daxing Joy Breeze
→Commerce Bureau of Daxing District
→2021 Most Influential Business Circle in Brand Consumption List of Daxing District

19. Changsha North Star Delta Joy City
→CSVB China Shopping-mall Value Board
→China Shopping-mall Value Board Golden Award for Commercial Benchmarking Shopping Malls to be Opened

20. Suzhou Joy Breeze
→Mall China
→Mall China Golden Mall Awards 2021 Urban Driver Excellence Award

21. Chongqing Joy City
→CCFA Golden Lily
→Shopping Mall Best Practice Case for Design

22. Wuhan Joy City
→Hubei Daily
→2020 Hubei Real Estate Golden House Awards Top 10 Most Anticipated Projects of the Year

23. Beijing Jingxi Joy City
→winshang.com
→2021 Top 100 shopping malls to be opened attracting brand owners' attention

24. Sanya Joy City
→winshang.com
→2021 Top 100 shopping malls to be opened attracting brand owners' attention

25. Shaoxing IFC Joy City
→Mall China
→2021 Shopping Mall Industry Urban Driver Excellence Award

Financial Highlights

Item	For the year ended 31 December 2021 RMB'000	2020 RMB'000	Change (%)
Revenue	**12,313,297**	14,109,832	-12.7
Including: Rental income from investment properties and related services income	**4,055,875**	3,586,814	13.1
Sales of properties held for sale	**7,149,317**	9,568,816	-25.3
Hotel operations	**766,392**	598,264	28.1
Service income for primary land development	–	153,653	-100.0
Output management project	**179,961**	147,235	22.2
Other service income	**161,752**	55,050	193.8
Gross profit	**4,713,588**	5,457,565	-13.6
Profit attributable to owners of the Company	**591,666**	1,104,533	-46.4
Core net profit attributable to owners of the Company (Note 1)	**552,447**	828,874	-33.4
Basic earnings per share (RMB cent)	**3.9**	7.2	-46.4

Item	31 December 2021 RMB'000	31 December 2020 RMB'000	Change (%)
Total assets	**131,020,391**	124,167,334	5.5
Equity attributable to owners of the Company	**29,858,111**	29,447,710	1.4
Net debt to total equity ratio (%) (Note 2)	**49.1**	34.7	14.4 (Note 2)
Weighted average finance costs	**4.13%**	4.36%	-0.23 (Note 3)

Notes:

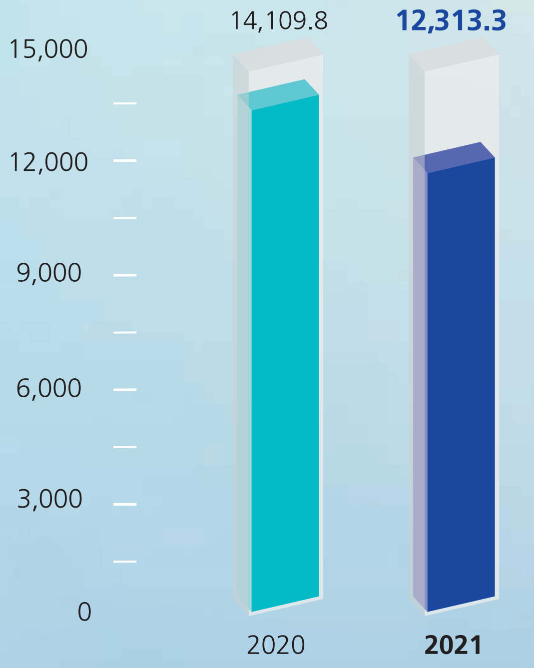
1. Core net profit attributable to owners of the Company = profit attributable to owners of the Company – foreign exchange gain/loss – fair value gains after tax of investment property attributable to owners of the Company

2. Net debt to total equity ratio = (bank borrowings + borrowings from fellow subsidiaries, associates and joint ventures as well as loans from non-controlling interests and borrowings from third parties + corporate bonds – cash and bank balances – restricted bank deposits – pledged deposits)/total equity

3. Change in percentage

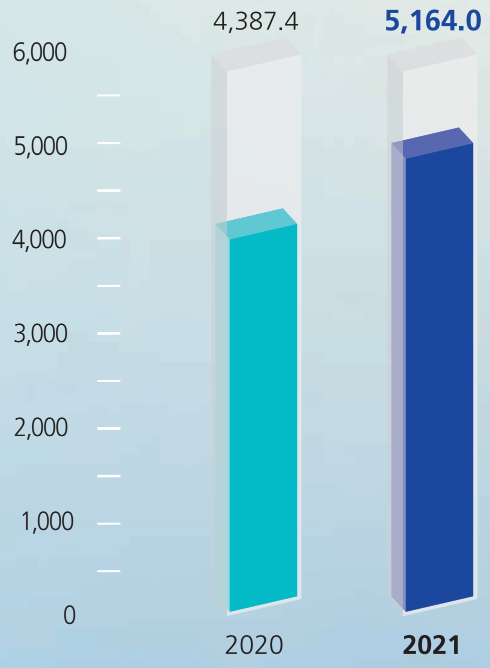
Revenue

RMB: million



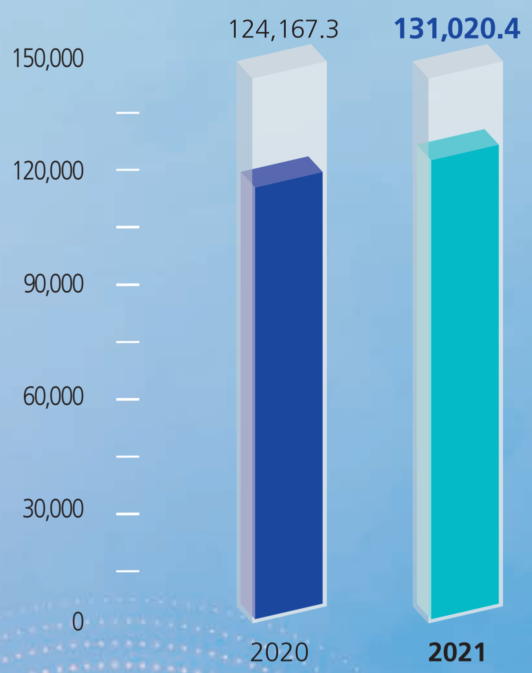
Recurring revenue (Note 4)

RMB: million



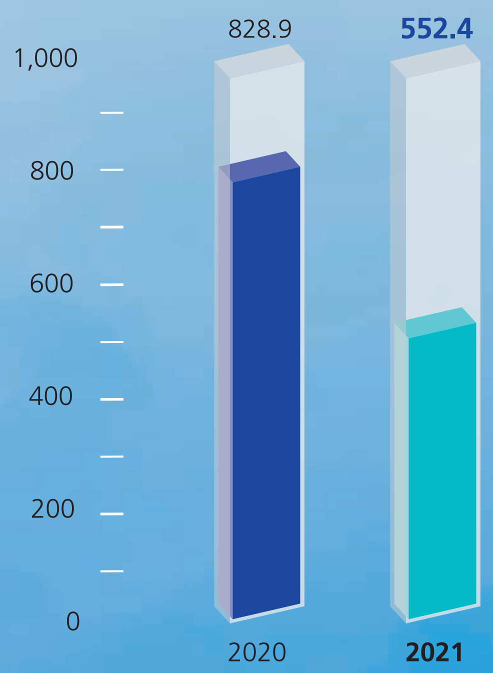
Total assets

RMB: million



Core net profit attributable to owners of

RMB: million



Note 4: Recurring revenue = rental income from investment properties and related services income + revenue from hotel operations + revenue from output management projects + revenue from other services

Chairman's Statement

> "As a service provider of urban operation and better life, the Group has always adhered to the "dual-wheel & dual-core" development model, and pursued innovative operation and sustainable development, steadily improving its operating results and creating greater value for the country, society, customers and shareholders."

Dear Shareholders,

In 2021, despite the multiple challenges such as complex and severe international landscape and sporadic Covid-19 cases reported from time to time in the country, China scientifically coordinated the pandemic prevention and control and economic and social development, strengthened the cross-cycle adjustment of macro policies, and gave more support to the real economy, thereby cementing its world-leading position in economic development and pandemic prevention and control. During the year, China's GDP amounted to approximately RMB114 trillion, representing a year-on-year increase of 8.1% and a two-year average growth of 5.1%. In particular, investment, consumption and export all achieved steady growth. 2021 has been a rollercoaster year for the real estate industry. The market was bullish in the first half of the year but cooled off in the second half. Despite such huge challenge, the industry as a whole demonstrated strong resilience. In 2021, sales of commercial housing in China amounted to approximately RMB18.19 trillion, representing a year-on-year increase of 4.8%; the sales area of commercial housing reached approximately 1,794 million sq.m., representing a year-on-year increase of 1.9%.

Commercial Real Estate – The industry has recovered gradually as driven by the revival of consumption. In 2021, total retail sales of consumer goods in China amounted to approximately RMB44 trillion, representing a year-on-year increase of 12.5% and a two-year average growth rate of 3.9%. Retail sales of goods maintained admirable growth momentum while catering consumption continued to pick up. Specifically, the office building market continued to recover and the retail market warmed up, with intensified industry competition. Meanwhile, digital and intelligent application was pressed ahead at faster pace. Against this backdrop, the Group adhered to its sound business strategy and kept tapping into the brand merits of Joy City, with flexible application of its operational and managerial experience, which brought about stable growth in its results.

Investment Properties – The Group invested in projects in core areas of first- and second-tier cities, focused on people, goods

Chairman's Statement

and venues, strengthened operation, continued to build diversified consumption scenarios, and organized original IP activities nationwide. Following a series of activities such as "Hi, It's New Shopping Festival", "Joy City Super Lucky Week", "Joy City Shopping Festival" and "Joy City China – Having a Good Start", the Group's sales and customer traffics both saw a rebound. During the year, the shopping mall business recorded a rental income of approximately RMB2.77 billion, representing a year-on-year increase of 16.2%. The office building business also performed well, achieving a rental income of approximately RMB560.0 million during the year.

Property Development – The Group has been persisting with its strategy of intensive marketing. On one hand, it channeled online marketing through fully promoting its online mini-programs. On the other hand, a series of marketing activities were integrated to make intensive promotion, strengthening offline concerted promotion across the country, yielding positive marketing results. During the year, the Group recorded approximately RMB27.0 billion in contracted sales of property development, representing a year-on-year increase of 34.2%. In particular, Shanghai Parkview performed brilliantly in terms of sales, with contracted sales amount exceeding RMB10 billion during the year.

Hotel Operations – The Group steadily improved its business performance of hotel operations through strengthening operation, leveraging the advantages of cross-over partnership, and embracing innovative operation. During the year, the hotel operations achieved satisfactory performance and recorded an operating revenue of approximately RMB770.0 million, representing a year-on-year increase of 28.1%. The Group's hotels notched 61 awards in and outside the industry.

Output Management and Other Services – The Group fully leveraged the appeal and operation capability of "Joy City" as a brand. During the year, the Group operated such projects as Tianjin Heping Joy City, Kunming Joy City, Shanghai Parkside Joy City, Xi'an Joy City, Anshan Joy City, Changsha North Star Delta Joy City. Meanwhile, the Group newly secured the output management projects such as Shaoxing IFC Joy City and Tianjin Xiqing Joy Breeze, continuously strengthening its brand influence.

Land Bank – The Group adhered to the "double-wheel dual-core" development model and diversified its land acquisition methods. It actively participated in open market competition while fully capitalizing on the advantages of "Joy City" brand to actively develop joint projects and explore the existing market opportunities. During the year, the Group acquired approximately 630,000 sq.m. of land bank.

In terms of financial capital, the Group always maintains a prudent financial policy. The Company consecutively launched various innovative financing products by leveraging on its access to multiple financing platforms at home and abroad and a good relationship with banks. In 2021, the Company issued the first batch of commercial mortgage-backed securities (CMBS) and the first batch of green loan. Although the overall financing costs rose for the real estate industry as a result of general imposition of bank property lending caps in 2021, the Company's weighted average financing cost stood at 4.13%, representing a decrease of 0.23 percentage points as compared to 4.36% that in 2020.

Looking forward to 2022, as China's economy continues to recover steadily, expanding employment and increasing income will foster the continuous growth of consumption, thus creating greater space for the development of commercial real estate. However, the Covid-19 pandemic has accelerated the industry reshuffle as well as industry reforms in recent years. As consumers give more attention to immersive, experiential and socially interactive consumption, scenario innovation becomes a new way to make breakthrough in commercial space; digital application will be pressed ahead at a faster pace, shopping malls are expected to strengthen their private traffic pools, while output management services are developing at a faster pace, renovation of the existing assets will serve as a breakthrough for development, refreshment and continuous operation of commercial real estate. Deeply involved in commercial real estate for more than ten years, the Group has accumulated a wealth of operational and management experience, and continually taken the lead in the business transformation. Going forward, the Group will capitalize on its own advantages, focus on consumers, continue to make innovation in business models and optimize business portfolios, lead the reform and development of commercial properties, integrate itself into urban development, and serve people's demand for better life, so as to make more valuable contributions to the country, society, customers and shareholders.

悦精彩

Joy-Full Occasions

"Accelerated Property Development and Driving Consumption Upgrade"

"Introduction"

In its 14th Five-Year Plan, China outlined a new development pattern where domestic and foreign markets can boost each other with the domestic market as the mainstay, and proposed to promote consumption in an all-round way, which will benefit commercial property development. Intensively involved in the commercial property sector for 14 years, the Group has always kept abreast of the industry trends, and has built strong advantages in comprehensive operation to consolidate its core competitiveness.

During the year, the Group formed a comprehensive development strategy based on the five aspects of tactics, product, branding, operation and organization, and developed six strategic visions of developing urban projects, remodeling products, empowering brands, refining operation, reforming organization and accelerating development. As a result, the Group achieved explosive performance growth and brand upgrade during the outset year of the "14th Five Year Plan" period. Following the opening of three new projects and the contract signing for a number of new projects during the year, the Group has established its presence in more than 20 first-and second-tier cities in China, including Beijing, Shanghai and Tianjin, with more than 40 commercial projects in operation, under construction, and in the pipeline. Embracing the mission of being a service provider for a better urban life, the Group has contributed to urban development, improved customer satisfaction, promoted consumption upgrading, and boosted the vitality of the real economy amid the ongoing pandemic.

“Going Beyond Involution:

Steady Expansion Boosting Business to New Levels”

In the “14th Five Year Plan” period, the Group strived to deepen regional presence with a focus on expanding its footprint in the Beijing-Tianjin-Hebei region, the Greater Bay Area, the Yangtze River Delta region and the Chengdu-Chongqing region, so as to cater for the needs of urban economic development to the greatest extent. In pursuit of its strategic goal of increasing its project portfolio to 100 projects for the “14th Five Year Plan” period, the Group has expanded its presence in three cities in 2021, with its commercial GFA increasing to over 2,700,000 sq.m. and the number of tenants increasing to more than 5,000. As a result, the Group recorded a year-on-year increase of 40% in sales performance, marking a strong start for the first year of the “14th Five Year Plan” period.

Unlike commercial property brands seeking scale expansion, the Group always seeks to innovate business operation model and creates new commercial value. The newly launched Suzhou Joy Breeze, Chongqing Joy City and Changsha North Star Delta Joy City exemplify various innovations in terms of positioning, spatial scenarios and business formats, and have become leading commercial benchmarks in those cities, demonstrating the core operating advantages of our brands and boosting the quality development of the real economy.

(Suzhou Joy Breeze)

In the context of consumption upgrading, brick-and-mortar businesses are adapting to cater for the diversified lifestyles and needs of customers through faster iteration of business formats and offering portfolios with greater differentiation. Suzhou Joy Breeze, the flagship product of the Group’s second commercial property brand, which commenced operation on 25 September 2021, represents an innovative combination of business formats such as catering, social communications and other lifestyle experience offerings to create frequent high-quality consumption scenarios and promote the upgrading of brick-and-mortar commerce. The complex recruited nearly **400** brand tenants, of which over **50%** are lifestyle brands and over **40%** opening their first stores; and housed **142** flagship stores/bespoke shops, including Neobio Family Park’s first store in Suzhou and CGV’s flagship store in China. Suzhou Joy Breeze recorded over **200,000** customer visits and over **RMB18 million** sales on its opening day, the biggest surprise in Suzhou’s commercial market in 2021.

(Chongqing Joy City)

As the real estate industry is transitioning from scale expansion to intensive development, on-site scenarios have become carriers that provide services beyond traditional consumption. By integrating cultural and creative elements, such scenarios offer experiential value and build the core competitiveness of brick-and-mortar businesses. Chongqing Joy City, the first flagship commercial project of the Group in Chongqing launched on 31 December 2021, is China's first trendy recreational and shopping park featuring gorge landscape and serves as a perfect example of space innovation. The design of the project takes advantage of the height difference in topography to create a series of interesting architectural spaces including 100-meter high landscape terraces "**Yuyue Gorge**" and a mega "**Red Tube**" connecting the north and south zones of the shopping mall, and creates unique views with indoor installation art such as "**Flying Stone**(天外飛石)", "**Hidden Scenery**(別有洞天)" and "**Gorge Walk**(峽谷步道)". Cleverly integrating park views with commercial space to create highly distinctive offline immersive spaces, Chongqing Joy City has become a new trendy hotspot for Chongqing young people.

(Changsha North Star Delta Joy City)

Unlike other commercial property brands, the Group has been committed for over a decade to creating innovative products instead of seeking expansion by replication. Each of the Group's property projects has incorporated local characteristics to be a unique commercial complex. Changsha North Star Delta Joy City, the Group's first commercial project in Central China, launched in September 2021, is becoming a trendy localized landmark in Changsha owing to its strong recreational appeal to entertainment-loving people in Changsha. By creating three theme spaces, i.e. "**Open House**", "**Parallel Changsha**" and "**Star-themed Public Space**", various nightlife venues including dining and drinking areas overlooking river views, as well as "Street Artist Program(街頭紅人計劃)" and other innovative spaces, the project has built a comprehensive entertainment ecosystem to cater for diverse entertainment and leisure needs of young people in Changsha. Since its opening, the project has ranked first among shopping malls in Kaifu District, Changsha in terms of customer traffic and popularity, and has become a new benchmark for commercial property in Changsha.

Experience Economy: Innovation Brings Success

(Offline Experience of 2021 "Super Lucky Week")

With a consistent focus on "customer based development", the Group has operated steadily under the comprehensive operation model comprising "community-content-scenario", further strengthened the connectivity among commercial property operators, merchants and consumers, and created a premium business ecosystem.

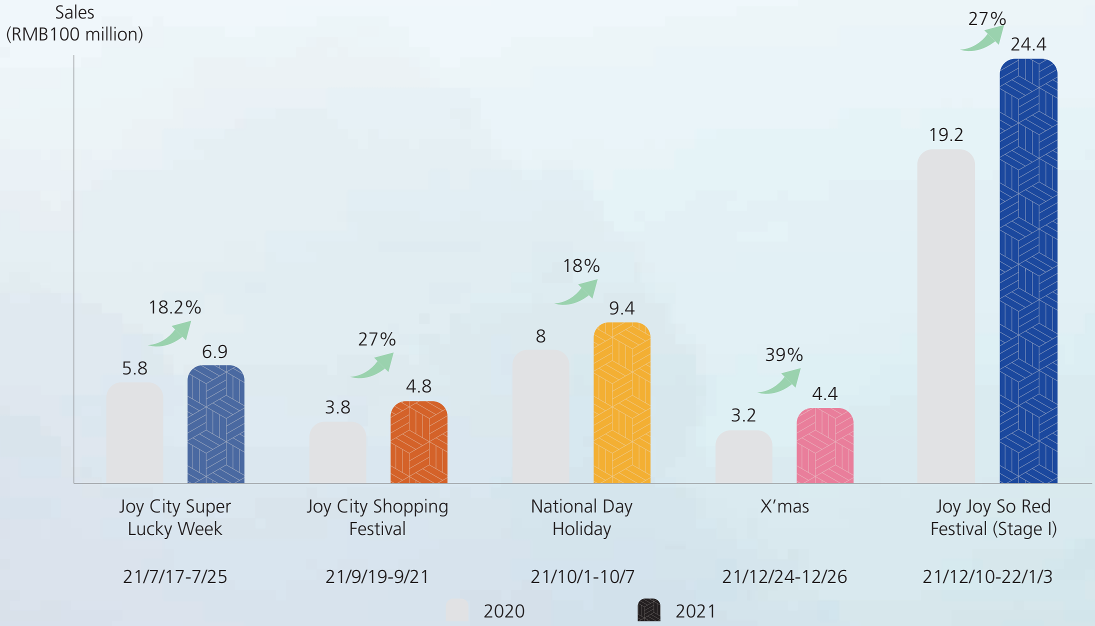
In the post-pandemic era, underpinned by its solid capabilities in comprehensive operation, the Group has been able to create innovative consumption scenarios and integrate quality resource content to meet the shopping, entertainment, social life and other needs of diverse customer groups, which has increased the value of its commercial property brand.

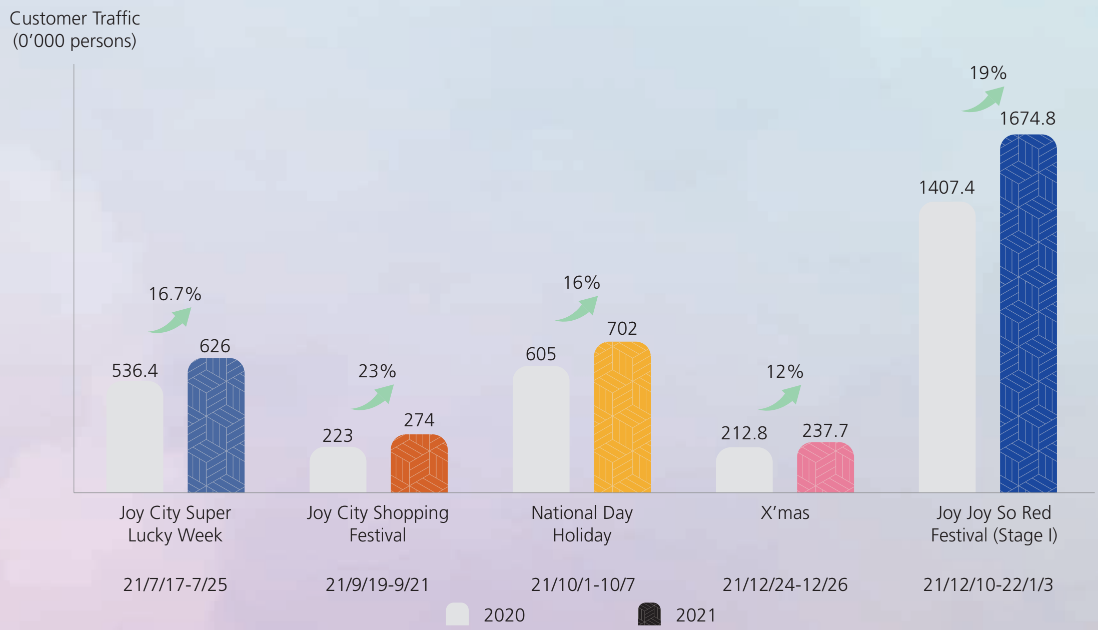
(Hot Spot of 2021 "Joy City Shopping Festival")

During the year, the Group created the four annual original IP matrix consisting of "Hi, It's New Shopping Festival", "Joy City Shopping Festival", "Super Lucky Week" and "Joy Joy So Red Festival" for its commercial complexes. These events adopted the commercial branding model of "emotion + culture + setting" and the new operation concept of "shopping + scenario + social" to fully satisfy the emotional needs of customers, and contributed to consumption upgrading in the new era.

(A Glimpse of 2021 "Joy Joy So Red Festival")

Critical Data for Major Events in 2021





Conclusion

During the year, the Group continued to strengthen brand building by leveraging its strength in comprehensive operation, and made all-round efforts to boost performance. Thanks to these efforts, the Group recorded sales of approximately RMB24.92 billion, representing an increase of 40% over 2020, and registered a total footfall of approximately 190 million, representing an increase of 34% over 2020. In 2022, the Group will stick to the development model of combining asset-light and asset-heavy operations and deepening regional presence, and further expand its footprint nationwide, with an aim to meet the ultimate demands of more urban residents for a better life, promote regional consumption upgrading, and drive the quality development of the commercial real estate sector.

Management Discussion and Analysis

Market Review

In 2021, China's economy witnessed a steady recovery, and its GDP expanded 8.1% year on year to RMB114 trillion, putting the two-year average growth at 5.1%. As consumption recovered steadily, total retail sales of consumer goods for the year grew by 12.5% year on year to RMB44 trillion, bringing two-year average growth to 3.9%. The real estate industry posted a "low-after-high" trend throughout the year, with the market gradually cooling down since the second half of the year. During the year, the investment in real estate development nationwide amounted to approximately RMB14.76 trillion, representing a year-on-year increase of 4.4%, down by 2.6 percentage points as compared with 2020. Sales of commercial housing amounted to approximately RMB18.19 trillion, representing a year-on-year increase of 4.8%, down by 3.9 percentage points as compared with 2020. As property prices leveled off, the price index of newly built commercial housing in 70 large- and medium-sized cities across the country rose by 2.0% year on year in December 2021, slowing down for the seventh consecutive month.

In terms of commercial real estate, the revival of private consumption fueled the steady recovery of brick-and-mortar businesses. In 2021, approximately 510 new commercial projects (each with a GFA of 20,000 sq.m. or above) were put into operation nationwide, representing a year-on-year increase of approximately 36%; and the aggregate GFA of new commercial buildings was approximately 45,690,000 sq.m., representing an increase of approximately 12,920,000 sq.m. over 2020. Driven by economic and consumption recovery, a host of fresh trends have emerged in the commercial property sector, such as an increasing amount of renovations, enrichment of offline commercial scenarios, growing potential of domestic brands, and accelerated integration of online and offline operations.

Business Review

During the year, the Group gave full play to its strengths to ensure stable development of its four business segments, namely investment properties, property development, hotel operations, and output management and other services.

Investment Properties

The Group enhanced its operations and achieved sound results. In 2021, the Group created more diversified consumption scenarios for its shopping malls by launching original IP activities nationwide to boost sales and customer traffic. During the "Joy City Shopping Festival" from 19 to 21 September 2021, the Group recorded sales of RMB480 million nationwide, representing a year-on-year increase of 27%, with single-day sales of each of Chengdu Joy City, Chaoyang Joy City, Tianjin Nankai Joy City, Xidan Joy City and Shenyang Joy City exceeding RMB20 million. During the year, the Group and its parent company won nearly 140 major industry awards, including ranking fifth among the "2020 Top 20 Influential Commercial Real Estate Enterprises"（2020年度商業不動產影響力企業TOP20排行榜）, being one of the" 2021 Top 10 Chinese Commercial Real Estate Enterprises"（2021中國商業地產十強企業）, and the award of "2021 Golden Lily Shopping Mall – Best Practice Case"（2021金百合購物中心最佳實踐案例）, demonstrating the brand influence of the Group. During the year, the Group's shopping malls recorded sales of approximately RMB24.92 billion, representing a year-on-year increase of 40% over 2020.

The office building business was in stable operation, and maintained a stable occupancy rate by focusing on enhancing core capabilities by virtue of the 3C operation service system, contributing a steady income stream for the development of the Group. During the year, the Group's office buildings recorded a rental income of approximately RMB560 million, representing a year-on-year decrease of 3%. In particular, COFCO • Landmark Tower recorded an average occupancy rate of over 93% and has successfully developed into a new financial center and landmark project of Dongcheng District, Beijing by leveraging its strengths in tenant recruitment and operation.

Property Development

The Group continued to promote targeted marketing and innovation empowerment. On 20 May 2021, the Group introduced online sales channels by launching its online selling application "大悦嗨房GO". Besides, the Group closely followed market trends and created synergistic marketing campaigns including "Joy Care Season"(玖悦陪伴季)"Joy Fans Festival"(大悦寵粉節), "Joy Special Offers"(大悦給利節), which received positive results. During the year, the Group recorded approximately RMB27.0 billion in contracted sales of property development, registering an increase of 34.2% over 2020. The projects launched for sale for the first time performed well. The three batches of units in Rui Hong Ocean One in Shanghai were sold out soon upon launch, and all units in Xiamen Yunxi One were sold out on the first day.

Hotel Operations

The Group enhanced and innovated its operations. During the year, the Group's hotels leveraged on cross-industry cooperation by teaming up with a number of brands to create distinctive images. As a result, the Group's hotel operations registered steady improvement in performance and generated operating revenue of approximately RMB770.0 million, representing a year-on-year increase of 28.1%. Further, the Group's hotels won a total of 61 awards within or outside the industry. In particular, Waldorf Astoria Beijing ranked second on the list of Top 20 Hotels in China in Readers' Choice Awards 2021 by Condé Nast Traveler; Zijin Mansion, the Chinese restaurant in Waldorf Astoria Beijing, was rated as one-star restaurant in the Michelin Guide Beijing 2021 and 2022; MGM Grand Sanya was honored as Best Hotel in China at SHANG Hotel Awards 2021; and The St. Regis Sanya Hotel was ranked among Selected Luxury Hotels 2021 by Voyage.

Output Management and Other Services

The Group fully leveraged the appeal and operation capability of "Joy City" as a brand. During the year, it provided management services for such projects as Tianjin Heping Joy City, Kunming Joy City, Shanghai Parkside Joy City, Xi'an Joy City, Anshan Joy City and Changsha North Star Delta Joy City, and newly secured two output management projects, namely Shaoxing IFC Joy City and Tianjin Xiqing Joy Breeze, with its brand influence further enhanced. During the year, the Group delivered stellar performance in provision of management services, of which Tianjin Heping Joy City recorded sales revenue of RMB518 million in 2021, up 43% over 2020.

Land Bank

In terms of land bank, the Group adhered to the "double-wheel dual-core" development model and adopted various ways for land acquisition. It actively participated in open market competition, fully capitalized on the "Joy City" brand to seek project cooperation and tapped into opportunities in existing markets. During the year, the Group added approximately 630,000 sq.m. to its land bank, including approximately 550,000 sq.m. attributable to a parcel of land in Nanjing which will be developed into the first Joy City complex in the city.

Name of land parcel	**Location**	**Site area** (sq.m.)	**Floor area** (sq.m.)	**Project type**	**Actual shareholding ratio**
Nanjing Joy City	Pukou District, Nanjing	207,997	550,029	Business + office + residence + apartment	50%
Chengdu Jiancha Project	Tianfu New District	41,543	83,000	Residence + talent apartment + commercial property	51%

Financial Review

Overall Performance Review

For the year ended 31 December 2021, the Group's operating revenue was approximately RMB12,313.3 million (2020: RMB14,109.8 million). The overall gross profit margin was approximately 38.3%, which hardly changed as compared to the previous year.

For the year ended 31 December 2021, the Group recorded profit for the year of approximately RMB1,484.9 million (2020: RMB2,169.1 million), down by 31.5% over last year, which was due to the lower-than-expected property selling prices of certain projects, provision for impairments on certain properties held for sale and on the amount due from an associate and the effect of exchange rate changes. In particular, the profit attributable to owners of the Company was approximately RMB591.7 million, representing a year-on-year decrease of 46.4%. Excluding the after-tax fair value gain on investment properties and the effect of exchange rate changes, the core net profit attributable to owners of the Company for the year was approximately RMB552.4 million, representing a year-on-year decrease of 33.4%.

Review on Investment Properties

During the year, the COVID-19 pandemic was effectively brought under control in China, which had a positive impact on the retail market. The Group's total rental income from investment properties and related services income was approximately RMB4,055.9 million, representing an increase of 13.1% as compared to RMB3,586.8 million for the previous year. The gross profit margin of the investment properties business was 78.3%, basically unchanged from the previous year. Shopping malls and office buildings contributed 80% and 14% of the total revenue, respectively.

The Group's shopping malls recorded sales of approximately RMB24,920 million, representing a year on-year increase of 40%; and recorded rental income of RMB2,766.0 million, representing an increase of 16.2% as compared to RMB2,381.3 million for the previous year. The average occupancy rate of the shopping malls was 95%, representing a year-on-year increase of 0.5 percentage point.

The office building business was in stable operation, and recorded rental income of approximately RMB562.0 million, representing a year-on-year decrease of 3.0% due to the large impact on Hong Kong arising from the pandemic and market environment. The average occupancy rate of the office buildings was 88%, representing a year-on-year decrease of 1.6 percentage points.

The table below sets forth the rental income and occupancy rate of the major investment properties of the Group in 2021:

Project	City	Use/intended use	Rental income (RMB million)	Occupancy rate (%)
Xidan Joy City Shopping Mall	Beijing	Retail	**639.9**	**98**
Chaoyang Joy City Shopping Mall	Beijing	Retail	**674.0**	**99**
Tianjin Joy City Shopping Mall	Tianjin	Retail	**464.4**	**98**
Shanghai Jing'an Joy City Shopping Mall	Shanghai	Retail	**183.9**	**89**
Shenyang Joy City Shopping Mall	Shenyang	Retail	**259.1**	**94**
Yantai Joy City Shopping Mall	Yantai	Retail	**118.3**	**89**
Chengdu Joy City Shopping Mall	Chengdu	Retail	**250.6**	**96**
Hangzhou Joy City Shopping Mall	Hangzhou	Retail	**155.2**	**93**
Suzhou Joy Breeze Shopping Mall	Suzhou	Retail	**20.5**	**91**
Xidan Joy City Offices	Beijing	Office	**35.8**	**88**
COFCO Plaza Offices	Beijing	Office and Retail	**293.3**	**88**
Hong Kong COFCO Tower	Hong Kong	Office and Retail	**56.3**	**71**
COFCO • Landmark Tower	Beijing	Office and Retail	**176.7**	**93**
Fraser Suites Top Glory Shanghai	Shanghai	Serviced apartment	**128.4**	**92**
Total			**3,456.4**	

The table below sets forth the rental income and occupancy rate of the major investment properties of the Group in 2020:

Project	City	Use/intended use	Rental income (RMB million)	Occupancy rate (%)
Xidan Joy City Shopping Mall	Beijing	Retail	571.7	97
Chaoyang Joy City Shopping Mall	Beijing	Retail	555.0	97
Tianjin Joy City Shopping Mall	Tianjin	Retail	396.8	97
Shanghai Jing'an Joy City Shopping Mall	Shanghai	Retail	163.5	86
Shenyang Joy City Shopping Mall	Shenyang	Retail	224.0	95
Yantai Joy City Shopping Mall	Yantai	Retail	114.1	90
Chengdu Joy City Shopping Mall	Chengdu	Retail	197.1	96
Hangzhou Joy City Shopping Mall	Hangzhou	Retail	159.1	91
Xidan Joy City Offices	Beijing	Office	43.0	88
COFCO Plaza Offices	Beijing	Office and Retail	295.1	90
Hong Kong COFCO Tower	Hong Kong	Office and Retail	77.2	85
COFCO • Landmark Tower	Beijing	Office and Retail	163.4	90
Fraser Suites Top Glory Shanghai	Shanghai	Serviced apartment	121.1	87
Total			3,081.1	

Review on Property Development

During the year, the Group's revenue derived from property development segment was RMB7,149.3 million, representing a decrease of 25.3% from RMB9,568.8 million in the previous year. The settlement area of properties delivered was 359,507 sq.m., representing a year-on-year increase of approximately 3.7%. The unit settlement price was RMB19,886/sq.m., representing a year-on-year decrease of approximately 28.0%. Due to the changes in structure of the properties delivered, the gross profit margin of the property development segment for the year reduced to 16%.

During the year, the Group recorded contracted sales of approximately RMB27,002.0 million, representing a year-on-year increase of 34.2%. Contracted sales area was 640,975.6 sq.m., representing a year-on-year decrease of approximately 1.8%; and the average unit selling price was approximately RMB42,126/sq.m., representing a year-on-year increase of approximately 36.7%.

In 2021, the contracted sales amount and contracted sales area of each region achieved by the Group are as follows:

Region	**Contracted sales**		**Contracted sales area**	
	2021 (RMB million)	2020 (RMB million)	**2021 (sq.m.)**	2020 (sq.m.)
Shanghai	**16,602.1**	8,920.3	**200,328.5**	104,205.3
Hainan	**1,231.3**	902.1	**43,430.5**	31,113.7
Southwest China	**839.7**	3,245.7	**46,307.5**	173,483.1
Zhejiang*	**-451.5**	432.7	**-21,130.8**	13,934.9
Shandong	**2,177.4**	1,823.2	**145,373.6**	129,020.0
Southern Jiangsu	**3,248.6**	3,196.1	**124,355.1**	122,418.0
Central China	**739.2**	1,601.8	**35,525.6**	78,840.8
Southern China	**1,567.7**	–	**34,419.8**	–
Nanjing	**1,047.5**	–	**32,365.8**	–
Total	**27,002.0**	20,121.9	**640,975.6**	653,015.8

* The contracted sales amount and area in Zhejiang Province for the year were approximately RMB500.1 million and approximately 13,439.0 sq.m. respectively. Due to the customer's inability to pay the remaining consideration for purchase of the office units and car parking spaces in Hangzhou Joy City, which were sold through agreement in 2017, the original property purchase agreement was terminated during the year, resulting in reversal of the contracted sales area and the negative contracted sales.

Management Discussion and Analysis

Review on Hotel Operations

In 2021, the Group's hotel operations recorded operating revenue of approximately RMB766.4 million, representing a year-on-year increase of 28.1%; and the average occupancy rate was 61%, representing a year-on-year increase of 12 percentage points.

The table below sets forth the average occupancy rate, RevPAR and average room rate of the major hotels of the Group in 2021:

Project	**City**	**Use/ Intended use**	**Average occupancy rate (%)**	**RevPAR (RMB)**	**Average room rate (RMB)**
The St. Regis Sanya Yalong Bay Resort	Sanya	Resort	**58**	**1,166**	**2,005**
MGM Grand Sanya	Sanya	Resort	**81**	**1,048**	**1,302**
Cactus Resort Sanya by Gloria	Sanya	Resort	**35**	**100**	**282**
Waldorf Astoria Beijing	Beijing	Business Inn	**48**	**1,022**	**2,141**
Le Joy Hotel Beijing	Beijing	Hotel	**79**	**493**	**620**

The table below sets forth the average occupancy rate, RevPAR and average room rate of the major hotels of the Group in 2020:

Project	City	Use/ Intended use	Average occupancy rate (%)	RevPAR (RMB)	Average room rate (RMB)
The St. Regis Sanya Yalong Bay Resort	Sanya	Resort	54	966	1,797
MGM Grand Sanya	Sanya	Resort	63	798	1,269
Cactus Resort Sanya by Gloria	Sanya	Resort	34	102	298
Waldorf Astoria Beijing	Beijing	Business Inn	38	792	2,106
Le Joy Hotel Beijing	Beijing	Hotel	37	268	725

Review on Output Management

The Group fully leveraged the appeal and operation capability of "Joy City" as a brand. During the year, the total revenue from management output was approximately RMB180.0 million, representing a year-on-year increase of 22.2%.

Other gains and losses

For the year ended 31 December 2021, the Group recorded a loss in other gains and losses of RMB122.8 million, representing a decrease of RMB752.4 million as compared to a gain of RMB629.6 million in the previous year, which was mainly due to a decrease of the foreign exchange gain of RMB479.7 million as compared to RMB597.2 million in 2020 for the USD- and HKD-denominated borrowings held by the Group resulting from the less appreciation of RMB than that in 2020, recording a foreign exchange gain of RMB117.5 million in 2021. Under the impact of macro-control in the real estate industry, the properties sales have slowed down since the second half of the year, consequently, the selling prices of the apartment and commercial properties of the Group located in Qingdao and Chongqing were lower than expected, resulting in an impairment losses of RMB266.6 million (2020: Nil) in the properties under development for sale.

Impairment losses under expected credit loss model, net of reversal

For the year ended 31 December 2021, the Group's impairment losses under expected credit loss model, net of reversal, amounted to approximately RMB308.5 million (2020: RMB9.4 million), of which, a loss allowance of RMB299.4 million was recognised for the loan to an associate, after taking into account the impairment loss on its properties and assessing the lifetime expected credit losses of such associate.

Taxation

Income tax expense comprises PRC corporate income tax, land appreciation tax and Hong Kong profit tax. The Group's tax expenses was RMB974.0 million (2020: RMB1,736.6 million).

Financial Position

Interest-bearing borrowings and net debt to total equity ratio

Item	As of 31 December	
	2021	2020
	(RMB'000)	(RMB'000)
Bank borrowings (current and non-current)	**21,176,630**	22,710,137
Corporate bonds	**3,985,581**	4,741,350
Borrowings from fellow subsidiaries, associates, joint ventures, non-controlling shareholders and third parties (current and non-current)	**13,827,497**	7,411,204
Total interest-bearing borrowings*	**38,989,708**	34,862,691
Less: Cash and bank balances	**10,352,897**	16,049,627
Restricted and pledged bank deposits	**132,716**	192,955
Net debt	**28,504,095**	18,620,109
Total equity	**58,019,420**	53,594,893
Net debt to total equity ratio**	**49.1%**	34.7%

*: Total interest-bearing borrowings include bank borrowings, loans from fellow subsidiaries, associates, joint ventures, non-controlling shareholders and third parties, and corporate bonds.

**: The net debt to total equity ratio is calculated as net borrowings divided by total equity, in which the net debt are calculated as total interest-bearing borrowings less cash and bank balances, restricted and pledged bank deposits.

As at 31 December 2021, the interest-bearing borrowings amounted to approximately RMB38,989.7 million, representing an increase of 11.8% as compared to RMB34,862.7 million as at 31 December 2020. The net debt to total equity ratio was approximately 49.1%, representing an increase of 14.4 percentage points from 34.7% as at the end of year 2020. Among the interest-bearing borrowings, 63.6% were denominated in RMB while 36.4% were denominated in HKD and USD.

In the total interest-bearing borrowings, approximately RMB16,748 million were with fixed interest rates ranging from 3.14% per annum to 6.5% per annum, and the other borrowings carried interest at floating rates. As of 31 December 2021, the proportion of fixed interest borrowings was 43% (31 December 2020: 31%) of the total interest-bearing borrowings.

The Group is committed to optimizing its capital structure and reducing financing costs. In July 2021, Joy City Commercial Management (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Company, issued an asset-backed special plan on the Shenzhen Stock Exchange with Shenyang Joy City as the underlying asset, issued the notes with a size of RMB1,801 million, a term of 15 years (3+3+3+3+3) and a preferential coupon rate of 3.80%. With access to multiple financing platforms at home and abroad, the Company has been able to seize the opportunities in capital markets to raise financing at a lower cost, to support to the development of the Group.

In 2021, the Group maintained a good relationship with banks and actively broadened financing channels to optimize its financing structure. Under the development of the real estate credit policy of the banks, the Group's average financing cost stood at 4.13%, representing a year-on-year decrease of 0.23 percentage point. As such, the Group's capital cost was further reduced and remained at a relatively low level in the industry.

Management Discussion and Analysis

Bank Borrowings

Bank borrowings decreased to RMB21,176.6 million as at 31 December 2021, representing a decrease of 6.8% as compared with that at the beginning of the year. All bank borrowings carry floating rates.

Analysis on the Group's bank borrowings is as follows:

Item	As of 31 December	
	2021	2020
	(RMB'000)	(RMB'000)
Carrying amount repayable:		
Within one year	**8,400,146**	6,069,083
In the second year	**3,232,005**	7,030,647
In the third to fifth year (inclusive)	**8,531,199**	7,046,225
Over five years	**1,013,280**	2,564,182
Total	**21,176,630**	22,710,137

Bank borrowings of approximately RMB8,400.1 million is repayable within one year and is shown as current liabilities. All the Group's borrowings are denominated in RMB, HKD and USD. There is no material seasonal impact on the Group's needs for borrowings.

As at 31 December 2021, the Group had banking facilities of RMB40,212.1 million, of which unused facilities amounting to RMB14,908.9 million, indicating that Group had adequate access to financing and sufficient credit facilities.

Contingent Liabilities

As at 31 December 2021, details of the Group's contingent liabilities and non-compliance issues are set out in Note 38 to the consolidated financial statements. The directors of the Company believe that, based on the reasons and circumstances of those non-compliances and the PRC legal advice, the Group is less likely to be subject to any fine, penalty or demolishment or confiscation, and accordingly, no provision has been made in the consolidated financial statements.

Interest Rate Risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings. The Group's policies are to reduce the interest rates by negotiating the terms of the interest-bearing borrowings, and explore direct financing at low interest rates such as the issuance of corporate bonds to replace the borrowings at high interest rates. In addition, the Company uses interest rate swaps to lock in interest rates in order to reduce the interest rate fluctuation risk of foreign currency variable-rate borrowings.

Foreign Exchange Risk

The daily transaction currency for the principal business operations of the Group is Renminbi. Save for certain bank deposits, bank and other borrowings denominated in foreign currencies, the Group is not exposed to any material risk directly arising from the volatility of exchange rate. The Group will pay close attention to the change of financial environment, and reasonably allocate the scales of domestic and offshore financing. As for the exchange rate risk caused by the fluctuation of RMB exchange rate, the Company locks such risks through forward and other tools.

Employees and Remuneration Policies

The Group attaches great importance to the selection, employment, training and retainment of talents. While sticking to equal employment and optimizing the remuneration incentive mechanism, it diversifies recruitment channels and protects rights and interests of employees, so as to attract and establish a lean, competent and highly efficient staff team, promote the common development of enterprise and employees, and provide talent support for the Group's strategic goals. As of 31 December 2021, the Group had 4,219 employees in total.

Aiming to maintain the "high efficiency and competitive incentives", the Group has established a sound remuneration and incentive system. In order to build a harmonious and consistent labor relationship with its staff, the Group provides competitive salaries and comprehensive benefits including pension insurance, medical insurance, maternity insurance, work-related injury insurance, unemployment insurance, housing provident fund, commercial health insurance, accident insurance and corporate annuity plan, which secures human resources for the sustainable development of the Group.

The employees of the Group's subsidiaries which operate in PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. Further, the Group's principal retirement benefits scheme available to its Hong Kong employees, namely the Mandatory Provident Fund, is also a defined contribution scheme which is administered by independent trustees. Both the Group and the employees contribute respectively to the Mandatory Provident Fund sums which represent a certain percentage of the employees' salaries. The contributions by the Group for the defined contribution schemes above are charged to the statement of profit or loss as they become payable in accordance with the rules of the respective defined contribution schemes. The only obligation of the Group with respect to such defined contribution schemes is to make the specified contributions. During the year ended 31 December 2021, there was no forfeited contributions under the defined contribution schemes above. Accordingly, no forfeited contribution was utilized during the year, and there was no forfeited contribution available as at 31 December 2021 to reduce level of contributions.

Upholding the training concept of "learning for application", the Group systematically planned and coordinated the layout, focused on the development of talents at all levels of key positions and their reserve, focused on the improvement of business capabilities, established a talent training system, and created a sufficient quantity and quality of talent supply chain for the Group, so as to support the achievement of strategic goals. At present, the Group has established the core training projects including "Training Camp for Mid-level Managers", "Golden Helmsman", "Golden Seed", "Sword Casting Plan", "New Joy Training Camp", "Future Star Training Camp", "Joy Seminar" and so on. It explores the internal courses of the Group, and revitalizes internal training resources by establishing a professional and systematic internal training lecturer team and improving online learning systems.

In addition, the Group has built a value based and development-oriented dual-career path development system for management and professionalism by integrating the features of the industry and the relevant positions. Through the "Team Members Competition" programme designed to stimulate internal competition, the "Team Members Swapping" programme designed for rotation training and the "Team Members Training" programme designed to foster young beginners, the Group facilitates internal talents exchange and the internal talent transfer and promotion, which provides a clear development path for employees.

The Group strictly complies with the management policies under the relevant international and national standards, rules and regulations, or those of the places where it operates in respect of child labor or forced labor prevention. We have developed necessary procedures of information collection and approval of recruitment of staff to ensure labor standards are implemented and executed. We adhere to employ our employees in accordance with laws, prevent employment discrimination, and eradicate the use of child labor and forced labor; whereas we provide those such as the disabled, ethnic minorities and veterans with employment opportunities and achieve "equal pay for equal work for both men and women". During the year, there was no violation by the Group of international or national standards, rules and regulations, or those of the places where the operations of the Group were located in respect of child labor and forced labor.

IMPACTS OF THE COVID-19 PANDEMIC

In 2021, the pandemic had a certain impact on the Group's commercial property segment in terms of brand operations, rent collection, new brand signings and openings. Tenants' confidence was eroded by the repeated outbreaks of the COVID-19 and some brand tenants indicated to close shops due to operational difficulties, which resulted in the overall decreases in the number of new shops and rent collection rate. On the other hand, the Group's commercial property segment actively responded to the national policy to fight the pandemic and granted rent concessions to small, micro and medium-sized enterprises as required. While conducting policy research and industry benchmarking, the Group also worked to retain existing tenants by getting a true understanding of their operating and financial conditions and devising standardized rules on rent concessions accordingly. Furthermore, the Group mapped out plans for profit recovery and performance improvement to minimize the impact of rent concessions on its performance indicators of the year, while enhancing tenants' confidence and stabilizing the operation of its projects.

Outlook

Looking forward to 2022, China will follow the general principle of "prioritizing stability while pursuing progress" in its economic development, further unleashing its great potential. The digital economy will boost the prosperity of the office property market, and there will be higher requirements for the operation of office buildings in the post-epidemic era. As shopping malls are undergoing constant change, leading property developers seek to accelerate the development of their commercial property business by putting a focus on renovations and alterations of existing property and provision of management services. As such, strong brand IP and operation capability will become more important, and digital and intelligent applications will be more widely used. Going forward, the Group will keep up with the industry trends, integrate resources in various fields and optimize its operation capability to lead development of the industry.

Profile of Directors and Senior Management

The following sets out the profile of the Directors and senior management of the Company as at the date of this Annual Report:

EXECUTIVE DIRECTORS

Mr. YOU Wei, aged 52, was appointed as the Chairman of the Board and an executive Director, the chairman of the Executive Committee, the chairman of the Nomination Committee and an authorised representative of the Company under Rule 3.05 of the Listing Rules with effect from 17 March 2021.

Mr. You had served as deputy division director of the director general office of the National Food and Reserves Administration, director of the office of the general manager of the general department of China Grain Reserves Management Corporation (中國儲備糧管理總公司), deputy head of the sales and purchase planning department, general manager of China Grain Reserves Management Corporation (Jiangxi Branch), secretary of the Party Leadership Group, general manager and member of the Party Leadership Group of China Food Reserves Management Corporation (Jiangxi Branch) and (Fujian Branch), director of general office of China Grain Reserves Management Group Co., Ltd. (中國儲備糧管理集團有限公司). From 14 November 2019 to 12 March 2021, he served as the chairman of COFCO Sugar Holding Co., Ltd. (中糧糖業控股股份有限公司) (a company listed on the Shanghai Stock Exchange (Stock Code: 600737)) and the secretary of the Party Committee of COFCO Sugar Holding Co., Ltd.. He is a director of Grandjoy (a company listed on the Shenzhen Stock Exchange (Stock code: 000031)) since 31 March 2021, and the chairman of Grandjoy since 2 April 2021.

Mr. You, a member of the Communist Party of China. He holds a master's degree in Business Administration.

Mr. CAO Ronggen, aged 58, was appointed as an executive Director, a member of Executive Committee and a member of Remuneration Committee with effect from 7 December 2016 and a member of Audit Committee with effect from 30 May 2019, and the General Manager with effect from 28 October 2020.

Mr. CAO joined Shenzhen Baoheng (Group) Co., Ltd. (深圳市寶恒(集團)股份有限公司) (was acquired by COFCO Corporation and renamed as Grandjoy (a company listed on the Shenzhen Stock Exchange (Stock Code: 000031))) in July 1988. He served as an assistant engineer of Shenzhen Baohing Electric Wire & Cable Manufacture Co. Ltd. (深圳寶興電線電纜製造有限公司), secretary of managerial office of Baoan County Construction Company (寶安縣城建設公司). He had been the securities department manager of Grandjoy from October 1993 to December 1998, the board secretary, the general manager assistant, the deputy general manager etc. He had served as the deputy general manager of Grandjoy from June 2006 to December 2016. He is a director and general manager of Grandjoy since May 2017.

Mr. CAO graduated from Harbin Institute of Technology in the PRC with a bachelor's degree in engineering in July 1985.

NON-EXECUTIVE DIRECTORS

Mr. MA Dewei, aged 58, was appointed as a non-executive Director of the Company with effect from 28 October 2020.

Mr. Ma started to work in July 1987 and served as the legal counsel of Beijing International Hotel, the deputy general manager of Beijing Yitong Dance Art Service Company, the director of the cultural and legal affairs department of Beijing Huaxin Law Firm, and the lawyer of Beijing Jiangchuan Law Firm. Mr. Ma joined COFCO Corporation（中糧集團）in December 1998 and had served in various positions, including staff of the Legal and Trademark Affairs Department, general manager of the Legal Consulting Department, deputy director of the Legal Department and general manager of the Contract and Corporate Law Department, and director of the Legal Department of COFCO Corporation. He has served as the general counsel of COFCO Corporation since February 2013. He is a director of Grandjoy (a company listed on the Shenzhen Stock Exchange (Stock Code: 000031)) since March 2019 and a non-executive director of COFCO Joycome Foods Limited (a company listed on the main board of the Stock Exchange (Stock Code: 1610)) since 30 July 2021.

Mr. Ma graduated from China University of Political Science and Law with a master's degree in law in 1987.

Mr. LIU Yun, aged 51, was appointed as a non-executive Director with effect from 17 March 2021.

Mr. Liu joined COFCO Corporation in August 1993 and had served in various positions, including a staff of president office, a sales of advertising exhibition company, a staff, a deputy manager, manager (publicity and education section) and manager (party organization section) of party committee office, the head, an editor in-chief of "COFCO Today" and a deputy general manager of public relations department, a deputy general manager of office secretary department, a general manager of public relations department, a general manager, a deputy director and a director of general office. He has been a secretary of the board (level of the department principal) and a general manager of the general office of COFCO Corporation since January 2018. He has concurrently served as the deputy dean of COFCO Academy since June 2019, as a chief privacy officer since August 2019 and as a director of Chinatex Corporation since December 2019. He is a director of Grandjoy (a company listed on the Shenzhen Stock Exchange (Stock Code: 000031)) since March 2021.

Mr. Liu graduated from Department of Journalism, Renmin University of China with a bachelor's degree in laws in July 1993.

NON-EXECUTIVE DIRECTORS

Mr. ZHU Laibin, aged 50, was appointed as a non-executive Director of the Company with effect from 30 March 2020.

Mr. Zhu joined COFCO Corporation(中糧集團)in August 1993 and had served in various positions, including a clerk in COFCO Packaging Industrial and Trading Company(中糧包裝實業貿易公司), a clerk of accounting department, head of the finance department, an assistant to general manager of the strategic planning department, a deputy general manager of the strategy management department, a general manager of the strategy management department, a general manager of the general office for the board in COFCO Corporation, a deputy controller of finance department and general manager of operation management department in COFCO Corporation, a chief accountant and a general manager of finance department in COFCO Trading Company Limited(中糧貿易有限公司)and a financial controller of finance department in COFCO Corporation. He served as a strategy controller director of the strategy department of COFCO Corporation from January 2020 to December 2021. He has been a financial controller of finance department in COFCO Corporation since December 2021. He served as a supervisor of Grandjoy (a company listed on the Shenzhen Stock Exchange (Stock Code: 000031)) from May 2014 to June 2016. He has been a director of both COFCO Sugar Holding Co., Ltd. (a company listed on the Shanghai Stock Exchange (Stock Code: 600737)) since March 2020 and Grandjoy since March 2021.

Mr. Zhu graduated from Hangzhou Business College with a bachelor's degree in economics in July 1993. He also graduated from the University of Science and Technology Beijing and the University of Texas at Arlington with a master's degree in business administration. Mr. Zhu is a Certified Public Accountant in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Hon Chuen, Ambrose, *GBP, JP,* aged 74, was appointed as an independent non-executive Director with effect from 2 August 1995. He is currently the chairman of each of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee.

The table below sets out Mr. Lau's directorships in a number of companies listed on the Main Board of the Stock Exchange:

Name of the listed companies	Stock code	Position
Glorious Sun Enterprises Limited	00393	independent non-executive director
Yuexiu Transport Infrastructure Limited	01052	independent non-executive director
Yuexiu Property Company Limited	00123	independent non-executive director

Mr. Lau is also a director of OCBC Wing Hang Bank (China) Company Limited, Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Cinda Financial Holdings Co., Limited, OCBC Wing Hang Bank Limited, Sun Hon Investment and Finance Limited, Wydoff Limited, Wytex Limited, Helicoin Limited, Wyman Investments Limited, Trillions Profits Nominees & Secretaries Services Limited and Polex Limited. He served as the chairman of the Central and Western District Board from 1988 to 1994, the president of the Law Society of Hong Kong from 1992 to 1993, a member of the Bilingual Laws Advisory Committee from 1988 to 1997 and a member of the Legislative Council of Hong Kong from 1995 to 2004 (from 1997 to 1998, he was a member of the Provisional Legislative Council). He has served as a Standing Committee member of the 10th, 11th, and 12th National Committee of the Chinese People's Political Consultative Conference.

Mr. Lau obtained a Bachelor of Laws Degree from University of London in 1969. He is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. He is the senior partner of Messrs. Chu & Lau, Solicitors & Notaries.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kin Ming, Lawrence, aged 66, was appointed as an independent non-executive Director with effect from 21 September 2004. He is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee.

Mr. Lam was the senior vice president of the Enterprise Solutions Commercial Group of HKT Trust and HKT Limited (stock code: 006823), a company listed on the main board of the Stock Exchange and a member of the PCCW group.

Mr. Lam graduated from the University of Toronto with a bachelor's degree in Commerce in September 1978.

Mr. CHAN Fan Shing, aged 45, was appointed as an independent non-executive Director with effect from 10 February 2020. He is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee.

Mr. Chan has extensive experience in auditing, accounting and financial management. Since September 2018, Mr. Chan has been an independent non-executive director of Trigiant Group Limited, which is a company listed on the main board of the Stock Exchange (Stock Code: 1300) and principally engaged in the manufacture and sales of feeder cable and related products for mobile communications and telecommunication equipment. In addition, Mr. Chan was an executive director of Tycoon Group Holdings Limited, which is a company listed on the main board of the Stock Exchange (stock code: 03390) from October 2018 to August 2020 and was a director of Tycoon Asia Pacific Group Limited. From September 2009 to March 2016, Mr. Chan was the company secretary, financial controller and authorized representative of CPMC Holdings Limited ("CPMC"), the shares of which are listed on the main board of the Stock Exchange (Stock Code: 00906). Prior to joining CPMC, Mr. Chan has worked as senior management in various Hong Kong listed companies and as auditor in international audit firms.

Mr. Chan obtained a bachelor's degree in Business Accounting from University of Glamorgan (currently known as University of South Wales), United Kingdom in June 1999 and a master's degree in Professional Accounting from The Hong Kong Polytechnic University in October 2008. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the CPA Australia, and a chartered professional accountant member of the Chartered Professional Accountants of British Columbia, Canada.

HONORARY ADVISOR

Mr. WU Kwok Cheung, *MH*, aged 89, was appointed as an honorary advisor of the Company with effect from 10 February 2020. He was an independent non-executive Director from August 2006 to February 2020.

Mr. Wu served as a member of the Governance Committee of United Christian Hospital from April 2004 to March 2013. He has over 30 years of experience in management and administration.

SENIOR MANAGEMENT

Mr. YAO Changlin, aged 54, was appointed as a deputy general manager of the Company with effect from 19 December 2013.

Mr. Yao worked in the accounting department of China Feed Group (中國飼料集團) from March 1993 to December 1995 and the finance department of China Grain Trading Company (中國糧貿公司) from December 1995 to February 2002. Since February 2002, he had previously served as the deputy manager, the manager of the finance department, the manager of the fund development department of China Grain Trading Company (中國糧貿公司), the finance minister, assistant general manager of Zhonggu Group (中穀集團) and the general manager of Zhonggu Sanya Trading Company (中谷三亞貿易公司), the deputy general manager of COFCO (Hainan) Investment Development Co., Ltd., (中糧(海南)投資發展有限公司) the deputy general manager, the executive deputy general manager of and Sanya Yalong Bay Investment Co., Ltd., (三亞亞龍灣投資有限公司) the general manager of the hotel business department of COFCO Corporation etc. He has served as the deputy general manager of Grandjoy since April 2019.

Mr. Yao received a bachelor's degree in Economics from Anhui University of Finance and Economics in the PRC in July 1989 and finished his study for the degree of Executive Master of Business Administration from Cheung Kong Graduate School of Business in the PRC in October 2012.

Mr. WU Lipeng, aged 42, was appointed as the chief financial officer of the Company with effect from 28 July 2021.

Mr. Wu joined COFCO Corporation since 2002 and had served as, amongst others, the head of finance department of COFCO (Hong Kong) Limited, the general manager assistant and the deputy general manager of finance department (accounting management) and the general manager of finance department (taxation and assets management) of COFCO Corporation, and the deputy director of finance department and the general manager of capital management department of COFCO Corporation. He has served as a supervisor of Chinatex Corporation Limited and a director of COFCO Finance Company Limited since December 2017.

Mr. Wu graduated from Central University of Finance and Economics majoring in accounting with a bachelor's degree in management and later obtained a master's degree in business administration from University of South Australia. He is also a senior accountant in China, certified tax accountant and certified management accountant in the United States (CMA).

Ms. SONG Bingxin, aged 52, was appointed as the deputy general manager of the Company with effect from 26 April 2019.

Ms. Song joined COFCO Corporation in August 1995. She had previously served as, amongst others, the legal consultant of the legal department, the deputy general manager of the contract and company law department and the general manager of the litigation and arbitration department at COFCO Corporation. Ms. Song was the general manager of legal department at COFCO Land Limited (中糧置地有限公司) since January 2012. She acted as general legal counsel at COFCO Land Limited (中糧置地有限公司) since February 2015. Ms. Song served as the secretary of the board of Grandjoy since April 2017. Now she is the general legal counsel and general manager of legal department at Grandjoy.

Ms. Song holds a bachelor's degree in economic law from China University of Political Science and Law (中國政法大學) and a bachelor's degree in literature from Beijing Normal University (北京師範大學). Ms. Song also holds the professional qualification as PRC lawyer, the corporate legal consultant qualification and accounting qualification certificate.

Mr. GUO Fengrui, aged 53, was appointed as the deputy general manager of the Company with effect from 26 April 2019.

Mr. Guo had been the manager, general manager assistant and deputy general manager of the planning department at Beijing Huayuan Real Estate Co., Ltd. (北京市華遠房地產股份有限公司) from July 1992 to December 2001. He was the deputy managing director at China Resources Land (Beijing) Co., Ltd (華潤置地(北京)股份有限公司) from December 2001 to February 2015. Mr. Guo has served as the general manager of the operation management department since February 2015 and acted as the general manager assistant at Grandjoy since April 2019.

Mr. Guo is a senior economist who holds a master's degree in technical economics and a doctoral degree in business management from Renmin University of China (中國人民大學).

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Company has adopted all code provisions in the CG Code as its own code on corporate governance. The Board considers that during the year ended 31 December 2021, the Company had complied with all code provisions as set out in the CG Code except for code provision F.2.2. Such code provision stipulates that the chairman of the board of directors should attend the annual general meeting. The Chairman of the Board was unable to attend the annual general meeting of the Company on 18 June 2021 due to travel restrictions during the COVID-19 pandemic, Mr. LAU Hon Chuen, Ambrose, an independent non-executive Director, chaired the annual general meeting on behalf of the Chairman of the Board and was available to answer questions.

SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. After specific enquiry by the Company, all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the year ended 31 December 2021. The Company has also adopted a code for securities transactions by relevant employees (the "Employees Trading Code") based on the Model Code concerning dealings by relevant employees in the securities of the Company. Relevant employees who are likely to be in possession of unpublished inside information of the Group are required to comply with the Employees Trading Code in respect of their dealings in the securities of the Company. The terms of the Employees Trading Code are no less exacting than the required standards set out in the Model Code.

BOARD OF DIRECTORS

Chairman and General Manager

The respective roles and responsibilities of the chairman of the Board and the general manager were clearly divided. On 17 March 2021, Mr. ZHOU Zheng resigned as Chairman of the Board of the Company and replaced by Mr. YOU Wei. As the chairman of the Board, they took lead in formulating overall strategies and policies of the Company, and ensured effective performance by the Board of its functions, including compliance with good corporate governance practices. Mr. CAO Ronggen, the general manager of the Company, oversaw the financial management and daily operations of the Group.

Board Composition and Diversity

At the date of this Corporate Governance Report, the Board, chaired by Mr. YOU Wei, comprises two (2) executive Directors, three (3) non-executive Directors and three (3) independent non-executive Directors. The two (2) executive Directors are Mr. YOU Wei and Mr. CAO Ronggen; the three (3) non-executive Directors are Mr. MA Dewei, Mr. LIU Yun and Mr. ZHU Laibin; and the three (3) independent non-executive Directors are Mr. LAU Hon Chuen, Ambrose, *GBS, JP,* Mr. LAM Kin Ming, Lawrence and Mr. CHAN Fan Shing.

The composition of the Board satisfies the requirements of Rule 3.10(1) (every board of directors of a listed issuer must include at least three (3) independent non-executive directors) and Rule 3.10(2) (at least one (1) independent non-executive director must have appropriate qualifications), and Rule 3.10A (independent non-executive directors representing at least one-third of the board of directors) of the Listing Rules.

Corporate Governance Report

None of the Directors are involved in any relationship as defined in Appendix 16 to the Listing Rules.

As part of high standards of corporate governance, the Board has adopted a board diversity policy. Under the board diversity policy, selection of candidates for Board appointment is made in accordance with gender, age, cultural and educational background, work or professional experience, the Group's specific needs from time to time and other objective criteria considered by the Board. Board appointments will be based on merit and the contribution that the chosen candidate(s) will bring to the Board.

Appointment, Re-Election and Removal

The term of office of each Director is three (3) years, subject to retirement by rotation in accordance with byelaw 84 of the Byelaws.

The Company has received annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each independent non-executive Director for the year ended 31 December 2021, and, as agreed by the Nomination Committee, the Board considers each of them to be independent.

All current Directors have signed formal appointment letters or service contracts with the Company with respect to their directorship with the Company.

Roles and Responsibilities of Directors

The Board is responsible for overseeing the Group's business and affairs with the objective of enhancing Shareholders' value, setting and approving the Group's strategic direction, and reviewing and planning all other important matters for the Company, examples of which are highlighted as follows:

- to review the effectiveness and adequacy of the Company's internal control and risk management system, in light of the scale and strategy of the Company's business;
- to review material contracts;
- to review the Group's dividend policy, significant changes in accounting policy, major financing arrangements and other related finance matters; and
- to approve all announcements and circulars issued by the Company in accordance with the Listing Rules.

As regards the corporate governance functions, the duties of the Board are to develop and review the Company's corporate governance policies and practices, to monitor continuous professional development of the Directors and senior management, to oversee the Company's policy and practice on legal and regulatory compliance, to develop the Directors' manual and update the same if necessary, and to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

The Board is also responsible for preparing the consolidated financial statements of the Group for the year ended 31 December 2021. The consolidated financial statements are prepared on a going concern basis and give a true and fair view of the state of affairs of the Group as at 31 December 2021, and of the Group's profit and cash flows for the year ended 31 December 2021.

Corporate Governance Report

Regarding code provision C.1.5 of Part 2 of the CG Code (directors shall disclose to the issuer the number and nature of offices held in public companies or organizations and other significant commitments as well as their identities and the time involved), the Board has resolved that each Director is required to disclose such information to the Company twice per year. For the year ended 31 December 2021, each Director has disclosed to the Company such information twice.

The management is primarily responsible for effective implementation of the strategies and decisions formulated by the Board as well as daily operation of the Company.

Board Proceedings

Attendance record of each Director during the year ended 31 December 2021 is set out below:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Executive Committee Meeting	Annual General Meeting
Number of Meetings	5	4	3	4	30	1
Directors						
Executive Directors						
Mr. YOU Wei *(Chairman)* *(Appointed on 17 March 2021)*	4 (100%)			3 (100%)	25 (100%)	0 (0%)
Mr. ZHOU Zheng *(Chairman)* *(Resigned on 17 March 2021)*	1 (100%)			1 (100%)	5 (100%)	N/A
Mr. CAO Ronggen	4 (80%)	3 (75%)	3 (100%)		30 (100%)	0 (0%)
Non-executive Directors						
Mr. MA Dewei	5 (100%)					0 (0%)
Mr. LIU Yun *(Appointed on 17 March 2021)*	3 (75%)					0 (0%)
Mr. ZHU Laibin	5 (100%)					0 (0%)
Mr. JIANG Yong *(Resigned on 17 March 2021)*	0 (0%)					N/A
Independent Non-executive Directors						
Mr. LAU Hon Chuen, Ambrose, *GBS, JP*	5 (100%)	4 (100%)	3 (100%)	4 (100%)		1 (100%)
Mr. LAM Kin Ming, Lawrence	5 (100%)	4 (100%)	3 (100%)	4 (100%)		1 (100%)
Mr. CHAN Fan Shing	5 (100%)	4 (100%)	3 (100%)	4 (100%)		1 (100%)

Corporate Governance Report

Directors' Training

During the year ended 31 December 2021, individual Directors attended other programmes to refresh their knowledge and skills relevant to their roles, functions and duties as Directors. All Directors have provided the Company with records on their participation in continuous professional development during their directorship with the Company throughout the year ended 31 December 2021. Such information is summarized in the following table:

Responsibilities of Directors and Training

Names of Directors	Attending briefings, seminars or conference, site visit	Reading materials relevant to each director's duties and responsibilities
Executive Directors		
Mr. YOU Wei *(Chairman) (Appointed on 17 March 2021)*	√	√
Mr. ZHOU Zheng *(Chairman) (Resigned on 17 March 2021)*	√	√
Mr. CAO Ronggen	√	√
Non-executive Directors		
Mr. MA Dewei	√	√
Mr. LIU Yun *(Appointed on 17 March 2021)*	√	√
Mr. ZHU Laibin	√	√
Mr. JIANG Yong *(Resigned on 17 March 2021)*	√	√
Independent Non-executive Directors		
Mr. LAU Hon Chuen, Ambrose, *GBS, JP*	√	√
Mr. LAM Kin Ming, Lawrence	√	√
Mr. CHAN Fan Shing	√	√

Each current Director has received a Director's handbook which sets out, among other items, the duties of Directors and the Terms of References of the Board committees. Director's handbook is updated from time to time to align with the amendments (if any) to the relevant rules and regulations.

BOARD COMMITTEES

Remuneration Committee

Currently, the Remuneration Committee comprises one (1) executive Director and three (3) independent non-executive Directors, namely Mr. LAU Hon Chuen, Ambrose, *GBS, JP,* Mr. CAO Ronggen, Mr. LAM Kin Ming, Lawrence and Mr. CHAN Fan Shing, chaired by Mr. LAU Hon Chuen, Ambrose, *GBS, JP*.

The Board has adopted the model, pursuant to which the Remuneration Committee makes recommendations to the Board on the remuneration packages of individual executive Directors, non-executive Directors and senior management (if any).

The major roles and functions of the Remuneration Committee are as follows:

- to make recommendations to the Board on the policy and structure for remuneration of Directors and senior management (if any) of the Company;
- to make recommendations to the Board on the remuneration packages (including benefits in kind, pension rights and compensation payments) of individual executive Directors and senior management (if any);
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to review and approve compensation payable to executive Directors and senior management (if any) for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and
- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

The updated Terms of Reference of the Remuneration Committee are posted on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.joy-cityproperty.com).

During the year ended 31 December 2021, the Remuneration Committee held three (3) meetings with various written resolutions passed. Its major work performed is summarized as follows:

- reviewed the remuneration policy of the Company;
- reviewed the remuneration management policy; and
- considered the remuneration packages of executive Directors, non-executive Directors and general manager, and made recommendation to the Board for approval.

The attendance record of each member of Remuneration Committee is shown under the section headed "Board Proceedings".

Nomination Committee

Currently, the Nomination Committee comprises one (1) executive Director and three (3) independent non-executive Directors, namely Mr. YOU Wei, Mr. LAU Hon Chuen, Ambrose, *GBS, JP,* Mr. LAM Kin Ming, Lawrence and Mr. CHAN Fan Shing, chaired by Mr. YOU Wei.

The major roles and functions of the Nomination Committee are as follows:

- to make recommendations to the Board on the appointment, re-appointment or renewal of service contracts of Directors and succession planning for Directors;
- to review the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board at least once annually, and make recommendations on any proposed changes to the Board according to the corporate strategy of the Company;

Corporate Governance Report

- to assess the independence of independent non-executive Directors and review the annual confirmations on their independence of independent non-executive Directors;
- to regularly review the time required from a Director to perform his/her responsibilities; and
- to give adequate consideration to the Board Diversity Policy in carrying out its responsibilities under its Terms of Reference.

The updated Terms of Reference of the Nomination Committee are posted on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.joy-cityproperty.com).

During the year ended 31 December 2021, the Nomination Committee held four (4) meetings. Its major work performed is summarized as follows:

- nominated Chairman, executive Director and non-executive Director;
- reviewed the structure, size and composition of the Board;
- made recommendation to the Board on the retirement of Directors by rotation in the annual general meeting;
- assessed the independence of independent non-executive Directors;
- reviewed the contribution required from the Directors to perform their responsibilities and whether they have spent sufficient time performing them; and
- consider the renewal of service contracts of Directors.

The Board has adopted a nomination policy. The nomination policy is posted on the website of the Company (www.joy-cityproperty.com).

The attendance record of each member of Nomination Committee is shown under the section headed "Board Proceedings".

Audit Committee

Currently, the Audit Committee comprises one (1) non-executive Director and three (3) independent non-executive Directors, namely Mr. LAU Hon Chuen, Ambrose, *GBS, JP,* Mr. CAO Ronggen, Mr. LAM Kin Ming, Lawrence and Mr. CHAN Fan Shing, chaired by Mr. LAU Hon Chuen, Ambrose, *GBS, JP*.

The major roles and functions of the Audit Committee are as follows:

- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, the remuneration and terms of engagement of the external auditor, and any questions of their resignation or dismissal;
- to review and monitor the independence of external auditor and the objectivity and effectiveness of its audit process;
- to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

Corporate Governance Report

- to monitor the integrity of the interim and annual financial statements of the Group, and to review significant financial reporting judgments contained therein;
- to review the financial controls, internal controls and risk management systems of the Group;
- to consider any findings of major investigations on risk management and internal control matters and response from the management;
- to review the financial and accounting policies and practices of the Group;
- to review the external auditor's letter to management and ensure that the Board will provide a timely response; and
- to serve as the Company's channel of communication with the external auditor for overseeing their relations.

The updated Terms of Reference of the Audit Committee are posted on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.joy-cityproperty.com).

The Audit Committee held four (4) meetings during the year ended 31 December 2021, and the external auditor had attended all meetings. Its major work performed included:

- reviewed the consolidated financial statements of the Group for the year ended 31 December 2020, and made recommendation to the Board for approval;
- reviewed the interim financial statements of the Group for the six months ended 30 June 2021, and made recommendation to the Board for approval;
- reviewed matters relating to the financial and accounting policies and practices of the Group;
- reviewed the effectiveness of internal control and risk management systems of the Company, and considered whether any major control deficiency had been identified for the year ended 31 December 2020 and for the six months ended 30 June 2021;
- reviewed and assessed the adequacy of resources, qualifications and experience of staff responsible for accounting and financial reporting function of the Company, and their training programmes;
- reviewed the independence of external auditor;
- made recommendation to the Board on the change of external auditor of the Company; and
- reviewed the audit plan of the external auditor for the year ended 31 December 2021.

The attendance record of each member of Audit Committee is shown under the section headed "Board Proceedings".

Corporate Governance Report

Executive Committee

Currently, the Executive Committee comprises two (2) Executive Directors, namely Mr. YOU Wei and Mr. CAO Ronggen, chaired by Mr. YOU Wei.

The major roles and functions of the Executive Committee are to carry out the normal and/or ordinary business and operation, risk control, corporate governance, internal control and management of human resources of the Group.

The updated Terms of Reference of the Executive Committee is posted on the website of the Company (www.joy-cityproperty.com).

The Executive Committee held thirty (30) meetings during the year ended 31 December 2021. Its major work performed is summarized as follows:

- approved the signing of loan agreements with subsidiaries;
- approved provision of guarantees to subsidiaries;
- approved participation in the bidding of land use rights in certain cities in the PRC;
- approved bank loans;
- approved the publication of voluntary announcements, such as unaudited operating figures and issuance of corporate bonds in the PRC by a subsidiary;
- approved the changes of authorized signatories of the Company's bank accounts; and
- approved the renewal of Directors' and officers' liability insurance.

The attendance record of each member of Executive Committee is shown under the section headed "Board Proceedings".

Company Secretary

All Directors may seek the advice and assistance of the company secretary in respect of their duties and the effective operation of the Board and the Board committees. The company secretary is also responsible for facilitating good information flow among the Directors.

During the year ended 31 December 2021, the company secretary undertook over fifteen (15) hours of professional training to update her skills and knowledge.

Corporate Governance Report

AUDITOR'S REMUNERATION

During the year ended 31 December 2021, the remuneration paid or to be payable to the former external auditor Deloitte Touche Tohmatsu for non-audit services were RMB684,916, respectively. Non-audit services fees were mainly for other professional services.

During the year ended 31 December 2021, the remuneration paid or to be payable to the existing auditor SHINEWING (HK) CPA Limited for audit services and non-audit services were RMB2,250,000 and RMB1,050,000, respectively. Non-audit services fees were mainly for review of the interim report, issuing debt statement, continuing connected transactions and other professional services.

ACCOUNTABILITY AND AUDIT

Financial Reporting

Management provides each Director a monthly financial reporting update with balanced and understandable assessment of the performance, financial position and prospects of the Group every month to facilitate the Board as a whole and each Director to discharge their duties under the Listing Rules.

The Directors acknowledge their responsibilities for preparing all information and representations contained in the financial statements of the Company for the year. The Directors consider that the financial statements have been prepared in accordance with the generally accepted accounting principles in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and the management. After appropriate enquires, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to operate as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

SHINEWING (HK) CPA Limited, the auditors of the Company, acknowledged their reporting responsibilities in the independent Auditor's Report on the audited consolidated financial statements for the year ended 31 December 2021.

Risk Management and Internal Control

The Board has the overall responsibility for overseeing the implementation and the maintenance of effective internal controls of the Company to adequately safeguard assets of the Company and the interest of its shareholders. The Group has established a sound and comprehensive risk management and internal control system Through its senior management, internal audit department and the monitoring team effectively and adequately, exercises full control over the administrative procedures, management and systems of the Company, and ensures the compliance with relevant regulations. Monitoring measures cover all material aspects, including compliance, monitoring environment, risk assessment, information and communication, anti-fraud management programs, financial reporting and disclosure, sales management, fixed asset management, human resources, procurement, cash management, budget management, investment management, tax administration, contracts and legal management and information technology systems.

During the year, the Company reviewed its risk management and internal control systems every six months. The Board has reviewed, through the audit committee, the work of the internal audit department, and its audit findings in relation to the risk management and internal control systems (including financial, operational and compliance controls), and considers the risk management and internal control systems of the Group are effective and adequate, and that the Company had complied with the Code Provision on risk management and internal control. The qualifications and experience of the staff of the Group's accounting, financial reporting and internal audit functions, and the training programmes, budgets and the resources available to these functions have been reviewed and are considered to be adequate.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene a Special General Meeting ("SGM")

Pursuant to bye-law 58 of the Bye-laws and section 74 of the Companies Act 1981 of Bermuda, Shareholders holding not less than one-tenth (10%) of the total voting rights of the Company at the date of deposit of the requisition are entitled, by written requisition to the Board or the company secretary, to request the Board to call a SGM (the "SGM Requisitionists"). Such written requisition must state the purposes of the proposed SGM, and must be signed by the SGM Requisitionists and deposited at the registered office of the Company. It may consist of several documents in like form, each signed by one or more SGM Requisitionists.

If the Board does not proceed duly to convene a SGM within twenty-one (21) days from the date of the deposit of the requisition, the SGM Requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM provided that it is held within three (3) months from the date of deposit of the requisition. The SGM Requisitionists shall convene such SGM in the same manner, as nearly as possible, as that in which SGMs are to be convened by the Board, pursuant to section 74(4) of the Companies Act 1981 of Bermuda.

Putting Forward a Proposal by Shareholder(s) at General Meetings

(a) A Shareholder or Shareholders holding not less than 5% of the total voting rights of the Company on the date of the requisition or (b) not less than one hundred (100) Shareholders acting together, may submit a written request putting forward a proposal (which may properly be put to a general meeting) for consideration at a general meeting. Such written request must be signed by the requisitionists, and may consist of several documents in like form, each signed by one or more requisitionists. After that, it must be deposited at the registered office of the Company, together with a sum reasonably sufficient to meet the Company's expenses in giving effect thereto, not less than six (6) weeks before the general meeting (in case of a requisition requiring notice of a resolution) or not less than one (1) week before the general meeting (in case of any other requisition). If such written request is confirmed to be proper and in order, necessary arrangement will be made to put such written request to the general meeting.

Procedures for Nomination and Election of Director by Shareholders

Pursuant to bye-law 85 of the Bye-laws, if a Shareholder wishes to propose a person other than a retiring Director (the "Candidate") for election as a Director at a general meeting, such Shareholder is required to lodge the following documents (which shall be addressed to the company secretary) at the head office (33/F., COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong) or the Registration Office (Tricor Progressive Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) within the Notice Period:

(a) a written notice signed by a Shareholder duly qualified to attend and vote at a general meeting, stating the intention to propose the Candidate for election; and

(b) a written notice signed by the Candidate of his/her willingness to be elected, which includes the information of the Candidate as required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and the Candidate's consent to the publication of such information (collectively referred to as the "Notices for Director's Election").

Corporate Governance Report

"Notice Period" means at least seven (7) days prior to the date of such general meeting appointed for considering such election of Director. However, if the Notices for Director's Election are submitted after the dispatch of the notice of such general meeting appointed for considering such election of Director, then the Notice Period shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Change(s) in the Company's constitutional documents

There was no change to the Memorandum and Bye-laws during the year ended 31 December 2021.

Communications with Shareholders and the Investment Community

The Board recognizes the importance of balanced, clear and timely communications with Shareholders and other interested parties to enable them to keep abreast of the Group's business affairs and development. The Board has taken various steps to maintain ongoing and regular dialogues with Shareholders and public investors, including:

- convening annual general meetings and special general meetings (if applicable) in which members of the Board and the external auditor attended to answer questions by the Shareholders;
- posting on the Company's website the information released by the Company to the Stock Exchange;
- such information includes financial statements including interim and annual reports, announcements, circulars and notices of general meetings and associated explanatory documents (if any);
- the Company's website containing the designated email address and contact details to enable Shareholders and the investment community to make enquiry in respect of the Company;
- formulating a shareholders' communication policy to ensure that Shareholders are provided with ready and timely access to accurate and comprehensive information about the Group and its development, and if necessary, reviewing such policy to ensure its effectiveness;
- shareholders may at any time send their enquiries and concerns to the Board by post to the following address or via email (207ir@cofco.com) or in person through participation in general meetings:

  Joy City Property Limited
  33/F., COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong

The Board protects the privacy of Shareholders' information in the possession of the Company and the Company will not disclose Shareholders' information without their consent, unless otherwise required by law.

Corporate Governance Report

INVESTOR RELATIONS

The Company considers it crucial to provide investors with accurate information in a timely manner and maintain communication with investors through effective communication channels, with an aim to enhance mutual understanding between investors and the Company and improve the transparency of the Company's information disclosure.

In accordance with the Listing Rules, the Company shall duly disseminate its corporate information via various channels, including annual reports, announcements and company website. After formal announcement of its results in accordance with the Listing Rules, the Company will arrange for meetings during which the management will answer questions from investors. The Company shall meet overseas investors and facilitate communication with them through analysts' conference and roadshows.

In 2021, the Company held the following major investors relationship activities:

Month	Activity	Place
March	Annual Investors Conference	Online
	HuaTai Securities Investment Strategy Conference 2021	Online
April	SWS Securities Investment Strategy Conference 2021	Online
	Haitong Securities Online Investment Strategy Conference 2021	Online
August	Interim Results Investor Conference	Online
	Changjiang Securities Investment Strategy Conference 2021	Online

30 March 2022

Directors' Report

The Board is pleased to present its report and the audited consolidated financial statements of the Group for the year ended 31 December 2021, which were approved by the Board on 30 March 2022.

PRINCIPAL ACTIVITIES

The Company is primarily engaged in property development, operation, sale, leasing and management of mixed-use complexes and other commercial properties such as shopping centres, hotels, offices, serviced apartments and resort and tourist properties. The principal businesses of the Company are divided into four major areas, namely property investment, property development, hotel operations and output management and other services.

RESULTS AND DIVIDEND

The Group's results for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 76 to 77 of this Annual Report.

The Company has adopted a dividend policy (the "Dividend Policy"). According to the Dividend Policy, the company intends to declare dividends to shareholders every year and may declare special dividends from time to time. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the Group's distributable profits generated during the year, the liquidity of cash flow, and the retained profits for future development. While sharing the profit with shareholders, the Company shall also maintain sufficient reserves to ensure the implementation of the Group's strategy for development. The payment of dividend is also subject to any restrictions under the laws of Bermuda, the laws of Hong Kong and the articles of association of the Company.

The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: HK3 cents per share).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for each of the five financial years ended 31 December 2021 is set out on page 70 of this Annual Report.

BUSINESS REVIEW

Details of the business review are set out in the section headed "Management Discussion and Analysis" on page 22 to 29 in this Annual Report.

BANK BORROWINGS

Details of movements in the Group's bank borrowings during the year ended 31 December 2021 are set out in Note 31 to the consolidated financial statements.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of the Company's principal subsidiaries, joint ventures and associates are set out in Notes 49, 21 and 20 to the consolidated financial statements.

Directors' Report

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2021 are set out in Note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

RESERVES

Details of movements in the Company's and the Group's reserves during the year are set out in Notes 50 and 36 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the reserves available for distribution of the Company amounted to RMB7,429,996,000. As at 31 December 2021, the Company's share premium in the amount of RMB17,993,202,000 (as at 31 December 2020: RMB17,993,202,000) may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The sales to major customers and purchases from major suppliers by the Group for the year are as follows:

	Percentage of total turnover for the year ended 31 December 2021 (%)
Top five customers	6.35
Largest customer	2.32

	Percentage of total purchases for the year ended 31 December 2021 (%)
Top five suppliers	11.34
Largest supplier	3.92

To the best knowledge and belief of the Directors, none of the Directors, their close associates or any Shareholders who owned more than 5% of the number of Shares in issue had any interests in the five largest customers or suppliers at any time during the year ended 31 December 2021.

Directors' Report

DIRECTORS

The Directors during the year ended 31 December 2021 and up to the date of this Annual Report are:

Executive Directors:

Mr. YOU Wei *(Chairman) (Appointed on 17 March 2021)*
Mr. ZHOU Zheng *(Chairman) (Resigned on 17 March 2021)*
Mr. CAO Ronggen

Non-executive Directors:

Mr. MA Dewei
Mr. LIU Yun *(Appointed on 17 March 2021)*
Mr. ZHU Laibin
Mr. JIANG Yong *(Resigned on 17 March 2021)*

Independent Non-executive Directors:

Mr. LAU Hon Chuen, Ambrose, *GBS, JP*
Mr. LAM Kin Ming, Lawrence
Mr. CHAN Fan Shing

The non-executive Directors and independent non-executive Directors are appointed with specific terms.

Pursuant to bye-law 84(1) of the Bye-laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Pursuant to bye-law 84(2) of the Bye-laws, a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment. In this regard, Mr. ZHU Laibin, Mr. LAU Hon Chuen, Ambrose and Mr. CHAN Fan Shing shall retire from office and, being eligible, offer themselves for re-election at the AGM.

DIRECTORS' PROFILE

Each Director's profile is set out on pages 30 to 34 of this Annual Report. None of the Directors is involved in any relationship as set out in paragraph 12 of Appendix 16 to the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the AGM has any service contract with any member of the Group that is not determinable by the Group within one year without compensation (other than statutory compensation).

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS

No Director had any material interest, either directly or indirectly, in any contract of significance to the Group's business to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during or at the end of the year ended 31 December 2021.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

The Board is authorized by the Shareholders to fix the Directors' remuneration at general meetings. The Directors' emoluments are determined by the Board based on the recommendation by the Remuneration Committee with reference to their job complexity, workload, responsibilities and the Company's remuneration policy.

The Directors' remuneration for the year ended 31 December 2021 is set out in Note 14 to the consolidated financial statements.

Details of the emoluments paid to the senior management in 2021 by bands are as follows:

Emolument Band	Number of Individuals
Below RMB1,000,000	1
RMB1,000,000 to RMB1,499,999	0
RMB1,500,000 to RMB1,999,999	0
RMB2,000,000 to RMB2,499,999	1
RMB2,500,000 to RMB2,999,999	2

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors is considered to have business interests which are likely to compete directly or indirectly with the business of the Group.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Directors' Report

Aggregate long position(s) in the shares, underlying shares and debentures of the Company and its associated corporations

Name of Directors/ Chief Executive	Company/Name of associated corporations	Capacity	Number of issued ordinary shares held (Note 1)	Approximate percentage of the issued share capital
Mr. CAO Ronggen	The Company	Beneficiary of a trust	1,668,726	0.03% (Note 2)
		Beneficial owner	2,188,764	
Mr. LAM Kin Ming, Lawrence	The Company	Beneficial owner	6,000	0.00% (Note 2)
Mr. CHAN Fan Shing	The Company	Beneficial owner	136,758	0.00% (Note 2)

Notes:

1. Long positions in the shares of the Company or its associated corporations, other than equity derivatives such as share options, warrants or convertible bonds.

2. The percentage (rounded to 2 decimal places) was calculated based on the total number of Shares in issue as at 31 December 2021, i.e. 14,231,124,858 shares.

Save as disclosed herein, as at 31 December 2021, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed herein, at no time during the year ended or as at 31 December 2021 was the Company or any of the Company's subsidiaries or holding companies or any subsidiary of any of the Company's holding companies a party to any arrangement to enable the Directors or their respective associates to acquire benefits by an acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Report

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, the interests and short positions of substantial shareholders in the shares and underlying shares of the Company as recorded in the register of interests of the Company required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Aggregate long position(s) in the shares and underlying shares of the Company

Number of substantial shareholders	Class of shares	Number of shares held	Approximate percentage of the issued share capital (Note 1)
COFCO Corporation	Ordinary shares	9,501,359,644 (L) (Note 2)	66.76%
	CPS	1,095,300,778 (L) (Note 3)	100%
COFCO (HK)	Ordinary shares	9,501,359,644 (L) (Note 2)	66.76%
	CPS	1,095,300,778 (L) (Note 3)	100%
Vibrant Oak	Ordinary shares	9,133,667,644 (L) (Note 4)	64.18%
Grandjoy	Ordinary shares	9,133,667,644 (L) (Note 4)	64.18%
Achieve Bloom	Ordinary shares	367,692,000 (L)	2.58%
	CPS	1,095,300,778 (L)	100%
GIC Private Limited	Ordinary shares	1,135,920,000 (L) (Note 5)	7.98%
Citigroup Inc.	Ordinary shares	1,112,905,624 (L)	7.82%
		1,112,905,624 (P)	7.82%

Notes:

1. The percentages (rounded to 2 decimal places) of the Shares were calculated based on the total number of Shares in issue as at 31 December 2021, i.e. 14,231,124,858 Shares, and assuming that 1,095,300,778 CPS were not fully converted into 1,095,300,778 Shares.

   The percentages of CPS were calculated based on 1,095,300,778 CPS in issue as at 31 December 2021.

2. COFCO (HK), through its wholly-owned subsidiaries, Achieve Bloom and Vibrant Oak, was deemed to be interested in 9,501,359,644 Shares as at 31 December 2021.

   COFCO Corporation, through its wholly-owned subsidiary, COFCO (HK), was deemed to be interested in 9,501,359,644 Shares as at 31 December 2021.

3. COFCO (HK), through its wholly-owned subsidiary, Achieve Bloom, was deemed to be interested in 1,095,300,778 CPS as at 31 December 2021.

   COFCO Corporation, through its wholly-owned subsidiary, COFCO (HK), was deemed to be interested in 1,095,300,778 CPS as at 31 December 2021.

4. Pursuant to the group reorganization, Grandjoy and Vibrant Oak entered into the sale and purchase agreement in relation to acquisition of 9,133,667,644 ordinary shares in the Company from Vibrant Oak by Grandjoy, which completion is subject to the terms and conditions of the sale and purchase agreement.

5. GIC Private Limited held 1,135,920,000 Shares as investment manager as at 31 December 2021.

L. Indicates a long position.

P. Indicates a lending pool.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on publicly available information and to the knowledge of the Directors, 25% of the Company's total issued Shares (excluding the CPS) was held by the public as at the date of this Annual Report.

CONNECTED TRANSACTIONS (INCLUDING CONTINUING CONNECTED TRANSACTIONS)

Overview

Hereunder is the information in relation to connected transactions and continuing connected transactions that existed during the year ended 31 December 2021 which are required to be disclosed in this Annual Report in accordance with Chapter 14A of the Listing Rules, mainly comprising of transactions between the Company and the COFCO Group (which for the purpose of this section, includes the associates of COFCO Corporation).

Directors' Report

The Connected Persons

COFCO Corporation is indirectly holding 66.76% of the issued share capital of the Company as at 31 December 2021 and is the controlling shareholder of the Company. COFCO Corporation, together with other members of the COFCO Group and their respective associates, will continue to be the Company's connected persons under Chapter 14A of the Listing Rules. COFCO Corporation is a state-owned enterprise incorporated in the PRC under the purview of SASAC. COFCO Corporation is engaged in a wide range of businesses through its subsidiaries including property development and management in the PRC and overseas, agricultural commodities trading, agricultural products cultivation and processing, processing of animal byproducts, food and beverages, dairy products and packaging materials, hotel management and provision of logistics and financial services in the PRC.

I. Connected Transaction

Extension of Financial Assistance

On 16 December 2021, the Company, Shanghai Yueyao Development Co., Ltd. ("Shanghai Yueyao"), an indirect non wholly-owned subsidiary of the Company, and Shanghai Qiantan International Commercial Area Investment Group Co., Ltd. ("Shanghai Qiantan") entered into a loan agreement ("2021 Loan Agreement") to extend the period of the loan under the existing loan agreement for one year, pursuant to which, Shanghai Yueyao has agreed to provide unsecured revolving loan facilities in the aggregate amount of not more than RMB1,100,000,000 to Shanghai Qiantan. The loan period of the 2021 Loan Agreement is from 27 December 2021 to 26 December 2022. The interest rate for the amounts drawn down for the loan under the 2021 Loan Agreement shall be determined with reference to the prevailing benchmark interest rate for demand deposits in the PRC as promulgated by the People's Bank of China from time to time. The interest payments on the outstanding principal amount shall be payable on a quarterly basis to Shanghai Yueyao. The repayment date of the principal amount and the outstanding interest shall be on the date falling on the end of the loan period. Shanghai Yueyao may demand for an early repayment of the loan facilities pursuant to the 2021 Loan Agreement.

Interest income will be generated from the Loan based on the outstanding principal amounts of the Loan, which will contribute to the income of the Group.

Shanghai Yueyao is an indirect non wholly-owned subsidiary of the Company. Shanghai Qiantan holds 50% equity interest in Shanghai Yueyao and accordingly is its substantial shareholder. Therefore, Shanghai Qiantan is a connected person at the subsidiary level of the Company.

II. Continuing Connected Transactions

Set out below is a summary of the continuing connected transactions of the Company during the year ended 31 December 2021:

(a) Leasing of properties to the COFCO Group

(b) Provision of hotel and property management services by the COFCO Group to the Group

(c) Sourcing of staple supplies, catering services and other ancillary services from the COFCO Group

(d) Financial Services

Details of Continuing Connected Transactions

(a) Leasing of properties to the COFCO Group

As of 31 December 2021, the Company has entered into various lease agreements for the leasing of commercial premises to the COFCO Group. The lease agreements were entered into mainly by (i) Beijing COFCO Plaza Co. for the leasing of commercial premises in Beijing COFCO Plaza; (ii) Bapton for the leasing of commercial premises in Hong Kong COFCO Tower. These leased properties are generally occupied by relevant members of the COFCO Group as their headquarters, offices, sales offices or for other commercial uses.

The Company considers that the leasing of the commercial premises to the COFCO Group is conducted in the Company's ordinary and usual course of business based on the commercial needs of the Company and the COFCO Group. To better regulate the arrangements, the Company entered into the Master Lease Agreement on 29 November 2013, followed by three supplemental agreements on 3 November 2014, 21 December 2016 and 30 December 2019, respectively, to further extend its term to 31 December 2022, with COFCO Corporation to govern the terms of the lease arrangements between the Company and the COFCO Group.

The 2021 Annual Caps and the actual amounts for the rent and management fees payable under the Master Lease Agreement during the year are set out below:

Annual Caps (financial year ended 31 December 2021) (RMB'000)	Actual Amounts (financial year ended 31 December 2021) (RMB'000)
255,000	154,357

Pursuant to the Master Lease Agreement, the rent and management fees payable by the COFCO Group are subject to the general pricing terms as set out in the paragraph headed "Common terms of the Master Agreements" below, and are to be agreed between the relevant members of the Group and the COFCO Group having regard to the quality and nature of the relevant property, its location, neighborhood area and ancillary infrastructure facilities, and based on the rents payable under leases in the same building as those with tenants which are independent third parties and the prevailing market rents for similar premises in the vicinity of the relevant property.

Directors' Report

(b) Provision of hotel and property management services by the COFCO Group to the Group

During the year, certain members of the COFCO Group have also provided hotel and property management services to the hotel projects and property projects developed by the Group, which include but are not limited to the following:

Relevant member of the COFCO	Group Relevant member of Group	Hotel and property management services provided to the Group
COFCO Property Group Shenzhen Property Management Co., Ltd., Tianjin Joy City Branch	Joy City (Tianjin) Co., Ltd.	Provision of property management services for Tianjin Nankai Joy City
COFCO Property Group Shenzhen Property Management Co., Ltd., Suzhou Branch	Suzhou City Xiang Zhi Yue Property Development Co., Ltd.	Provision of property management services for Suzhou Joy
COFCO Property Group Shenzhen Property Management Co., Ltd., Xidan Branch	Xidan Joy City Co., Ltd.	Provision of property management services for Xidan Joy City
COFCO Property Group Shenzhen Property Management Co., Ltd., Wuhan Branch	Wuhan Joy City Property Development Co., Ltd.	Provision of property management services for Wuhan COFCO Optics Valley Shine City
COFCO Property Group Shenzhen Property Management Co., Ltd., Qingdao Branch	Qingdao Joy City Property Development Co., Ltd.	Provision of property management services for Qingdao Gold Sand • COFCO Shine City
COFCO Property Group Shenzhen Property Management Co., Ltd., Chengdu Branch	Chengdu Tianfu Chenyue Development Co., Ltd.	Provision of property management services for Chengdu COFCO Tianfu Shine City
COFCO Property Group Shenzhen Property Management Co., Ltd., Chongqing Branch	Chongqing Zeyue Co., Ltd.	Provision of property management services for Chongqing COFCO • Central Park Shine City
COFCO Property Group Shenzhen Property Management Co., Ltd., Shenyang Branch	Shenyang Joy City Real Estate Development Co., Ltd.	Provision of property management services for Shenyang Joy City

The hotel and property management services provided by the COFCO Group to the Group include the following:

(a) hotel management services, including operating and managing restaurants, shops, recreational facilities and other facilities in the hotel premises, marketing services, catering services, setting and implementing policies and standards for use of hotel rooms, maintaining common area and public facilities, as well as other general property management services; and

(b) property management services, including maintenance, repair and management of building, cleaning services, security services, fire and safety services, environmental conservation, customer services, staff recruitment and training, preparing budgets, collecting rent from tenants and managing the leasing arrangements with tenants.

The Annual Caps and the actual amounts for the service fees for the hotel and property management services payable by the Company pursuant to the Master Property Management Agreement during the year are set out below:

Annual Caps (financial year ended 31 December 2021) (RMB'000)	Actual amounts (financial year ended 31 December 2021) (RMB'000)
120,000	45,154

The Company considers that the Group will receive stable hotel and property management services with better quality from the COFCO Group. To better regulate the arrangements, the Company and COFCO Corporation entered into the Master Property Management Agreement on 29 November 2013, followed by three supplemental agreements on 3 November 2014, 21 December 2016 and 30 December 2019, respectively, to further extend its term to 31 December 2022, to govern the terms of the provision of hotel and property management services.

Pursuant to the Master Property Management Agreement, the service fees for the hotel and property management services are subject to the general pricing terms as set out in the paragraph headed "Common terms of Master Agreements" below. Detailed terms of the hotel and property management services received by the Group from the COFCO Group and the pricing terms shall be set out in the specific property management service contracts to be entered into between the relevant members of the Group and the COFCO Group which are ancillary to and subject to the terms and conditions of the Master Property Management Agreement.

The consideration to be paid by the members of the Group pursuant to the Master Property Management Agreement shall be agreed between the relevant members of the Group and the COFCO Group having regard to various factors such as the nature and scope of the services to be provided, the costs of providing such services and the market rate for similar services offered by other independent third party suppliers, or based on a prescribed fee schedule or charging rate as agreed between the relevant parties from time to time.

(c) Sourcing of staple supplies, catering services and other ancillary services from the COFCO Group

During the year under review, the Group has been sourcing certain staple supplies from the COFCO Group, including agricultural products, food, beverage, wine and confectionery, packaging materials and daily supplies such as oil, rice, sugar and tea, mainly used in the Group's ordinary business operations, the catering services provided in the hotels and other commercial properties operated by the Group and as the Group's staff benefits and corporate gifts to its customers and business partners. The COFCO Group also provides conference room facilities, accommodation, car parking lots and catering services to the Group for its general corporate uses, corporate events and promotional activities.

The Company considers that it will be beneficial to the Group to continue to source staple supplies and catering services from the COFCO Group as it will allow the Group to benefit from bulk purchase discounts and ensure a stable and reliable staple supply and provision of services which is crucial for its property and hotel business. To better regulate the arrangements, the Company entered into the Master Sourcing Agreement on 29 November 2013 with COFCO Corporation for the supply of staple supplies and catering services by the COFCO Group to the Group, followed by three supplemental agreements on 3 November 2014, 21 December 2016 and 30 December 2019, respectively, to further extend its term to 31 December 2022.

Directors' Report

The Annual Caps and the actual amounts for the purchase amounts for staple supplies and catering services payable by the Company pursuant to the Master Sourcing Agreement during the year are set out below:

Annual Caps (financial year ended 31 December 2021) (RMB'000)	Actual amounts (financial year ended 31 December 2021) (RMB'000)
34,000	4,184

Pursuant to the Master Sourcing Agreement, the prices for the staple supplies and catering services are subject to the general pricing terms as set out in the paragraph headed "Common Terms of the Master Agreements" below, and shall be agreed between the relevant members of the Group and the COFCO Group having regard to various factors such as the quantity and quality of the supplies and services, the market prices for the staple supplies and catering services, the prices offered by other independent third party suppliers and the procurement or manufacturing costs of the relevant members of the COFCO Group, or based on a prescribed fee schedule or purchase price as agreed between the relevant parties from time to time. Detailed terms of the provision of staple supplies and catering services and the pricing terms will be set out in the specific service contracts or confirmation orders to be entered into between the relevant members of the Group and the COFCO Group which are ancillary to and subject to the terms and conditions of the Master Sourcing Agreement.

Common Terms of the Master Agreements

Each of the Master Agreements is a framework agreement comprising the general terms and conditions upon which the Group and the COFCO Group are to carry out the particular type of Non-Exempt Continuing Connected Transaction contemplated thereunder. The common terms of the Master Agreements are set out below:

Term:	Each Master Agreement was approved by the Independent Shareholders at the SGM dated 18 December 2013, and has become effective from 19 December 2013 to 31 December 2016, and extended to 31 December 2022, which can be renewed on terms to be agreed upon between the Company and COFCO Corporation subject to compliance with the applicable provisions of the Listing Rules.
Framework agreement:	The Master Agreements are framework agreements which contain general terms and conditions upon which the Group and the COFCO Group are to carry out the particular type of transaction contemplated thereunder. Members of the Group and the COFCO Group may from time to time enter into specific agreements in respect of the leases, services and/or products to be provided or received by the Group, provided that the terms of such detailed agreements are not inconsistent with the terms of the relevant Master Agreement. The actual services and/or products to be provided or received by the Group are subject to such detailed agreements entered into between the relevant members of the Group and the COFCO Group from time to time during the terms of the Master Agreements.

Pricing basis:	The purchase amounts, rent and service fees payable under each of the Master Agreements by the Group or the COFCO Group (as the case may be) are to be agreed and determined on an arm's length basis between the relevant members of the Group and the COFCO Group from time to time, which shall be comparable to, or no less favourable to the Group than, the fair market rents or market prices for similar products and services offered by independent third parties to the Group or by the Group to independent third parties. The relevant member of the Group shall, before it enters into specific agreements in respect of the leases, services and/or products pursuant to the Master Agreements, (a) when the price is the sole determining factor: (i) obtain quotations from not less than two independent third party suppliers of the same or similar products and/ or services required by the Group; or (ii) request COFCO Group to provide it with not less than two records of same or similar products and/or services offered by it to other customers, and in such case the purchase amounts rent and service fees payable by the Group and other relevant conditions under the Master Agreements shall not be less favourable from the Group's perspective than those quotations or records (as the case may be); or (b) when the price is one of the determining factors, conduct negotiations and, if necessary, obtain relevant quotation and/or pricing record to determine the overall terms of the transaction on an arm's length basis.
Termination:	The Master Agreements may be terminated by either party giving the other party a written notice not less than 30 days before the intended date of termination.

(d) Financial Services

On 30 September 2016, the Company, COFCO Finance Company Limited ("COFCO Finance") and Joy City Commercial Management (Beijing) Co., Ltd. ("Joy City Commercial Management") (a wholly-owned subsidiary of the Company) entered into a financial services agreement ("Financial Services Agreement"), pursuant to which COFCO Finance shall provide the depository services and the entrustment loan services to the Group. The Financial Services Agreement shall be for a term till 31 December 2017. The Company, COFCO Finance and Joy City Commercial Management renewed the Financial Services Agreement on 21 December 2017 for a term of three years from 1 January 2018 to 31 December 2020.

On 17 July 2020, the Company, COFCO Finance and Joy City Commercial Management (Tianjin) Co., Ltd. (the "Management Company") (an indirect wholly-owned subsidiary of the Company) entered into the 2020 Financial Services Agreement to make arrangements in advance for continuing the depository services and the entrustment loan services provided by COFCO Finance to the Group extended for three years term commencing from the date of relevant special general meeting (i.e. 31 August 2020). The 2020 Financial Services Agreement, the transactions contemplated thereunder and the 2020 Annual Caps were approved by the independent shareholders at the special general meeting convened on 31 August 2020.

Directors' Report

COFCO Finance is a non-banking financial institution subject to regulations by the PBOC and CBIRC, and is authorised to provide various kinds of financial services to the Group, including deposit taking and entrustment loan services. The main reasons for and benefits of the Arrangements are as follows: (i) the use of COFCO Finance as a vehicle through which the funds of the Group, including the Management Company, would allow a more efficient deployment of funds between subsidiaries of the Company; (ii) the Arrangements would allow the greater utilisation of available funds, utilise the collected funds to repay the external commercial loans of the subsidiaries of the Company and optimise the efficiency of the Group's funds; (iii) the Arrangements would promote liquidity among the Group, including the Management Company, enhance the overall ability of the Group to repay debts, and assist in monitoring and controlling financial risks; (iv) the Arrangements would save financial costs, thereby increasing the profitability of the Group and benefitting the Shareholders, including the minority Shareholders; (v) the Arrangements would allow a prompt and accurate monitoring and regulation of the application of funds of the Group including the Management Company; (vi) COFCO Finance was established in 2002 with a complete corporate structure, and its internal control mechanism is standardised. Since its incorporation, COFCO Finance's operation has been stable, financial performance has been excellent and no violation of any rules has occurred; (vii) COFCO Finance has well established operating networks with eight major domestic banks, namely the Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Agricultural Bank of China, China Merchants Bank, Bank of Communications, China CITIC Bank and Agricultural Development Bank of China and such network has become the necessary and efficient channel of collecting the funds of the subsidiaries of the Company; (viii) COFCO Finance has comparatively strong financing ability through credit lines of not less than RMB7.5 billion arranged with such domestic banks; (ix) the Company believes that COFCO Finance may provide more diversified and flexible financial services to the Group compared with a single or a small number of third party commercial banks; and (x) the Company believes that the risk profile of COFCO Finance, as a financial services provider to the Group, is not greater than that of independent commercial banks in the PRC.

The depository services are provided by COFCO Finance on a free-of-charge basis, and as a financial institution which takes the deposits, COFCO Finance shall pay interests to the subsidiaries of the Group and the Management Company with reference to the RMB benchmark deposit interest rates published by the PBOC and no less than the deposit interest rates offered by other financial institutions in the PRC based on similar terms. The maximum daily balance of deposits (including the corresponding interests accrued thereon) placed by the Group with COFCO Finance pursuant to the 2020 Financial Services Agreement shall not exceed RMB1,500 million on any day throughout the term of the 2020 Financial Services Agreement. For the year ended 31 December 2021, the maximum daily balance of deposits (including the corresponding interests accrued thereon) placed by the Group with COFCO Finance was RMB1,500 million.

COFCO Finance will charge handling fees for the entrustment loan services provided to the Group, which are equal to or more favourable to the Group as compared with other independent financial institutions providing similar services. The handling fees payable by the Group to COFCO Finance shall not exceed RMB5 million annually during the term of the 2020 Financial Services Agreement. For the year ended 31 December 2021, the annual handling fees charged by COFCO Finance for providing the entrusted loans to the Management Company was RMB1.782 million.

COFCO Finance is an indirect wholly-owned subsidiary of COFCO Corporation, an indirect controlling shareholder of the Company. Therefore, COFCO Finance is a connected person of the Company.

CONFIRMATION FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that all the continuing connected transactions have been 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 their respective agreements governing them on the terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged SHINEWING (HK) CPA Limited, the Company's auditor, to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 56 to 62 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CONTRACT(S) OF SIGNIFICANCE

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this annual report which is or may be material:

(a) the acquisition agreement dated 11 June 2020 entered into by Shanghai Top Glory Real Estate Development Co., Ltd. (an indirect wholly-owned subsidiary of the Company) and COFCO Property Investment (Beijing) Co., Ltd. (a connected person of the Company), in connection to the acquisition of 50.1% equity interest in Suzhou City Xiang Zhi Yue Property Development Co., Ltd. at a consideration of RMB577,794,100.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 18 January 2018, the Company as borrower entered into a facility letter with Bank of China (Hong Kong) Limited as lender whereby the banking facilities of (i) a term loan up to HKD700,000,000 or its equivalent amount in USD; (ii) a revolving loan up to HKD300,000,000 or its equivalent amount in USD; and (iii) a treasury credit limit of HKD60,000,000 would be made available by the bank to the Company subject to the terms and conditions of the facility letter. The term loan shall be repaid in full on the date falling three years from the date of first drawdown while the revolving loan shall be repaid or reborrowed at the end of each interest period or shall be repaid in full on demand. Pursuant to the facility letter, if COFCO Corporation (a) fails to remain as a company under the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China; and/or (b) fails to maintain as single largest shareholder and/or the management controlling position of the Company, it would constitute an event of default upon which the bank shall entitled to debit at any time and from time to time thereafter all amounts due and payable by the Company in respect of the facilities from any of the account(s) of the Company without prior notice to the Company. Details are set out in the announcement dated 18 January 2018.

Directors' Report

On 24 September 2018, the Company as borrower entered into a facility agreement with Bank of China (Hong Kong) Limited, Hongkong and Shanghai Banking Corporation and DBS Bank (Hong Kong) Limited (collectively, the "Lenders") whereby a US$350,000,000 or its Hong Kong Dollars equivalent term loan facility would be made available by the Lenders to the Company subject to the terms and conditions of the facility agreement. The loan shall be repaid on the date falling 36 months from the date of the facility agreement. Pursuant to the facility agreement, if (a) COFCO Corporation and COFCO (HK) together do not or cease to be, directly or indirectly, the single largest shareholder of the Company; and/or have management control over the Company; and/or (b) COFCO Corporation is not or ceases to be majority owned or otherwise controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China or China Central Government, it would constitute an event of default upon which all or any part of the amount of the loan committed by the Lenders shall be cancelled and be reduced them to zero; and/or all or part of the loan, together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable. Details are set out in the announcement dated 24 September 2018.

On 24 October 2019, Bapton, an indirect wholly-owned subsidiary of the Company, as borrower and the Company as guarantor entered into facility agreement a US$800,000,000 dual tranche term facility with certain banks as lenders whereby a term loan facility in an aggregate of US$800,000,000, which divided into two tranches, a US dollar tranche in an aggregate amount equal to US$400,000,000 ("Tranche A Facility") and a US dollar tranche in an aggregate amount equal to US$400,000,000 ("Tranche B Facility") would be made available by the banks to Bapton subject to the terms and conditions of the facility agreement. The final maturity date of the Tranche A Facility shall be the date falling 36 months from the date of the facility agreement and the final maturity date of the Tranche B Facility shall be the date falling 60 months from the date of the facility agreement. Pursuant to the facility agreement, if COFCO Corporation (a) does not or ceases to be, directly or indirectly, the single largest shareholder of the Company or have management control over the Company; and/or (b) is not or ceases to be majority owned or otherwise controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China or China Central Government, it would constitute an event of default upon which all or any part of the facility shall immediately be cancelled; and/or all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding shall become immediately due and payable; and/or all or part of the loans shall immediately become payable on demand. Details are set out in the announcement dated 24 October 2019.

On 29 October 2019, the Company as borrower entered into a facility letter with a bank as lender whereby the banking facility of an uncommitted revolving loan up to USD50,000,000 or its equivalent amount in HKD would be made available by the bank to the Company subject to the terms and conditions of the facility letter. The final maturity of the facility shall be subject to the bank's review on or before the date of the earlier of the date falling one year from the date of accepting the facility letter and 8 January 2021. Pursuant to the facility letter, COFCO Corporation shall directly and indirectly have the single largest shareholding interest in the Company; otherwise, it would constitute an event of default upon which the facility shall be repaid to the bank on demand. Details are set out in the announcement dated 29 October 2019.

Directors' Report

On 4 December 2019, the Company as borrower entered into a facility letter (the "Facility Letter A") with a bank as lender whereby the banking facility of a revolving loan up to HKD400,000,000 or its equivalent amount in USD (the "Revolving Loan") would be made available by the bank to the Company subject to the terms and conditions of the Facility Letter A. The Revolving Loan shall be repaid or re-borrowed at the end of each interest period or shall be repaid in full on demand. On 4 December 2019, the Company as borrower entered into another facility letter (the "Facility Letter B") with the Bank as lender whereby the banking facility for extension of treasury credit limit from HK$60,000,000 to HK$100,000,000 would be made available by the bank to the Company subject to the terms and conditions of the Facility Letter B. On 9 December 2020, the Company as borrower entered into a supplemental facility letter (the "Supplemental Facility Letter") with the bank as lender whereby the banking facility for extension of treasury credit limit from HK$100,000,000 to HK$400,000,000 (the "Treasury Credit Limit") would be made available by the bank to the Company subject to the terms and conditions of the Supplemental Facility Letter. Maximum tenor of each transaction under the Treasury Credit Limit shall not exceed five years. Pursuant to the Facility Letter A, Facility Letter B and the Supplemental Facility Letter, if COFCO Corporation (a) fails to remain as a company under the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China; and/or (b) fails to maintain as single largest shareholder and/ or the management controlling position of the Company, it would constitute an event of default upon which all amounts due or owing by the Company to the bank in respect of the Treasury Credit Limit and/or the Revolving Loan shall become immediately due and payable. Details are set out in the announcements dated 18 January 2018, 4 December 2019 and 9 December 2020, respectively.

On 13 December 2019, the Company as borrower entered into facility letter with a bank as lender whereby the banking facility of an uncommitted revolving loan up to USD80,000,000 would be made available by the bank to the Company subject to the terms and conditions of the facility letter. The final maturity of the facility shall be the date falling 364 days from the date of first drawdown. The bank may exercise at its sole discretion an option to further extend the final maturity date to another 364 days by giving written confirmation to the Company. Pursuant to the facility letter, COFCO Corporation (a) shall remain majority owned or management controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China; and/or (b) shall remain directly or indirectly, the single largest shareholder and the management controlling position of the Company; otherwise, it would constitute an event of default upon which all of the obligations of the Company to the bank in respect of the facility shall be become immediately due and payable on demand. Details are set out in the announcement dated 13 December 2019.

On 20 July 2020, the Company as borrower entered into a supplemental facility letter with a bank as lender whereby the renewal of existing short term loan facility up to HKD400,000,000 or its equivalent amount in USD would be made available by the bank to the Company subject to the terms and conditions of the supplemental facility letter. The final maturity date of the short term loan shall be one year from the issuance date of the supplemental facility letter. The short term loan facility is subject to the bank's review from time to time no later than 24 May 2021 and at the bank's absolute discretion to continue the short term loan facility thereafter the same terms and conditions. On 20 July 2020, the Company as borrower entered into a facility letter with the bank as lender whereby the banking facility of a committed term loan up to HKD780,000,000 would be made available by the bank to the Company subject to the terms and conditions of the facility letter. The final maturity date of the term loan shall be one year from the date of acceptance of the facility letter. Pursuant to the supplemental facility letter and facility letter, if COFCO Corporation (a) is not or ceases to be majority owned or otherwise controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China or China Central Government; and/or (b) do not or cease to be, directly or indirectly, the single largest shareholder of the Company and/or have management control over the Company, it would constitute an event of default upon which the short term loan and the term loan, all interest thereon, and all other sums payable thereunder shall become immediately due and payable and shall immediately be repaid or paid to the bank. Details are set out in the announcements dated 4 July 2019 and 20 July 2020, respectively.

Directors' Report

On 29 April 2021, the Company as borrower entered into a facility letter with a bank as lender whereby the banking facility of an uncommitted revolving loan up to HKD500,000,000 or its equivalent amount in USD and RMB would be made available by the bank to the Company subject to the terms and conditions of the facility letter, for replacing and superseding the original facility letter entered into on 29 January 2019. The expiry of the facility shall be 12 months after the effective date and shall be extended to such date as determined by the bank in its sole discretion, subject to annual review. Pursuant to the facility letter, COFCO Corporation shall remain as the single largest shareholder of the Company, otherwise, the facility letter will be terminated upon which all outstanding indebtedness in connection with the facility shall be repaid and settled in full. Details are set out in the announcements dated 29 January 2019 and 29 April 2021, respectively.

On 17 September 2021, the Company as borrower entered into a facility agreement with certain banks as lenders whereby a US$600,000,000 equivalent multiple tranche term loan facility consisting of three tranches, a US$100,000,000 equivalent facility ("Tranche A Facility"), a US$200,000,000 equivalent facility ("Tranche B Facility") and a US$300,000,000 equivalent facility ("Tranche C Facility") would be made available by the lenders to the Company subject to the terms and conditions of the facility agreement. The final maturity date of the Tranche A Facility shall be the date falling 36 months from the date of the facility agreement, the final maturity date of the Tranche B Facility shall be the date falling 36 months from the date of the facility agreement, and the final maturity date of the Tranche C Facility shall be the date falling 60 months from the date of the facility agreement. Pursuant to the facility agreement, if COFCO Corporation (a) does not or cease to be, directly or indirectly, the single largest shareholder of the Company; and/or have management control over the Company; and/or (b) COFCO Corporation is not or ceases to be majority owned or otherwise controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China or China Central Government, it would constitute an event of default upon which all or any part of the amount of the loan committed by the lenders shall be cancelled and be reduced them to zero; and/or all or part of the facility, together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable. Details are set out in the announcement dated 17 September 2021.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 31 December 2021.

CONVERTIBLE SECURITIES, WARRANTS OR OPTIONS

On 19 December 2013, the Acquisition was completed and upon completion, the Company issued 1,095,300,778 CPS to Achieve Bloom as part of settlement of the consideration for the Acquisition. Currently, the Company has two classes of shares, being the ordinary shares and the CPS.

The major terms of the CPS are as follows:

Nominal value:	Non-redeemable convertible preference shares of HK$0.10 each created as a new class of shares in the share capital of the Company.
Conversion ratio:	The CPS shall be convertible at the option of its holder, without the payment of any additional consideration therefor, into such number of fully-paid Shares at the conversion ratio of one CPS for one Share.

Conversion rights:	Holders of the CPS will have the right to convert all or such number of CPS into Conversion Shares at any time after the issuance of the CPS, provided that they may not exercise the conversion rights as to such number of CPS the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules.
Redemption:	The CPS shall be non-redeemable by the Company or their holders.
Dividend and distribution entitlement:	Each CPS shall confer on its holder the right to receive any dividend pari passu with holders of Shares on the basis of the number of Share(s) into which each CPS may be converted and on an as converted basis.
	The holders of the CPS shall have priority over the Shareholders on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, windingup or dissolution of the Company (but not on conversion of CPS or any repurchase by the Company of CPS or Shares).
Voting rights:	The holders of the CPS shall be entitled to receive notices of and to attend general meetings of the Company, but the CPS shall not confer on their holders the right to vote at a general meeting of the Company, unless a resolution is to be proposed at a general meeting for the winding-up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the CPS or vary the restrictions to which the CPS are subject.
Transferability:	The CPS (including the Conversion Shares once converted from the CPS) may be transferred by their holders without restriction.
Ranking:	Save as expressly provided in the Bye-laws and save and except for the voting rights and distribution entitlements upon liquidation, winding-up or dissolution of the Company, each CPS shall have the same rights as each of the Shares.
	The Conversion Shares will be issued as fully paid and rank pari passu in all respects with the Shares in issue as at the date of conversion.
Adjustment:	If and whenever the Shares are consolidated or sub-divided into a different nominal amount, then the same consolidation or subdivision shall be effected on the CPS, in which case the conversion ratio shall remain as one CPS for one Share (as consolidated or sub-divided, as the case may be).
Listing:	No listing has been sought for the CPS on the Stock Exchange or any other stock exchange. However, an application has been made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors' Report

NON-COMPETITION UNDERTAKING

Pursuant to the Non-Competition Undertaking, COFCO Corporation has undertaken in favour of the Company for itself and on behalf of its subsidiaries during the term of the Non-Competition Undertaking, COFCO Corporation shall not, and shall procure that none of its subsidiaries (excluding Grandjoy and its subsidiaries) shall, directly or indirectly, whether as principal or agent, and whether undertaken solely or jointly and whether through intermediate holding companies or otherwise, carry on, engage, invest, participate or otherwise be interested in any business or company which is directly or indirectly engaged in the Restricted Business in competition with the Group in the PRC and Hong Kong. After review of all relevant information on 31 December 2021, the Independent Board Committee considered that COFCO Corporation had complied with the Non-Competition Undertaking for the year ended 31 December 2021.

REGULATORY COMPLIANCE

As disclosed in the Company's circular dated 30 November 2013 and 5 November 2014, there were certain non-compliances relating to the Group or its property projects during the year under review. As at the date of this Annual Report, the respective progress of the remedial measures taken by the Group in respect of those non-compliances which may be remedied remained substantially the same as described in the Company's annual report dated 30 March 2015.

CORPORATE GOVERNANCE

The Company's principal corporate governance practices are set out in the Corporate Governance Report on pages 37 to 48 of this Annual Report.

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Thursday, 2 June 2022. For determining the eligibility of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents, accompanied by the relevant share certificate(s), must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 27 May 2022.

AUDITORS

Prior to the annual general meeting held in 18 June 2021, Deloitte Touche Tohnatsu was the auditor of the Company, with its retirement upon the expiration of its terms of office at the conclusion of such annual general meeting. SHINEWING (HK) CPA Limited was appointed as the auditor of the Company and to hold office until the conclusion of the forthcoming AGM. SHINEWING (HK) CPA Limited shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditor of the Company is to be proposed at the forthcoming AGM.

AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee. Information on the work of Audit Committee and its composition are set out in the Corporate Governance Report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in normal course of business are set out in Note 47 to the consolidated financial statements. In relation to those related party transactions that constituted connected transactions under the Listing Rules, they have complied with applicable requirements in accordance with the Listing Rules.

CHARITABLE DONATIONS

Charitable donations made by the Group during the financial year amounted to RMB21,628,200 (2020: RMB5,114,000).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company separately publishes the "Environmental, Social and Governance Report" prepared in accordance with Appendix 27 to the Listing Rules on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.joy-cityproperty.com).

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of Shares.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2021 and up to the date of this report, there was or is permitted indemnity provision in the Bye-laws of the Company being in force. The Company has maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover certain legal actions brought against its Directors and officers arising out of corporate activities.

EQUITY-LINKED AGREEMENTS

Save as disclosed in respect of CPS above and in Note 35 to the consolidated financial statements, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2021 or subsisted at the end of the year.

ON BEHALF OF THE BOARD

YOU Wei
Chairman

30 March 2022

Five Years Financial Summary

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consolidated results revenue	**12,313,297**	14,109,832	10,337,768	8,128,914	11,657,761
Profit for the year attributable to owners of the Company	**591,666**	1,104,533	1,635,906	2,103,271	1,513,162

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consolidated assets and liabilities					
Total assets	**131,020,391**	124,167,334	110,977,370	98,860,489	86,370,523
Total liabilities	**73,000,971**	70,572,441	61,139,477	53,689,705	43,897,714
Total equity	**58,019,420**	53,594,893	49,837,893	45,170,784	42,472,809
Equity attributable to owners of the Company	**29,858,111**	29,447,710	29,035,061	28,209,016	27,018,517

Independent Auditor's Report

SHINEWING (HK) CPA Limited
43/F., Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

TO THE SHAREHOLDERS OF JOY CITY PROPERTY LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Joy City Property Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 76 to 211, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other 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 consolidated 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Key audit matter

Valuation of investment properties

We identified the valuation of investment properties as a key audit matter because the valuation process is based on the estimation of future results, a set of assumptions and a determination of key inputs, which are judgmental.

Any changes to these inputs may have a significant impact on the fair value of the Group's investment properties. Management has determined the fair value of the Group's investment properties at 31 December 2021 with the assistance of an independent external valuer.

Details of the investment properties and the related key estimation uncertainty are set out in Notes 16, 4 and 3, respectively, to the consolidated financial statements.

How our audit addressed the key audit matter

Our procedures in relation to management's valuation of investment properties included:

Understanding, documenting and testing key internal control over revenue recognition on sales of properties.

- Evaluating the competence, capabilities and objectivity of the external valuer engaged by the management.
- Obtaining a copy of valuation report prepared by the external valuer and discussing with the external valuer together with our internal valuation specialists to understand the basis of determination of valuation.
- Challenging the external valuer the methodologies and judgments used in valuing the investment properties with the assistance of our internal valuation specialists and obtaining the market evidence that the external valuer used to support the key inputs.
- Assessing the adequacy of the disclosures of the fair value measurement of investment properties including the fair value measurement hierarchy, the valuation technique and significant unobservable inputs in the consolidated financial statements.

Key audit matter

Revenue from sales of properties

We identified the revenue from sales of properties as a key audit matter due to the significance of the amount and volume of sales transactions recognised during the year.

Details of revenue from sales of properties are set out in Note 5 and 3, respectively to the consolidated financial statements.

How our audit addressed the key audit matter

Our procedures in relation to revenue from sales of properties included:

- Understanding, documenting and testing key internal control over revenue recognition on sales of properties.
- Selecting property sales transactions on a sampling basis and:
- reading the signed sales and purchase agreements to understand the relevant terms of the timing of property delivery and title transfer;
- obtaining evidence regarding the property delivery and title transfer; and
- reconciling the monetary amounts of recorded transactions and related payments to the signed sales and purchase agreements of properties sold.

Independent Auditor's Report

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 25 March 2021.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and our agreed terms of engagement 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

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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 of the Company.

- Conclude on the appropriateness of the Company's 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 those charged with governance 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 those charged with governance 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 applied safeguards.

Independent Auditor's Report

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for 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 Mr. Wong Chuen Fai.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589
Hong Kong
30 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	NOTES	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	5		
Contracts with customers		**8,794,012**	10,979,107
Leases		**3,519,285**	3,130,725
Total revenue		**12,313,297**	14,109,832
Cost of sales and services rendered	10	**(7,599,709)**	(8,652,267)
Gross profit		**4,713,588**	5,457,565
Other income	6	**297,531**	405,070
Other gains and losses, net	7	**(122,800)**	629,604
Impairment losses under expected credit loss model, net of reversal	8	**(308,482)**	(9,414)
Distribution and selling costs		**(738,283)**	(579,925)
Administrative expenses		**(914,879)**	(816,329)
Fair value gain/(loss) on:			
investment properties, net	16	**167,489**	(11,794)
financial liabilities at fair value through profit or loss		**(19,376)**	(15,942)
Finance costs	9	**(853,721)**	(958,303)
Share of profits/(losses) of associates	20	**35,692**	(5,544)
Share of profits/(losses) of joint ventures	21	**202,080**	(189,250)
Profit before tax	10	**2,458,839**	3,905,738
Income tax expense	11	**(973,957)**	(1,736,646)
Profit for the year		**1,484,882**	2,169,092
Profit for the year attributable to:			
Owners of the Company		**591,666**	1,104,533
Holders of perpetual capital instruments		**353,102**	211,196
Non-controlling interests		**540,114**	853,363
		1,484,882	2,169,092
Basic and diluted earnings per share	13	**RMB3.9 cents**	RMB7.2 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit for the year	**1,484,882**	2,169,092
Other comprehensive income (expense):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	**76,683**	155,573
Fair value gain/(loss) on hedging instruments designated as cash flow hedges	**162,502**	(351,914)
Other comprehensive income/(expense) for the year, net of income tax	**239,185**	(196,341)
Total comprehensive income for the year	**1,724,067**	1,972,751
Total comprehensive income for the year attributable to:		
Owners of the Company	**815,368**	933,227
Holders of perpetual capital instruments	**353,102**	211,196
Non-controlling interests	**555,597**	828,328
	1,724,067	1,972,751

Consolidated Statement of Financial Position

At 31 December 2021

	NOTES	At 31 December 2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Investment properties	16	**61,157,220**	57,729,887
Property, plant and equipment	17	**3,283,793**	3,598,694
Right-of-use assets	18	**1,614,264**	1,686,685
Intangible assets	19	**107,732**	119,108
Interests in associates	20	**117,264**	81,572
Interests in joint ventures	21	**6,229,516**	6,069,875
Loans to associates	23	**832,613**	1,151,780
Financial assets at fair value through profit or loss		**510**	510
Goodwill		**184,297**	184,297
Deposits	26	**185,892**	185,112
Deferred tax assets	22	**186,345**	235,517
		73,899,446	71,043,037
CURRENT ASSETS			
Inventories		**14,176**	24,445
Properties held for sale	24 (a)	**7,597,916**	1,667,377
Properties under development for sale	24 (b)	**32,691,200**	29,280,964
Accounts receivable	25	**120,189**	155,967
Contract costs		**68,839**	69,199
Deposits, prepayments and other receivables	26	**3,063,217**	2,749,592
Amounts due from fellow subsidiaries	27	**52,127**	24,547
Amounts due from non-controlling interests	27	**48,659**	41,334
Amounts due from joint ventures	27	**33,434**	10,927
Amounts due from associates	27	**652,931**	516,606
Loans to an associate	23	**771,938**	771,938
Loan to a joint venture	23	**–**	166,440
Loan to a non-controlling interest	23	**1,020,000**	1,100,000
Tax recoverable		**500,476**	302,379
Hedging instruments		**230**	–
Restricted bank deposits	28	**127,216**	185,040
Pledged deposits	28	**5,500**	7,915
Cash and bank balances	28	**10,352,897**	16,049,627
		57,120,945	53,124,297
TOTAL ASSETS		**131,020,391**	124,167,334

Consolidated Statement of Financial Position

At 31 December 2021

	NOTES	At 31 December 2021 RMB'000	2020 RMB'000
CURRENT LIABILITIES			
Accounts payable	29	**5,276,556**	7,124,271
Other payables and accruals	30	**5,355,517**	6,018,042
Contract liabilities	33	**12,320,127**	10,170,298
Lease liabilities		**60,466**	57,648
Amount due to the ultimate holding company	27	**28**	346
Amount due to an intermediate holding company	27	**660**	674
Amount due to the immediate holding company	27	**15,550**	–
Amounts due to non-controlling interests	27	**367,599**	1,424,712
Amounts due to an associate	27	**202,510**	201,797
Amounts due to joint ventures	27	**336,707**	19,400
Amounts due to fellow subsidiaries	27	**94,469**	152,140
Loans from fellow subsidiaries	23	**996,486**	573,083
Loans from non-controlling interests	23	**1,953,326**	559,712
Loans from joint ventures	23	**2,524,800**	274,800
Loans from third parties	23	**1,211,694**	–
Bank borrowings	31	**8,400,146**	6,069,083
Income tax and land appreciation tax payables		**708,889**	1,486,144
Deferred income		**1,538**	6,692
Bonds payable	32	**1,576,267**	905,098
Hedging instruments		**118,840**	27,056
		41,522,175	35,070,996
NET CURRENT ASSETS		**15,598,770**	18,053,301
TOTAL ASSETS LESS CURRENT LIABILITIES		**89,498,216**	89,096,338
NON-CURRENT LIABILITIES			
Other payables and accruals	30	**994,181**	781,591
Lease liabilities		**188,003**	219,952
Loans from fellow subsidiaries	23	**768,558**	868,578
Loans from third parties	23	**6,372,633**	5,135,031
Bank borrowings	31	**12,776,484**	16,641,054
Deferred tax liabilities	22	**7,930,053**	7,741,084
Bonds payable	32	**2,409,314**	3,836,252
Hedging instruments		**39,570**	277,903
		31,478,796	35,501,445
NET ASSETS		**58,019,420**	53,594,893

Consolidated Statement of Financial Position

At 31 December 2021

	NOTES	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
CAPITAL AND RESERVES			
Share capital	34	**1,122,414**	1,122,414
Reserves	36	**28,735,697**	28,325,296
Equity attributable to owners of the Company		**29,858,111**	29,447,710
Perpetual capital instruments	37	**8,311,498**	7,158,633
Non-controlling interests		**19,849,811**	16,988,550
TOTAL EQUITY		**58,019,420**	53,594,893

The consolidated financial statements on pages 76 to 211 were approved and authorised for issue by the Board of Directors on 30 March 2022 and are signed on its behalf by:

YOU Wei
DIRECTOR

CAO Ronggen
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company													
	Ordinary share capital RMB'000 (Note (a)) (Note 34)	Share premium RMB'000 (Note (a))	Non-redeemable convertible preference shares RMB'000 (Note (a)) (Note 35)	Special reserve RMB'000 (Notes (a) and (e))	Other reserve RMB'000 (Note (b))	Capital reserve RMB'000 (Note (c))	Statutory reserve RMB'000 (Note (d))	Property revaluation reserve RMB'000	Foreign currency translation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Holder of Perpetual capital instruments RMB'000 (Note 37)	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	1,122,414	17,993,202	1,722,317	(20,801,408)	2,570,337	6,140,228	1,189,343	76,497	(22,598)	19,457,378	29,447,710	7,158,633	16,988,550	53,594,893
Profit for the year	-	-	-	-	-	-	-	-	-	591,666	591,666	353,102	540,114	1,484,882
Other comprehensive income for the year	-	-	-	-	147,019	-	-	-	76,683	-	223,702	-	15,483	239,185
Total comprehensive income for the year	-	-	-	-	147,019	-	-	-	76,683	591,666	815,368	353,102	555,597	1,724,067
Interest paid on perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	(131,400)	-	(131,400)
Repayment of perpetual capital instruments (Note f)	-	-	-	-	-	-	-	-	-	-	-	(1,556,662)	-	(1,556,662)
Issue of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	2,487,825	-	2,487,825
Acquisition of additional interests in a subsidiary (Note h)	-	-	-	-	(23,819)	-	-	-	-	-	(23,819)	-	(59,881)	(83,700)
Capital injection by non-controlling interests (Note i)	-	-	-	-	-	-	-	-	-	-	-	-	3,266,350	3,266,350
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(900,805)	(900,805)
Final 2020 dividend declared (Note 12)	-	-	-	-	-	-	-	-	-	(381,136)	(381,136)	-	-	(381,136)
Statutory reserve appropriation	-	-	-	-	-	-	144,152	-	-	(144,152)	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	(12)	(12)	-	-	(12)
At 31 December 2021	1,122,414	17,993,202	1,722,317	(20,801,408)	2,693,537	6,140,228	1,333,495	76,497	54,085	19,523,744	29,858,111	8,311,498	19,849,811	58,019,420

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company													
	Ordinary share capital RMB'000 (Note (a)) (Note 34)	Share premium RMB'000 (Note (a))	Non-redeemable convertible preference shares RMB'000 (Note (a)) (Note 35)	Special reserve RMB'000 (Notes (a) and (e))	Other reserve RMB'000 (Note (b))	Capital reserve RMB'000 (Note (c))	Statutory reserve RMB'000 (Note (d))	Property revaluation reserve RMB'000	Foreign currency translation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Holder of Perpetual capital instruments RMB'000 (Note 37)	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	1,122,414	17,993,202	1,722,317	(20,801,408)	2,855,621	6,140,228	982,616	76,497	(178,171)	19,121,745	29,035,061	5,330,086	15,472,746	49,837,893
Profit for the year	–	–	–	–	–	–	–	–	–	1,104,533	1,104,533	211,196	853,363	2,169,092
Other comprehensive (expense)/income for the year	–	–	–	–	(326,879)	–	–	–	155,573	–	(171,306)	–	(25,035)	(196,341)
Total comprehensive (expense)/income for the year	–	–	–	–	(326,879)	–	–	–	155,573	1,104,533	933,227	211,196	828,328	1,972,751
Interest paid on perpetual capital instruments	–	–	–	–	–	–	–	–	–	–	–	(494,366)	–	(494,366)
Repayment of perpetual capital instruments (Note f)	–	–	–	–	–	–	–	–	–	–	–	(148,000)	–	(148,000)
Issue of perpetual capital instruments	–	–	–	–	–	–	–	–	–	–	–	2,259,717	–	2,259,717
Acquisition of additional interests in a subsidiary	–	–	–	–	46,348	–	–	–	–	–	46,348	–	(326,743)	(280,395)
Acquisition of a subsidiary (Note g)	–	–	–	–	–	–	–	–	–	–	–	–	575,488	575,488
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	1,004,500	1,004,500
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(561,464)	(561,464)
Final 2019 dividend declared (Note 12)	–	–	–	–	–	–	–	–	–	(562,173)	(562,173)	–	–	(562,173)
Statutory reserve appropriation	–	–	–	–	–	–	206,727	–	–	(206,727)	–	–	–	–
Others	–	–	–	–	(4,753)	–	–	–	–	–	(4,753)	–	(4,305)	(9,058)
At 31 December 2020	1,122,414	17,993,202	1,722,317	(20,801,408)	2,570,337	6,140,228	1,189,343	76,497	(22,598)	19,457,378	29,447,710	7,158,633	16,988,550	53,594,893

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

Notes:

(a) Issued equity comprises ordinary share capital of Joy City Property Limited (the "Company"), share premium, non-redeemable convertible preference shares ("CPS") and special reserve.

(b) Other reserve mainly included (i) balances arising from merger accounting for business combinations involving entities under common control of RMB288,561,000 in 2012 and RMB2,617,690,000 in 2013 and offset with obligation arising from a put option to non-controlling shareholder of RMB336,470,000 in 2018 (Note 30) and (ii) differences between cash considerations paid for the acquisition of additional interests in certain Subsidiaries and the carrying amounts of the net assets attributable to the acquired interests from the non-controlling shareholders.

(c) Capital reserve mainly included capital contribution from COFCO Corporation, the ultimate holding company of the Company, of which included capital contribution of RMB4,208,294,000 to a subsidiary of the Company during the year ended 31 December 2012.

During 2016, the Group (see definition in Note 1) disposed of 49% of its equity interests in Fortune Set Limited ("Fortune Set"), Sunny Ease Limited ("Sunny Ease") and Vivid Star Limited ("Vivid Star") respectively, resulting in reducing its equity interests in these three subsidiaries to 51%. The proceeds on disposal of RMB9,443,143,000 were received in cash. An amount of RMB7,802,203,000 (being the proportionate share of the carrying amount of net assets of these three subsidiaries, respectively) has been transferred to non-controlling interests. The difference of RMB1,640,940,000 between the increase in the non-controlling interests and the consideration received has been adjusted to capital reserve of the Group.

(d) The amount mainly represents statutory reserve of the companies registered in the People's Republic of China (the "PRC"). According to the relevant laws in the PRC, companies established in the PRC are required to transfer their net profit after tax, as determined under the relevant accounting principles and financial regulations applicable to enterprises established in the PRC, to a non-distributable reserve fund before the distribution of a dividend to equity owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

(e) On 19 December 2013, a very substantial acquisition, connected transaction and reverse takeover involving a new listing application of the Company was completed. The Company acquired from COFCO Land Limited ("COFCO Land"), a fellow subsidiary, the equity interests in certain subsidiaries of COFCO Land (collectively "COFCO Land Subsidiaries") and the shareholder's loan of HK$3,329 million (equivalent to approximately RMB2,618 million) which were outstanding and owing by certain of the COFCO Land Subsidiaries to COFCO Land immediately before the completion of the acquisition of the COFCO Land Subsidiaries (together with the acquisition of the COFCO Land Subsidiaries), by the allotment and issue of 5,988,199,222 ordinary shares of the Company at the issue price of HK$2.00 each and 1,095,300,778 new CPS of the Company at the issue price of HK$2.00 each to Achieve Bloom Limited, the then immediate holding company of the Company, and COFCO Land ("Reverse Takeover Transaction"). Special reserve at the reporting date included balances arising on the Reverse Takeover Transaction completed in December 2013 of RMB11,138,521,000.

(f) The Group repaid perpetual capital instruments with principal amount of RMB1,556,661,500 (2020: RMB148,000,000) during the current year.

(g) During the year ended 31 December 2020, the Group acquired 10.78% equity interest in Sanya Yalong Development Company Limited, a subsidiary of the Company from its non-controlling shareholders for a consideration of RMB280,395,000. Upon the completion of the transaction, the Group held 56.96% of Sanya Yalong Development Company Limited.

(h) During the year ended 31 December 2021, the Group acquired additional 8.36% equity interest in Taiwan Hotel Limited, a subsidiary of the Company from its ultimate holding company for a consideration of approximately RMB83,700,000. Upon the completion of the transaction, the Group held 100% of Taiwan Hotel Limited.

(i) During the year ended 31 December 2021, the non-controlling interests inject capital to subsidiaries of RMB3,266,350,000, of which RMB540,000,000 was made in form of a non-cash deposit transferred from the non-controlling interest relating to an acquisition of a land use right (included in properties under development for sale).

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before tax	**2,458,839**	3,905,738
Adjustments for:		
Finance costs	**853,720**	958,303
Interest income	**(265,881)**	(346,707)
Share of (profits)/losses of associates	**(35,692)**	5,544
Share of (profits)/losses of joint ventures	**(202,080)**	189,250
Amortisation of intangible assets	**13,529**	14,272
Depreciation of right-of-use assets	**71,035**	72,219
Depreciation of property, plant and equipment	**223,699**	232,332
Fair value (gain)/loss on:		
investment properties	**(167,488)**	11,794
financial liabilities at fair value through profit or loss	**19,376**	15,942
Recognition of impairment loss on accounts receivable, net	**7,248**	6,762
Recognition of impairment loss on other receivables, net	**1,795**	2,652
Recognition of impairment loss on loan to an associate	**299,439**	–
Exchange gain, net	**(308,627)**	(425,402)
Changes in the acquisition of non-controlling shares of subsidiaries	**(23,819)**	–
Impairment loss on property, plant and equipment	**62,692**	–
Impairment loss on properties under development for sale	**266,643**	–
(Gain)/loss on disposal of property, plant and equipment, net	**(86,125)**	4,905
Loss on disposal of intangible assets, net	**2,529**	–
Impairment loss of right-of-use assets	**13,227**	–
Operating cash flows before movements in working capital	**3,204,059**	4,647,604
Decrease in inventories	**10,269**	398
Decrease in properties held for sale	**6,294,412**	7,781,092
Increase in properties under development for sale	**(15,728,459)**	(9,620,880)
Decrease/(increase) in accounts receivable	**46,042**	(16,842)
Decrease in contract costs	**360**	13,343
(Increase)/decrease in deposits, prepayments and other receivables	**(227,631)**	181,427
Increase in amounts due from non-controlling interests	**(7,116)**	–
Increase/(decrease) in amount due to non-controlling interest	**19,875**	(768)
(Decrease)/increase in accounts payable	**(1,492,465)**	4,011,306
Increase/(decrease) in contract liabilities	**3,727,329**	(1,819,838)
Decrease in other payables and accruals	**(10,866)**	(382,828)
Increase/(decrease) in rental deposits received	**164,457**	(147,621)
Decrease in restricted bank deposits	**57,824**	338,683
Decrease in amount due from the ultimate holding company	**–**	7
(Decrease)/increase in amount due to the ultimate holding company	**(318)**	210
Increase in amounts due from fellow subsidiaries	**(27,580)**	(23,591)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
OPERATING ACTIVITIES – continued		
Increase in amounts due from joint ventures	**–**	(2,678)
Decrease in amount due to the immediate holding company	**–**	(227)
(Decrease)/increase in amounts due to fellow subsidiaries	**(97,558)**	15,117
Interest received	**143,318**	131,340
Decrease/(increase) in deposits paid	**220**	(58,836)
Decrease in deferred income	**(5,154)**	(224)
Cash (used in) generated from operations	**(3,928,982)**	5,046,194
PRC Enterprise Income Tax and Hong Kong Profits Tax paid	**(1,103,098)**	(955,159)
Land Appreciation Tax paid	**(184,658)**	(463,234)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	**(5,216,738)**	3,627,801
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(44,510)**	(53,020)
Payments for right-of-use assets/leasehold land and land use rights (Note 18)	**(55,399)**	(305)
Payments for intangible assets	**(4,681)**	(6,904)
Payments for investment properties	**(2,485,660)**	(1,332,756)
Proceeds on disposal of property, plant and equipment	**146,760**	4,079
Proceeds on disposal of investment properties	**2,777**	3,678
Acquisition of subsidiaries (Note 46)	**–**	729,868
Acquisition of interests in joint ventures	**(85,000)**	(148,599)
Disposal of interest in joint ventures	**–**	(436)
Loans to joint ventures	**–**	(287,650)
Loans to an associate	**–**	(601,368)
Proceeds from repayment of loans to associates	**–**	1,502,594
Loan to non-controlling interests	**–**	(170,000)
Repayment of loan to non-controlling interests	**80,000**	70,000
Proceeds from disposal of subsidiaries	**33,010**	–
Repayment of loans to joint ventures	**166,440**	762,950
Payment to a third party on acquisition of a joint venture	**(416,232)**	(500,000)
(Increase)/decrease in deposits paid for land acquisition for investment properties	**(51,686)**	16,000
Decrease in amounts due from non-controlling interests	**3,434**	3,215
(Increase)/decrease in amounts due from joint ventures	**(29,801)**	51,325
Decrease in pledged deposits	**2,415**	6,425
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	**(2,738,133)**	49,096

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Interest paid	**(1,072,552)**	(1,275,763)
Repayment of perpetual capital instruments	**(1,556,662)**	(148,000)
Repayment of bonds payable	**(732,212)**	(1,000,000)
Issuance of perpetual capital instruments	**2,487,825**	2,259,717
Issuance of bonds	**–**	1,494,623
Interest paid on perpetual capital instruments	**(131,400)**	(494,366)
Interest paid on bonds payable	**(175,358)**	(172,526)
Repayments of amount due to non-controlling interest	**(1,121,326)**	(185,100)
Proceeds from bank borrowings	**6,408,432**	7,195,824
Repayments of bank borrowings	**(9,626,331)**	(8,606,664)
Loans from fellow subsidiaries	**700,000**	1,000
Repayments of loans from fellow subsidiaries	**(370,840)**	(31,110)
Repayments of leases liabilities	**(48,640)**	(46,951)
Repayments to joint ventures	**(26,297)**	(10,809)
Acquisition of additional interest of a subsidiary from non-controlling interests	**(83,700)**	(280,395)
Advance from a joint venture	**294,000**	–
Advance from an associate	**713**	34,970
Repayments to fellow subsidiaries	**(150,430)**	(56,363)
Loans from non-controlling interests	**1,780,010**	–
Repayments of loans from non-controlling interests	**(621,655)**	(49,328)
Loans from joint ventures	**2,250,000**	274,800
Loans from third parties	**2,451,000**	3,612,118
Repayment of loan from a third party	**(7,200)**	(1,600,000)
Dividends paid	**(381,136)**	(517,992)
Dividends paid to non-controlling interests	**(739,282)**	(729,824)
Contribution from non-controlling interests	**2,726,350**	1,004,500
NET CASH FROM FINANCING ACTIVITIES	**2,253,309**	672,361

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(5,701,562)**	4,349,258
Cash and cash equivalents at beginning of year	**16,049,627**	11,752,111
Effects of exchange rate changes on the balance of cash and bank balances held in foreign currencies	**4,832**	(51,742)
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 28)	**10,352,897**	16,049,627
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and bank balances	**10,325,072**	16,022,493
Non-pledged time deposit	**27,825**	27,134
Cash and bank balances as stated in the consolidated statement of financial position	**10,352,897**	16,049,627

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1. GENERAL INFORMATION

Joy City Property Limited (the "Company", together with its subsidiaries, collectively referred to as the "Group") was incorporated in Bermuda with limited liability and its ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Company and its subsidiaries (the "Group") are principally investment holding, property investment and development and hotel operations. The addresses of the registered office and principal place of business of the Company are 33/F, COFCO Tower 262, Gloucester Road Causeway Bay, Hong Kong.

The immediate holding company of the Company is Grandjoy Holdings Group Co., Ltd ("Grandjoy Holdings", formally known as COFCO Property (Group) Co., Ltd.), a company established in the People's Republic of China (the "PRC") with its A shares listed on the Shenzhen Stock Exchange. In the opinion of the directors of the Company (the "Directors"), the ultimate holding company of the Company is COFCO Corporation, a company established in the PRC.

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which most of the group entities operate (the functional currency of the Company and most of the entities comprising the Group), and all values are rounded to the nearest thousand ('000) unless otherwise indicated.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

Up to the reporting date, no derivative or non-derivative financial instruments of the Group for which the benchmark rate had been replaced with an alternative benchmark rate. The amendments had no impact on the consolidated financial statements. The reform also has no material impact on interest rate risk management strategy of the Group.

Negotiations with counterparties are ongoing to evaluate the appropriate changes and resetting of rates where necessary. If the basis for determining the contractual cash flows of a financial assets or financial liabilities measured at amortised cost changed as a result of interest rate benchmark reform, the Group will update the effective interest rate of the financial assets or financial liabilities to reflect the change that is required by the reform.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 and Amendments of HKFRS17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statement – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 16	Property, Plant and Equipment-Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRS 16	COVID-19 Related Rent Concession beyond 30 June 2021[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 April 2021.

The Directors anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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 Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment,* leasing transactions that are accounted for in accordance with HKFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 *Impairment of Assets*.

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.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation of consolidated financial statements (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group and the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group and the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group and the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

When the Group is an investor of a fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant fund.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company, to holders of perpetual capital instruments and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company, to holders of perpetual capital instruments and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's 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 relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non- controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted 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* ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses 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 generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations (continued)

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

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 amount of the identifiable assets acquired and the liabilities assumed as at the acquisition date. If, after reassessment, 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 relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash- generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in Subsequent periods.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash- generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash- generating unit (or the group of cash-generating units) retained.

Investment properties

Investment properties are properties held to earn rentals and for capital appreciation (including investment properties under development for such purpose). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties also include leased properties which are being recognised as right-of- use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Investment properties (continued)

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the year in which they arise.

Construction costs incurred for investment properties under development are capitalised as part of the carrying amount of the investment properties under construction. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised.

Investment properties are transferred to inventories when and only when there is evidence that substantiates the change in use, including the commencement of development with a view to sale.

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. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. 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 the profit or loss in the year in which the property is derecognised.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefine useful lives are carried at cost less any subsequent accumulated impairment losses.

The Group engages in certain service concession arrangements in which the Group carries out construction work (such as sewage-treatment plant and Canal Cultural Center) for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority.

Notes to the Consolidated Financial Statements

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Intangible assets (continued)

The Group receives a right to charge users of public service, which is classified as intangible assets in the consolidated statement of financial position. The amortisation approach should be selected for concession operation projects based on the pattern in which the asset's future economic benefits are expected to be realised at the commencement of operations.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right- of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Properties under development/Properties held for sale

Properties under development which are intended to be sold upon completion of development and properties held for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties under development/properties held for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised.Net realisable value represents the estimated selling price in the ordinary course of business for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development for sale are transferred to properties held for sale upon completion.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. 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 and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joints ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in an associate or joint venture is 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 associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's 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 the associate or joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the year in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 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 is not allocated to any asset, including goodwill, that 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.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment, right-of-use assets and contract costs and intangible assets other than goodwill

At the end of reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash- generating unit or group of cash-generating units.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15"), the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amount exceeds the remaining amount of consideration that the Group expects to receive in exchange for related good less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash- generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment, right-of-use assets and contract costs and intangible assets other than goodwill (continued)

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash- generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but 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 or the group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as other income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group managers together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses, net" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts receivable excluded lease receivables, loans to and amounts due from, fellow subsidiaries, non-controlling interests, joint ventures and associates, deposits and other receivables, restricted bank deposits, pledged deposits, cash and bank balances), and other items (lease receivables included in accounts receivable, and financial guarantee contracts) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

The Group always recognises lifetime ECL for accounts receivable and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivable, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

For ECL on financial guarantee contracts, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

The Group has measured ECL at the individual instrument level for loan to/amount due from related parties and non-controlling interests, and the credit-impaired financial assets. For collective assessment, where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, if not designated as at FVTPL and do not arise from a transfer of a financial assets, the loss allowances are subsequently measured and recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivable and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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 Company are recorded at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at amortised cost

Financial liabilities of the Group including accounts and other payables and accruals, amounts due to/loans from holding companies, fellow subsidiaries, an associate, joint ventures, non- controlling interests and third parties, bank borrowings and bonds payable are subsequently measured at amortised cost, using the effective interest method.

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 terms of a debt instrument. Financial guarantee contract liabilities are measured initially at fair value. It is subsequently measured at the higher of:

- the amount of loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Obligation arising from a put option on shares of a subsidiary written to non-controlling shareholders

The gross financial liability arising from the put option written to non-controlling shareholders, is recognised when contractual obligation to repurchase the shares in a subsidiary is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to the Group. The liability for the share redemption amount is initially recognised and measured at present value of the estimated repurchase price with the corresponding debit to other reserve. In subsequent periods, the remeasurement of the present value of the estimated gross obligation under the written put option to the non- controlling shareholders is recognised in profit or loss.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of contract for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non- contractually specified) are based is not altered as a result of interest rate benchmark reform.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting (continued)

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses, net' line item.

For the purpose of reclassifying the amount of gains and losses accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting (continued)

Assessment of hedging relationship and effectiveness (continued)

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the equity will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) recognition exemption to leases. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Otherwise, right-of-use assets are depreciated on a straight- line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property and inventory are presented within “investment properties”, “properties under development for sale”, and “properties held for sale” respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

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 recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each 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 at 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 year in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

For the purposes of presenting 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) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on the weighted average basis. Net realisable value of inventories represents the estimated selling price in the ordinary course of business for inventories less all estimated costs of completion and costs necessary to make the sale.

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 because of income or expense that are taxable or deductible in other years and 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 temporary 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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, and interests in 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of each 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 each 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.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

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.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- 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 customer obtains control of the distinct goods or services.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Group's PRC companies are required to contribute certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense.

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of benefits expected to be paid in exchange for that service.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities, revenue and expenses that are not readily apparent from other sources. The estimates and underlying 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 current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgments in applying accounting policies (continued)

Deferred tax on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties located in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred tax on investment properties located in Hong Kong, the Directors have determined with the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties.

With regards to the Group's investment properties located in Mainland China, the Directors considered that they are held under a business model whose objective is to consume substantially all of the economic benefits embodied in these investment properties over time. Therefore, the Directors have determined with the presumption that the carrying amounts of investment properties located in Mainland China measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group recognised deferred taxes on changes in fair value of the Group's investment properties located in Mainland China on the basis that the entire carrying amounts of these properties are recovered through use.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it did not transfer substantially all the significant risks and rewards of ownership of these properties which are leased out through operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows substantially independent from the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group will account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each 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 from the end of each reporting period.

Valuation of investment properties

Investment properties are measured at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the Directors have exercised their judgments and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the amount of gain or loss would be recognised in profit or loss. The fair value of investment properties at 31 December 2021 was RMB61,157,220,000 (2020: RMB57,729,887,000), details are set out in Note 16.

Land appreciation tax ("LAT")

Certain subsidiaries of the Group are subject to LAT in the Mainland China. However, the implementation of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their LAT calculations with the local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the LAT based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the period in which such tax is finalised with local tax authorities.

Impairment on properties held for sale/properties under development for sale

Impairment on properties held for sale/properties under development for sale is made based on the assessment of net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, and the amount the properties are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. Significant management estimates are required in the estimates. Where the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying amounts of properties held for sale/properties under development for sale and the amount of impairment loss/write-back of impairment loss in the periods in which such estimates have been changed.

The aggregate carrying amount of properties held for sale as at 31 December 2021 was RMB7,597,916,000 (2020: RMB1,667,377,000). The aggregate carrying amount of properties under development for sale as at 31 December 2021 was RMB32,691,200,000 (2020: RMB29,280,964,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold and services rendered during the year.

The Group is organised into certain business units according to the nature of goods sold or services provided. The operating segments of the Group are determined by the Directors based on the business units by reference to the goods sold or services provided. These business units are the basis of internal reports provided to the Executive Directors, the chief operating decision maker ("CODM"), for the purpose of resource allocation and performance assessment. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The operating segments of the entities comprising the Group with similar economic characteristics and similar nature of goods sold or services provided have been aggregated into different reportable segments as follows:

Property investment	Property letting and related services
Property and land development	Development and sale of properties, and development of lands
Hotel operations	Hotel ownership and management
Output management project	Provision of output management services
Other services	Provision of miscellaneous services

An analysis of the Group's revenue, which is also turnover of the Group, for the year is as follows:

	Year ended 31 December	
	2021 **RMB'000**	2020 RMB'000
Property investment and development:		
Rental income from investment properties and related services	**4,055,875**	3,586,814
Sales of properties held for sale	**7,149,317**	9,568,816
Service income for primary land development	**–**	153,653
Output management project	**179,961**	147,235
Other service income	**161,752**	55,050
	11,546,905	13,511,568
Hotel operations	**766,392**	598,264
Total revenue	**12,313,297**	14,109,832

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. REVENUE AND SEGMENT INFORMATION (continued)

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2021

	Property investment RMB'000	Property and land development RMB'000	Hotel operations RMB'000	Output management project RMB'000	Other services RMB'000	Total RMB'000
Revenue from contracts with customers	536,590	7,149,317	766,392	179,961	161,752	8,794,012
Geographical markets						
Mainland China	522,865	7,149,317	766,392	137,306	158,603	8,734,483
Hong Kong	13,725	–	–	42,655	3,149	59,529
	536,590	7,149,317	766,392	179,961	161,752	8,794,012
Timing of revenue recognition						
A point in time	–	7,149,317	191,379	–	–	7,340,696
Over time	536,590	–	575,013	179,961	161,752	1,453,316
	536,590	7,149,317	766,392	179,961	161,752	8,794,012

Set out below is reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Property investment RMB'000	Property and land development RMB'000	Hotel operations RMB'000	Output management project RMB'000	Other services RMB'000	Total RMB'000
Revenue from contracts with customers						
External customers	536,590	7,149,317	766,392	179,961	161,752	8,794,012
Inter-segment	40,785	–	11	103,922	56,255	200,973
Total	**577,375**	**7,149,317**	**766,403**	**283,883**	**218,007**	**8,994,985**
Rental revenue	3,521,870	–	–	–	–	3,521,870
Rental adjustments	(2,585)	–	–	–	–	(2,585)
Revenue from rental total	**3,519,285**	**–**	**–**	**–**	**–**	**3,519,285**
Inter-segment elimination	**(40,785)**	**–**	**(11)**	**(103,922)**	**(56,255)**	**(200,973)**
Revenue disclosed in segment information	**4,055,875**	**7,149,317**	**766,392**	**179,961**	**161,752**	**12,313,297**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. REVENUE AND SEGMENT INFORMATION (continued)

(i) Disaggregation of revenue from contracts with customers (continued)

For the year ended 31 December 2020

	Property investment RMB'000	Property and land development RMB'000	Hotel operations RMB'000	Output management project RMB'000	Other services RMB'000	Total RMB'000
Revenue from contracts with customers	456,089	9,722,469	598,264	147,235	55,050	10,979,107
Geographical markets						
Mainland China	439,196	9,722,469	598,264	107,482	51,918	10,919,329
Hong Kong	16,893	–	–	39,753	3,132	59,778
	456,089	9,722,469	598,264	147,235	55,050	10,979,107
Timing of revenue recognition						
A point in time	–	9,722,469	155,512	–	–	9,877,981
Over time	456,089	–	442,752	147,235	55,050	1,101,126
	456,089	9,722,469	598,264	147,235	55,050	10,979,107

Set out below is reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Property investment RMB'000	Property and land development RMB'000	Hotel operations RMB'000	Output management project RMB'000	Other services RMB'000	Total RMB'000
Revenue from contracts with customers						
External customers	456,089	9,722,469	598,264	147,235	55,050	10,979,107
Inter-segment	10,211	–	–	136,763	34,177	181,151
Total	**466,300**	**9,722,469**	**598,264**	**283,998**	**89,227**	**11,160,258**
Rental revenue	3,133,310	–	–	–	–	3,133,310
Rental adjustments	(2,585)	–	–	–	–	(2,585)
Revenue from rental total	**3,130,725**	**–**	**–**	**–**	**–**	**3,130,725**
Inter-segment elimination	**(10,211)**	**–**	**–**	**(136,763)**	**(34,177)**	**(181,151)**
Revenue disclosed in segment information	**3,586,814**	**9,722,469**	**598,264**	**147,235**	**55,050**	**14,109,832**

5. REVENUE AND SEGMENT INFORMATION (continued)

(ii) Performance obligations for contracts with customers

Development and sales of properties (revenue recognised at a point in time)

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Directors concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of residential properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives 20%~100% (2020: 30%~100%) of the contract value as deposits from customers when they sign the sale and purchase agreement. This will give rise to contract liabilities until the completed property is transferred to the customers. In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

The Group assesses the advance payment by contract whether it may contain significant financing component. If the effects of the financing component will materially change the amount of revenue at a contract level, accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the party receiving financing in the contract. As this accrual increases the amount of the contract liability during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer.

The Directors apply the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Property management related services, hotel operations and other services

Revenue relating to the property management related services, hotel operations and other services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, or at a point in time when the customer obtains control of the distinct good or service, as appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. REVENUE AND SEGMENT INFORMATION (continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) in respect of 31 December 2021 and 2020, and the expected timing of recognising revenue are as follows:

	Sales of properties Year ended at 31 December	
	2021 RMB'000	2020 RMB'000
Within one year	**10,352,614**	8,336,265
More than one year but not more than two years	**3,119,270**	3,662,928
	13,471,884	11,999,193

All the property management related services, hotel operations and other services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iv) Leases

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Total revenue arising from operating leases		
Lease payments that are fixed or linked to the performance of lessees	**3,519,285**	3,130,725

Information regarding the segments is reported below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and segment results

The following is an analysis of the Group's revenue and results by reportable segments.

Year ended 31 December 2021

	Property investment RMB'000	Property and land development RMB'000	Hotel operations RMB'000	Output management project RMB'000	Other services RMB'000	Segment total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Segment revenue								
External customers	4,058,460	7,149,317	766,392	179,961	161,752	12,315,882	–	12,315,882
Inter-segment revenue	40,785	–	11	103,922	56,255	200,973	(200,973)	–
Consolidated	4,099,245	7,149,317	766,403	283,883	218,007	12,516,855	(200,973)	12,315,882
Rental adjustments								(2,585)
Revenue as presented in consolidated statement of profit or loss								12,313,297
Segment results	2,709,536	344,393	(19,610)	231,426	169,959	3,435,704	–	3,435,704
Unallocated corporate income and other gains								248,050
Unallocated corporate expenses and other losses								(309,303)
Finance costs								(853,721)
Share of profit of associates								35,692
Share of profit of joint ventures								202,080
Impairment loss recognised on loan to an associate and other receivables								(299,663)
Profit before tax as presented in consolidated statement of profit or loss								2,458,839

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and segment results (continued)

Year ended 31 December 2020

	Property investment RMB'000	Property and land development RMB'000	Hotel operations RMB'000	Output management project RMB'000	Other services RMB'000	Segment total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Segment revenue								
External customers	3,589,399	9,722,469	598,264	147,235	55,050	14,112,417	–	14,112,417
Inter-segment revenue	10,211	–	–	136,763	34,177	181,151	(181,151)	–
Consolidated	3,599,610	9,722,469	598,264	283,998	89,227	14,293,568	(181,151)	14,112,417
Rental adjustments								(2,585)
Revenue as presented in consolidated statement of profit or loss								14,109,832
Segment results	2,431,399	2,090,899	(67,507)	213,348	(126,049)	4,542,090		4,542,090
Unallocated corporate income and other gains								783,740
Unallocated corporate expenses and other losses								(266,995)
Finance costs								(958,303)
Share of losses of associates								(5,544)
Share of losses of joint ventures								(189,250)
Profit before tax as presented in consolidated statement of profit or loss								3,905,738

Inter-segment revenue was charged at prices agreed between group entities, which have no material differences as compared to the prices provided to the third parties.

Segment revenue represents revenue earned by each segment without rental adjustments for property letting relating to the recognition of rental income from operating lease on a straight-line basis over the term of the relevant lease. Segment results represent the profit earned/loss incurred by each segment without allocation of certain items incurred for management purpose, including certain other income, other gains and losses, certain administrative expenses, finance costs, share of profits/losses of associates and joint ventures. The accounting policies of the operating segments are the same as the Group's accounting polices described in note 3. The above is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

Segment assets and liabilities are not disclosed in the consolidated financial statements as they are not regularly provided to the CODM for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. REVENUE AND SEGMENT INFORMATION (continued)

Geographical information

The following table sets out information about the Group's revenue from external customers by geographical location. The geographical location of customers is based on the location at which the services were provided or the goods and properties were delivered.

	Year ended at 31 December	
	2021	2020
	RMB'000	RMB'000
Mainland China	**12,197,450**	13,972,901
Hong Kong	**115,847**	136,931
	12,313,297	14,109,832

Information about the Group's non-current assets based on the location of assets is detailed below.

	Year ended at 31 December	
	2021	2020
	RMB'000	RMB'000
Mainland China	**69,898,158**	66,515,456
Hong Kong	**2,611,630**	2,770,365
	72,509,788	69,285,821

Non-current assets exclude goodwill, deferred tax assets, financial instruments under non-current assets.

Information about major customer

Revenue generated from a single customer which amounted to more than 10% of the Group's revenue was approximately RMB1,904,765,000 (2021: nil) from property and land development for the year ended 31 December 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. REVENUE AND SEGMENT INFORMATION (continued)

Other information

Amounts regularly provided to the chief operating decision maker are as follows:

	Property investment RMB'000	Property and land development RMB'000	Hotel operations RMB'000	Output management project RMB'000	Other services RMB'000	Total RMB'000
Year ended 31 December 2021						
Impairment loss recognised/(reversed) on accounts and other receivables, net	**7,556**	**2,723**	**(164)**	**1,498**	**(2,570)**	**9,043**
Depreciation of property, plant and equipment	**23,005**	**3,156**	**181,709**	**3,005**	**12,824**	**223,699**
Depreciation of right-of-use assets	**8,997**	**2,059**	**56,619**	**1,145**	**2,215**	**71,035**
Loss/(gain) on disposal of property, plant and equipment, net	**3,613**	**28**	**(1,073)**	**–**	**(88,693)**	**(86,125)**
Impairment loss on properties under development for sales	**–**	**266,643**	**–**	**–**	**–**	**266,643**
Year ended 31 December 2020						
Impairment loss recognised on accounts and other receivables, net	8,309	741	291	16	57	9,414
Depreciation of property, plant and equipment	25,786	2,037	185,068	2,863	16,578	232,332
Depreciation of right-of-use assets	11,118	2,134	56,184	–	2,783	72,219
Loss/(gain) on disposal of property, plant and equipment, net	5,068	(23)	(2)	–	(138)	4,905

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6. OTHER INCOME

	2021 RMB'000	2020 RMB'000
Interest income from:		
Banks	**138,319**	119,081
A non-banking financial institution*	**4,999**	12,259
Loan to joint ventures	**1,313**	21,281
Loans to associates	**117,654**	190,846
Loan to a non-controlling interest	**3,596**	3,240
Government grants (Note)	**22,623**	54,479
Refund of PRC value added tax and surcharges	**3**	452
Others	**9,024**	3,432
	297,531	405,070

* The non-banking financial institution is COFCO Finance Corporation Limited ("COFCO Finance"), a fellow subsidiary of the Group.

Note: Various government grants have been received for developments in certain provinces in Mainland China. The government grants mainly related to discretionary awards granted by local governments to certain subsidiaries of the Group to award their contributions to the local development. There are no unfulfilled conditions or contingencies relating to these grants.

7. OTHER GAINS AND LOSSES, NET

	2021 RMB'000	2020 RMB'000
Gain/(loss) on disposal of property, plant and equipment, net	**86,125**	(4,905)
Impairment loss on properties under development for sale	**(266,643)**	–
Impairment loss on property, plant and equipment	**(62,692)**	–
Impairment loss on right-of-use assets	**(13,227)**	–
Exchange gain, net	**117,495**	597,198
Others	**16,142**	37,311
	(122,800)	629,604

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2021 RMB'000	2020 RMB'000
Impairment loss recognised		
– accounts receivable	**7,248**	6,762
– other receivables	**1,795**	2,652
– loan to an associate	**299,439**	–
	308,482	9,414

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

9. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on:		
Bank borrowings	**687,081**	880,709
Loans from a non-banking financial institution*	**72,033**	56,142
Loans from fellow subsidiaries	**7,060**	6,463
Loans from non-controlling interests	**98,641**	48,756
Loan from an associate	**713**	–
Loans from joint ventures	**31,295**	1,161
Loans from third parties	**362,393**	357,347
Bonds payable	**151,801**	198,836
Lease liabilities	**12,510**	9,856
Others	**27,812**	21,872
Total interest expenses	**1,451,339**	1,581,142
Less: Interest capitalised:		
Investment properties under development (Note 16)	**(157,604)**	(117,175)
Properties under development for sale (Note 24(b))	**(440,014)**	(505,664)
	(597,618)	(622,839)
	853,721	958,303

* The non-banking financial institution is COFCO Finance, a fellow subsidiary of the Group.

Borrowing costs capitalised to investment properties under development and properties under development for sale were based on actual borrowing costs incurred.

Borrowing costs from borrowings were capitalised at rates ranging from 3.85% to 6.50% (2020: 4.41% to 8.90%) per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10. PROFIT BEFORE TAX

	2021 RMB'000	2020 RMB'000
Profit before tax has been arrived at after charging/(crediting):		
Directors' emoluments (Note 14)	**5,504**	2,864
Depreciation and amortisation:		
Amortisation:		
– Intangible assets (included in cost of sales)	**4,060**	4,273
– Intangible assets (included in administrative expenses)	**7,713**	8,081
– Intangible assets (included in distribution and selling costs)	**1,756**	1,918
Depreciation of right-of-use assets	**71,035**	72,219
Depreciation of property, plant and equipment	**223,699**	232,332
Total depreciation and amortisation	**308,263**	318,823
Cost of sales and services rendered:		
Cost of properties sold	**6,034,237**	7,255,559
Direct operating expenses arising from investment properties, net	**880,654**	758,234
Cost of primary land development services provided	**–**	57,404
Direct operating expenses arising from provision of property management and other property related services	**122,807**	81,738
Direct operating expenses from hotel services provided	**562,011**	499,332
	7,599,709	8,652,267
Employee benefits expense (including directors' emoluments (Note 14)):		
Salaries, allowances and other benefits	**1,030,379**	901,756
Retirement benefit scheme contributions	**100,738**	65,765
	1,131,117	967,521
Less: Capitalised in properties under development for sale and investment properties under development	**(189,215)**	(164,936)
	941,902	802,585
Advertising and promotion expenses (included in distribution and selling costs)	**208,077**	170,055
Auditors' remuneration	**2,250**	3,019

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

11. INCOME TAX EXPENSE

	2021 **RMB'000**	2020 RMB'000
Current tax:		
PRC Enterprise Income Tax	**587,056**	745,941
PRC dividend Withholding Tax	**74,041**	48,209
Land Appreciation Tax	**53,947**	550,252
Hong Kong Profits Tax	**16,424**	23,857
	731,468	1,368,259
Under/(over) provision in prior years:		
PRC Enterprise Income Tax	**4,502**	(3,586)
Deferred tax (Note 22)	**237,987**	371,973
	973,957	1,736,646

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The subsidiaries in mainland China are subject to PRC Enterprise Income Tax ("EIT") at 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The law of the PRC on EIT provides that qualified dividend income between two "resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to 5% to 10% withholding tax under the tax treaty or the domestic law. The Group is currently subject to withholding tax at 10% for both years.

11. INCOME TAX EXPENSE (continued)

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use right and all property development expenditures.

Pursuant to the rules and regulations of the British Virgin Islands, Bermuda and Samoa, the Group is not subject to any income tax in the British Virgin Islands, Bermuda and Samoa.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2021 **RMB'000**	2020 RMB'000
Profit before tax	**2,458,839**	3,905,738
Tax at PRC EIT rate of 25% (2020: 25%)*	**614,710**	976,435
Lower tax rates for entities of the Group operating in other jurisdictions	**20,442**	13,895
PRC LAT	**168,703**	550,252
Tax effect of PRC LAT	**(42,176)**	(137,563)
Tax effect of expenses not deductible for tax purpose	**45,923**	78,803
Tax effect of income not taxable for tax purpose	**(54,670)**	(30,749)
Tax effect of tax losses not recognised	**102,642**	127,889
Tax effect of unrecognised deductible temporary difference	**90,188**	936
Tax effect of utilisation of tax losses/deductible temporary difference not previously recognised	**(2,178)**	(26,383)
Tax effect of share of losses of associates	**1,144**	7,114
Tax effect of share of (profits) losses of joint ventures	**(6,776)**	51,600
Effect of withholding tax on undistributed profits	**32,695**	127,816
Under/(over) provision of current tax in prior years	**4,502**	(3,586)
Others	**(1,192)**	187
Income tax expense for the year	**973,957**	1,736,646

* The PRC EIT rate is used as it is the domestic tax rate in the jurisdiction where the operation of the Group is substantially based.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

12. DIVIDENDS

Dividends for the shareholders of ordinary shares and CPS of the Company recognised as distribution during the year:

	Year ended at 31 December	
	2021	2020
	RMB'000	RMB'000
2020 Final – HK3 cents per share (2019 Final: HK4 cents):		
Ordinary shares	**353,898**	521,997
Non-redeemable convertible preference shares	**27,238**	40,176
	381,136	562,173

Final dividend in respect of the year ended 31 December 2020 of HK3 cents per ordinary share has been proposed by the Directors and was approved by the shareholders at the annual general meeting conducted on 18 June 2021. The holders of the CPS were entitled to receive any dividend pari passu with the holders of ordinary shares of the Company and therefore entitled to receive the 2020 final dividend of approximately HK$33 million or RMB27 million.

The Board of Directors does not declare any final dividend for the year ended 31 December 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary shareholders of the Company is based on the following data:

	Year ended at 31 December	
	2021	2020
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**591,666**	1,104,533

	Year ended at 31 December	
	2021	2020
Number of shares ('000)		
For the purpose of basic and diluted earnings per share:		
Number of ordinary shares	**14,231,125**	14,231,125
Number of non-redeemable convertible preference shares (Note 35)	**1,095,301**	1,095,301
Number of shares for the purpose of basic earnings per share	**15,326,426**	15,326,426

The number of shares used for the purpose of calculating basic earnings per share for the years ended 31 December 2021 and 2020 were calculated on the basis of the number of the ordinary shares of the Company and CPS in issue during the years.

The calculation of the diluted earnings per share for the years ended 31 December 2021 and 2020 does not assume the exercise of the written put option on shares of a subsidiary as the dilution effect is not considered material.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

14. DIRECTORS' EMOLUMENTS

Details of the emoluments paid to the Directors for the year are as follows:

	Directors' fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
2021				
Executive directors				
Mr. YOU Wei				
(appointed on 17 March 2021)	–	989	170	1,159
Mr. ZHOU Zheng				
(resigned on 17 March 2021)	–	–	–	–
Mr. CAO Ronggen	–	2,999	239	3,238
Non-executive directors				
Mr. MA Dewei	–	–	–	–
Mr. ZHU Laibin	–	–	–	–
Mr. LIU Yun				
(appointed on 17 March 2021)	–	–	–	–
Mr. JIANG Yong				
(resigned on 17 March 2021)	–	–	–	–
Independent non-executive directors				
Mr. LAU Hon Chuen, Ambrose	369	–	–	369
Mr. LAM Kin Ming, Lawrence	369	–	–	369
Mr. CHAN Fan Shing	369	–	–	369
Total	1,107	3,988	409	5,504

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

14. DIRECTORS' EMOLUMENTS (continued)

	Directors' fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
2020				
Executive directors				
Mr. ZHOU Zheng (resigned on 17 March 2021)	–	–	–	–
Mr. CAO Ronggen	–	1,564	233	1,797
Non-executive directors				
Mr. MA Dewei (appointed on 28 October 2020)	–	–	–	–
Mr. ZHU Laibin (appointed on 3 March 2020)	–	–	–	–
Mr. JIANG Yong (resigned on 17 March 2021)	–	–	–	–
Independent non-executive directors				
Mr. LAU Hon Chuen, Ambrose	356	–	–	356
Mr. LAM Kin Ming, Lawrence	356	–	–	356
Mr. WU Kwok Cheung (resigned on 10 February 2020)	33	–	–	33
Mr. CHAN Fan Shing (appointed on 10 February 2020)	322	–	–	322
Total	1,067	1,564	233	2,864

None of the directors of the Company waived or agreed to waive any emoluments paid by the Group for the years ended 31 December 2020 and 2021. No emoluments were paid by the Group to any of the directors of the Company as an incentive payment for joining the Group or as compensation for loss of office during both years.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

In addition to the directors' emoluments disclosed above, certain executive directors were not paid directly by the Company nor its subsidiaries. Mr. ZHOU Zheng received remuneration from COFCO Corporation, which is the ultimate holding company of the Company, in respect of his services to the larger group which includes the Company and its subsidiaries for 2021 and 2020.

In 2021 and 2020, Mr. CAO Ronggen received remuneration from Tianjin Joy City Commercial Management Co., Ltd., which is a subsidiary of the Company for his service in connection with the management of the affairs of the Company and the Group. All non-executive directors were not paid directly by the Company in 2021 and 2020 but received remuneration from the ultimate holding company, in respect of their services to the larger group which includes the Company and its subsidiaries. In 2021 and 2020, no apportionment has been made as the qualifying services provided by these directors to the Company and its subsidiaries are incidental to their responsibilities to the larger group or Grandjoy Holdings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

15. EMPLOYEE'S EMOLUMENTS

The five highest paid employees of the Group during the year included two director (2020: one), details of whose remuneration are set out in Note 14 above. Details of the remuneration for the year of the remaining three (2020: four) individuals are as follows:

	Year ended at 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, allowances and other benefits	**10,750**	8,455
Retirement benefit scheme contributions	**1,156**	591
	11,906	9,046

The emoluments of the above individuals fell within the following bands:

	Year ended at 31 December	
	2021	2020
	Number of individuals	
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**–**	2
HK$2,000,001 – HK$2,500,000	**–**	3
HK$2,500,001 – HK$3,000,000	**1**	–
HK$3,000,001 – HK$3,500,000	**2**	–
HK$3,500,001 – HK$4,000,000	**1**	–
	5	5

16. INVESTMENT PROPERTIES

The Group leases out various offices and retail stores under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 20 years (2020:1 to 20 years), with unilateral rights to extend the lease beyond initial period held by lessees only. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend. The leases of retail stores contain variable lease payment that are based on 1% to 40% (2020:1% to 40%) sales and minimum annual lease payment that are fixed over the lease term.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

16. INVESTMENT PROPERTIES (continued)

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Fair value			
At 1 January 2020	54,368,861	2,935,132	57,303,993
Additions on subsequent expenditure	36,091	683,160	719,251
Disposal	(3,678)	–	(3,678)
Acquisition of a subsidiary (Note 46)	–	964,000	964,000
Purchase of investment properties under development for sale	–	306,400	306,400
Addition of leased investment properties	132,800	–	132,800
Interest capitalised (Note 9)	–	117,175	117,175
Change in fair value recognized in profit or loss	(58,327)	46,533	(11,794)
Transfer to property held for sale	(1,627,000)	–	(1,627,000)
Exchange realignment	(171,260)	–	(171,260)
At 31 December 2020	52,677,487	5,052,400	57,729,887
Unrealised (loss)/gain on property revaluation included in profit or loss	(58,327)	46,533	(11,794)
At 1 January 2021	**52,677,487**	**5,052,400**	**57,729,887**
Additions on subsequent expenditure	**85,192**	**2,476,933**	**2,562,125**
Transfer from construction in progress upon completion	**3,919,000**	**(3,919,000)**	**–**
Disposal	**(2,777)**	**–**	**(2,777)**
Purchase of investment properties under development for sale	**–**	**606,388**	**606,388**
Addition of leased investment properties	**6,467**	**–**	**6,467**
Interest capitalised (Note 9)	**–**	**157,604**	**157,604**
Change in fair value recognized in profit or loss	**(86,185)**	**253,674**	**167,489**
Exchange realignment	**(69,963)**	**–**	**(69,963)**
At 31 December 2021	**56,529,221**	**4,627,999**	**61,157,220**
Unrealised (loss)/gain on property revaluation included in profit or loss	**(86,185)**	**253,674**	**167,489**

All of the Group's property interests 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

16. INVESTMENT PROPERTIES (continued)

Details of the Group's completed investment properties and investment properties under development as at 31 December 2021 and 31 December 2020 were as follows:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Commercial properties located in Hong Kong	**2,440,920**	2,566,187
Commercial properties located in Mainland China	**53,915,300**	50,318,700
Residential properties located in Mainland China	**4,801,000**	4,845,000
	61,157,220	57,729,887

At 31 December 2021, the Group's investment properties with an aggregate carrying amount of RMB30,673,070,000 (2020: RMB24,348,863,000) were pledged to secure banking facilities granted to the Group (Note 41).

At 31 December 2021, building ownership certificates in respect of investment properties of the Group with an aggregate carrying amount of approximately RMB7,090,235,000 (2020: RMB3,196,177,000) had not been issued by the relevant PRC authorities.

Fair value measurement of the Group's investment properties

In estimating the fair value of the investment properties, the Directors use market observable data to the extent it is available. The Directors work closely with the valuer to establish the appropriate valuation techniques and inputs to the model.

The fair value of the Group's completed investment properties and investment properties under development in Hong Kong and Mainland China at 31 December 2021 and 2020 has been arrived at on the basis of a valuation carried out as at these days by Cushman & Wakefield ("C&W"), independent qualified professional valuer which is not connected with the Group.

For completed investment properties, the valuations were arrived at by making reference to the comparable market transactions as available in the market and where appropriate, by valuing the properties on the basis of capitalisation of the rental income derived from the existing tenancy agreements with due allowance for the reversionary income potential of the properties.

For investment properties under development, the valuations were arrived at using the residual method. Residual method is essentially a means of valuing the project by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed in accordance with the existing development plans as at the date of valuation, which duly reflected the risk associated with the development.

There has been no change in the valuation techniques during the current year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

16. INVESTMENT PROPERTIES (continued)

Fair value measurement of the Group's investment properties (continued)

The amount of the change in fair value recognised in profit or loss was mainly related to investment properties held at the end of each reporting period.

The fair values of the Group's investment properties at 31 December 2021 and 2020 are all grouped into Level 3 of fair value measurement. There were no transfers into or out of Level 3 during the both years.

The following table gives information about how the fair values of the Group's major investment properties as at 31 December 2021 and 2020 are determined. The significant unobservable inputs included (i) capitalisation rate, which taking into account of the capitalisation of rental income potential, nature of the property and prevailing market condition; and (ii) monthly unit rent, which using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities. A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa. A slight increase in the market rent used would result in a significant increase in fair value, and vice versa.

	Significant unobservable inputs			
Major investment properties of the Group	**Capitalisation rate**		**Monthly unit rent (sq.m/month)**	
	2021	2020	**2021 RMB**	2020 RMB
Completed investment properties				
Beijing COFCO Plaza				
– office	**6.0%**	6.0%	**321 to 401**	324 to 405
– shop	**5.0%**	5.0%	**141 to 353**	153 to 383
Fraser Suites Top Glory, Shanghai				
– residential units	**2.5%**	2.5%	**293**	293
COFCO Tower, Hong Kong				
– office	**3.2%**	3.3%	**378 to 432**	405 to 459
– shop	**3.5%**	3.5%	**765**	765
Xidan Joy City				
– office	**6.0%**	6.0%	**339**	333
– shop	**6.5%**	6.5%	**577 to 1,293**	585 to 1,671
Chaoyang Joy City – shop	**6.5%**	6.5%	**125 to 836**	129 to 861
Tianjin Joy City – shop	**7.0%**	7.0%	**221 to 441**	212 to 424
Shanghai Jing'an Joy City – shop				
– South Tower	**6.5%**	6.5%	**340 to 756**	345 to 766
– North Tower	**6.5%**	6.5%	**334 to 834**	332 to 831
Shenyang Joy City – shop	**7.0%**	7.0%	**145 to 362**	143 to 357
Chengdu Joy City – shop	**6.0%**	6.0%	**87 to 349**	85 to 338

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

17. PROPERTY, PLANT AND EQUIPMENT

	Office properties RMB'000	Office improvement RMB'000	Hotel properties RMB'000	Equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
Costs:						
At 1 January 2020	723,572	16,452	3,561,143	1,280,102	77,317	5,658,586
Additions	–	11,532	29,809	23,901	6,187	71,429
Disposals	–	–	(13,284)	(16,068)	(5,752)	(35,104)
Acquisition of a subsidiary	–	655	–	432	496	1,583
Others	(298)	–	–	–	–	(298)
Exchange realignment	–	–	–	(731)	–	(731)
At 31 December 2020	723,274	28,639	3,577,668	1,287,636	78,248	5,695,465
Additions	298	2,867	11,625	12,703	4,907	32,400
Disposals	(81,398)	–	(32)	(20,594)	(8,479)	(110,503)
Others	(4,841)	–	–	4,841	–	–
Exchange realignment	–	–	–	(1,427)	–	(1,427)
At 31 December 2021	637,333	31,506	3,589,261	1,283,159	74,676	5,615,935
Accumulated depreciation:						
At 1 January 2020	160,359	6,201	782,392	869,178	72,749	1,890,879
Charge for the year	19,505	6,474	129,269	72,650	4,434	232,332
Disposals	–	–	(6,797)	(14,117)	(5,206)	(26,120)
Exchange realignment	–	–	–	(320)	–	(320)
At 31 December 2020	**179,864**	**12,675**	**904,864**	**927,391**	**71,977**	**2,096,771**
Charge for the year	**17,590**	**750**	**127,788**	**72,792**	**4,779**	**223,699**
Eliminated on disposals	**(23,026)**	**–**	**–**	**(19,455)**	**(7,161)**	**(49,642)**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**
Exchange realignment	**–**	**–**	**–**	**(1,378)**	**–**	**(1,378)**
Others	**(1,375)**	**–**	**–**	**1,375**	**–**	**–**
At 31 December 2021	**173,053**	**13,425**	**1,032,652**	**980,725**	**69,595**	**2,269,450**
Accumulated impairment:						
At 1 January 2021	–	–	–	–	–	–
Additions	59,306	–	–	3,386	–	62,692
At 31 December 2021	59,306	–	–	3,386	–	62,692
Net carrying amounts:						
At 31 December 2021	**404,974**	**18,081**	**2,556,609**	**299,048**	**5,081**	**3,283,793**
At 31 December 2020	543,410	15,964	2,672,804	360,245	6,271	3,598,694

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

17. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment, less their estimated residual value, if any are depreciated on a straight-line basis at the following rates per annum:

Office properties	1.8% to 10%
Office improvements	Over the shorter of the term of the lease, and 10% to 25%
Hotel properties	2.5% to 10%
Equipment, furniture and fixtures and motor vehicles	5% to 20%

At 31 December 2021, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB2,518,314,000 (2020: RMB2,341,184,000) were pledged to secure banking facilities granted to the Group and a loan from non-controlling interest (Note 41).

At 31 December 2021, building ownership certificates in respect of certain office properties and hotel properties of the Group in Mainland China with an aggregate net carrying amount of approximately RMB149,661,000 (2020: RMB137,736,000) had not been issued by the relevant PRC authorities.

Details of the Group's office properties and hotel properties as at 31 December 2021 and 2020 were as follows:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Located in Mainland China	**2,960,580**	3,214,926
Located in Hong Kong	**1,003**	1,288
	2,961,583	3,216,214

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

18. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
Costs:			
At 1 January 2020	2,013,187	61,122	2,074,309
Additions	305	5,940	6,245
Early termination of lease contracts	–	(12,158)	(12,158)
At 31 December 2020	2,013,492	54,904	2,068,396
Additions	–	25,569	25,569
Early termination of lease contracts	–	(18,393)	(18,393)
At 31 December 2021	2,013,492	62,080	2,075,572
Accumulated depreciation:			
At 1 January 2020	301,961	10,648	312,609
Charge for the year	60,649	11,570	72,219
Early termination of lease contracts	–	(3,117)	(3,117)
At 31 December 2020	362,610	19,101	381,711
Charge for the year	60,603	10,432	71,035
Early termination of lease contracts	–	(4,665)	(4,665)
Impairment provision	13,227	–	13,227
At 31 December 2021	436,440	24,868	461,308
Net carrying amount:			
At 31 December 2021	1,577,052	37,212	1,614,264
At 31 December 2020	1,650,882	35,803	1,686,685

	2021 RMB'000	2020 RMB'000
Expense relating to short-term leases	**27,802**	13,308
Total cash outflow for leases	**76,459**	60,259
Additions to right-of-use assets	**25,569**	6,245

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

18. RIGHT-OF-USE ASSETS (continued)

At 31 December 2021, certain of the Group's right of use assets with a net carrying amount of approximately RMB1,434,517,000 (2020: RMB1,373,563,000) were pledged to secure banking facilities granted to the Group (Note 41).

For both years, the Group leases various offices and retail stores for its operations. Lease contracts are entered into for fixed term of 2 years to 10 years. The Group's right of use assets are depreciated on a straight-line basis at the rates ranging from 10% to 50% per annum. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

19. INTANGIBLE ASSETS

	RMB'000
Costs:	
At 1 January 2020	191,504
Additions	6,904
Acquisition of a subsidiary (Note 46)	42
At 31 December 2020	198,450
Additions	4,681
Disposal	(4,755)
At 31 December 2021	198,376
Accumulated amortisation:	
At 1 January 2020	65,070
Amortisation provided during the year	14,272
At 31 December 2020	79,342
Amortisation provided during the year	13,529
Disposal of subsidiary	(2,227)
At 31 December 2021	90,644
Net carrying amounts:	
At 31 December 2021	107,732
At 31 December 2020	119,108

Intangible assets represent computer software and project concession rights. Computer software are stated at cost less any impairment losses and amortised on the straight-line basis over their estimated useful life of 5 years. Project concession rights in Sanya and Hangzhou were completed and amortised in 2019 over their estimated useful life of 30 years and 28 years respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

20. INTERESTS IN ASSOCIATES

	At 31 December 2021 RMB'000	2020 RMB'000
Cost of investments, unlisted	**224,322**	224,322
Share of post-acquisition results	**(107,058)**	(142,750)
	117,264	81,572

Details of the Group's principal associates at the end of the reporting period are as follows:

Company name	Place of establishment/ incorporation	Principal place of operation	Proportion of ownership interest and proportion of voting rights held by the Group At 31 December 2021	2020	Principal activity
Beijing Xinrun Zhiyuan Real Estate Co., Ltd. (Note (a))	People's Republic of China	Beijing, PRC	**20%**	20%	Property development
Kunming Luoshiwan Guoyue Real Estate Co., Ltd. (Note (a))	People's Republic of China	Kunming, PRC	**30%**	30%	Property development
Fancy Merit Ltd. (Note (b))	Hong Kong	Qingdao, PRC	**49%**	49%	Property development

Aggregate information of associates that are not individually material

	2021 RMB'000	2020 RMB'000
The Group's share of profit/(loss)	**35,692**	(5,544)
Aggregate carrying amount of the Group's interests in these associates	**117,264**	81,572

21. INTERESTS IN JOINT VENTURES

	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Cost of investments, unlisted	**6,509,238**	6,424,238
Share of post-acquisition results and other comprehensive income	**(279,722)**	(354,363)
Total	**6,229,516**	6,069,875

Details of the Group's principal joint ventures at the end of the reporting period are as follows:

Company name	Place of establishment/ incorporation	Principal place of operation	Proportion of ownership interest and proportion of voting rights held by the Group At 31 December 2021	2020	Principal activity
Colour Bridge Holdings Ltd.	British Virgin Islands	Shanghai, PRC	**50%**	50%	Property development
Garbo Commercial Property Fund L.P.	Cayman Islands	Shanghai and Xi'an, PRC	**36.4%**	36.4%	Investment property
Changzhou Jingrui Real Estate Co., Ltd.*	People's Republic of China	Changzhou, PRC	**49%**	49%	Property development

* The English name is translation of its Chinese name and is included for identification purpose only, and should not be regarded as its official English translation.

Summary of financial information of material joint venture

Summarised financial information in respect of the Group's material joint venture which is accounted for using the equity method is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

21. INTERESTS IN JOINT VENTURES (continued)

Colour Bridge Holdings Ltd.

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Current assets	**20,223,293**	18,238,295
Non-current assets	**189,654**	164,213
Total assets	**20,412,947**	18,402,508
Current liabilities	**10,986,141**	9,104,535
Non-current liabilities	**731**	476
Total liabilities	**10,986,872**	9,105,011
Non-controlling interests	**94,566**	92,976
Net assets	**9,331,509**	9,204,521
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**8,963,515**	4,970,014
Current financial liabilities (excluding trade and other payables, and provisions)	**4,096,164**	4,155,518

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

21. INTERESTS IN JOINT VENTURES (continued)

Colour Bridge Holdings Ltd. (continued)

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue	**3,731,865**	7,125,086
Profit and total comprehensive income for the year	**128,579**	68,351
Non-controlling interests	**1,591**	684
Profit and total comprehensive income for the year shared by the Group	**63,494**	33,834
Included in the amounts disclosed above are:		
Depreciation and amortisation	**(1,696)**	(17,687)
Income tax expense	**(318,536)**	(1,403,228)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Colour Bridge Holdings Ltd. recognised in these consolidated financial statements.

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Net assets of Colour Bridge Holdings Ltd.	**9,331,509**	9,204,521
Proportion of the Group's ownership in Colour Bridge Holdings Ltd.	**50%**	50%
Carrying amount of the Group's interest in Colour Bridge Holdings Ltd.	**4,665,755**	4,602,261

Aggregate information of joint ventures that are not individually material

	2021	2020
	RMB'000	RMB'000
The Group's share of profit/(loss)	**138,586**	(223,084)
Aggregate carrying amount of the Group's interests in these joint ventures	**1,563,761**	1,467,614

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

22. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

Deferred tax assets

	Land appreciation tax RMB'000	Tax losses RMB'000	Impairment of assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	241,481	70,011	25,546	192,174	529,212
Acquisition of a subsidiary (Note 46)	–	43,761	231	–	43,992
(Charge)/credited to profit or loss (Note 11)	(35,637)	(57,357)	1,562	(92,889)	(184,321)
At 31 December 2020	**205,844**	**56,415**	**27,339**	**99,285**	**388,883**
(Charge)/credited to profit or loss (Note 11)	**(114,756)**	**19,060**	**15,792**	**53,806**	**(26,098)**
At 31 December 2021	**91,088**	**75,475**	**43,131**	**153,091**	**362,785**

Deferred tax liabilities

	Investment property RMB'000	Tax depreciation allowance RMB'000	Dividend withholding tax RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	6,119,378	1,194,178	354,103	39,862	7,707,521
(Credit)/charged to profit or loss (Note 11)	(104,388)	204,018	79,607	8,415	187,652
Exchange realignment	–	–	–	(723)	(723)
At 31 December 2020	**6,014,990**	**1,398,196**	**433,710**	**47,554**	**7,894,450**
Charged/(credit) to profit or loss (Note 11)	**54,781**	**212,516**	**(41,346)**	**(14,062)**	**211,889**
Exchange realignment	**–**	**–**	**–**	**154**	**154**
At 31 December 2021	**6,069,771**	**1,610,712**	**392,364**	**33,646**	**8,106,493**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

22. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Deferred tax assets	**186,345**	235,517
Deferred tax liabilities	**(7,930,053)**	(7,741,084)
	(7,743,708)	(7,505,567)

At 31 December 2021, the Group had tax losses of RMB1,764,153,000 (2020: RMB1,448,618,000) arose in Mainland China to carry forward to set off against future taxable profit which will expire within 1 to 5 years from each of the financial year end date. A deferred tax asset has been recognised in respect of tax losses of RMB301,902,000 (2020: RMB194,928,000). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB1,462,251,000 (2020: RMB1,253,690,000) due to the unpredictability of future profit streams.

The unrecognised tax losses will expire in the following years:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
To be expired on:		
31 December 2021	**–**	186,918
31 December 2022	**153,687**	192,553
31 December 2023	**171,433**	172,877
31 December 2024	**211,956**	212,092
31 December 2025	**487,982**	489,250
31 December 2026	**437,193**	–
Total unused tax losses not recognised as deferred tax assets	**1,462,251**	1,253,690

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

22. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

At 31 December 2021, the Group had estimated unused tax losses of RMB129,150,000 (2020: RMB 119,492,000) arose in Hong Kong available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

Pursuant to the PRC Enterprise Income Tax Law, 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is currently subject to withholding tax at 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2021, deferred tax liabilities on certain undistributed profits of the PRC subsidiaries of approximately RMB68,463,000 (2020: RMB67,474,000), which were generated after 1 January 2008, have not been recognised as of 31 December 2021 because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

23. LOANS TO/FROM ASSOCIATES, JOINT VENTURES, FELLOW SUBSIDIARIES, NON-CONTROLLING INTERESTS AND THIRD PARTIES

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Classified under current assets		
Loans to an associate (Note (a))	**771,938**	771,938
Loan to a non-controlling interest (Note (b))	**1,020,000**	1,100,000
Loan to a joint venture (Note (d))	**–**	166,440
	1,791,938	2,038,378
Classified under non-current assets		
Loans to associates (Note (a))	**832,613**	1,151,780
	832,613	1,151,780
Classified under current liabilities		
Loans from fellow subsidiaries (Note (e))	**996,486**	573,083
Loan from non-controlling interests (Note (c))	**1,953,326**	559,712
Loans from joint ventures (Note (g))	**2,524,800**	274,800
Loans from third parties (Note (f))	**1,211,694**	–
	6,686,306	1,407,595

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23. LOANS TO/FROM ASSOCIATES, JOINT VENTURES, FELLOW SUBSIDIARIES, NON-CONTROLLING INTERESTS AND THIRD PARTIES (continued)

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Classified under non-current liabilities		
Loans from fellow subsidiaries (Note (e))	**768,558**	868,578
Loans from third parties (Note (f))	**6,372,633**	5,135,031
	7,141,191	6,003,609

Notes:

(a) The loans to associates as at 31 December 2021 were unsecured, carried fixed interest at rates ranging from 7.00% to 10.00% per annum (2020: 7.00% to 10.00% per annum) and were classified into current assets and non-current assets according to their repayment term. The Group has recognised an impairment allowance for credit loss of approximately RMB299,439,000 for the year ended 31 December 2021 (2020: nil) as its recoverability is considered to be remote.

(b) The loan to the non-controlling interests as at 31 December 2021 was unsecured, interest bearing at 0.35% per annum (2020: 0.35%) and will be repayable within one year.

(c) The loan from non-controlling interest as at 31 December 2021 were unsecured, carried interest at rates ranging from 3.85% to 6.00% per annum (2020: 8.00%) and were classified into current assets and non- current assets according to their repayment term.

(d) As at 31 December 2020, the loan to a joint venture carried interest at 3.85% per annum and was repayable within one year. The amount was fully settled as at 31 December 2021.

(e) The loans from fellow subsidiaries carried interest at rates ranging from 2.09% to 4.20% per annum (2020: 4.28% to 5.39%) and were classified into current assets and non-current assets according to their repayment term.

(f) The loans from third parties carried interest at rates ranging from 3.80% to 6.50% per annum (2020: ranging from 5.20% to 6.50% per annum) and were classified into current liabilities and non-current liabilities according to its repayment terms. Included in the above loans from third parties, RMB3,440,527,000 of which were guaranteed by the immediate holding company, Grandjoy Holdings as at 31 December 2021 (2020: RMB7,584,327,000). All of the third parties are other non-bank financial institutions such as trust institution and asset management company.

(g) The loans from a joint venture carried as at 31 December 2021 was unsecured, interest bearing at 3.85% per annum (2020: 3.85%) and will be repayable within one year.

(h) Details of impairment assessment of amounts due from associates, non-controlling interests and joint ventures as at 31 December 2021 and 2020 are set out in Note 43.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23. LOANS TO/FROM ASSOCIATES, JOINT VENTURES, FELLOW SUBSIDIARIES, NON-CONTROLLING INTERESTS AND THIRD PARTIES (continued)

The maturity profile of the loans from fellow subsidiaries, non-controlling interests, a joint venture and third parties are as follows:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Carrying amount of loans*		
Within one year	**6,686,306**	1,407,595
In the second year	**1,412,001**	2,608,519
In the third to fifth year, inclusive	**2,181,480**	1,670,090
Over five years	**3,547,710**	1,725,000
Total	**13,827,497**	7,411,204
Less: Amounts due within twelve months shown under current liabilities	**(6,686,306)**	(1,407,595)
Amounts shown under non-current liabilities	**7,141,191**	6,003,609

* The amounts due are based on scheduled repayment dates set out in the same respective loan agreements.

As at 31 December 2021, an aggregate amount of RMB374,891,000 of the loan to an associate was denominated in United States dollars ("US$") (31 December 2020: RMB383,664,000) and there are no loan from the non-controlling interests were denominated in US$ (31 December 2020: RMB559,712,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

24(A). PROPERTIES HELD FOR SALE

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Completed properties held for sale	**7,597,916**	1,667,377

The Group's properties held for sale are located in Mainland China. They are stated at the lower of cost and net realisable value.

At 31 December 2021 and 2020, none of the Group's properties held for sale were pledged to secure banking facilities granted to the Group (Note 41).

Included in the completed properties held for sale is carrying amount of RMB4,566,454,000 (2020: RMB1,405,939,000) which is expected to be sold after more than twelve months from the end of the reporting period.

24(B). PROPERTIES UNDER DEVELOPMENT FOR SALE

	2021	2020
	RMB'000	RMB'000
At cost:		
At 1 January	**29,280,964**	21,209,749
Additions	**15,461,816**	9,610,880
Transfer to properties held for sale upon completion	**(12,224,951)**	(4,663,336)
Interest capitalised during the year (Note 9)	**440,014**	505,664
Impairment loss	**(266,643)**	–
Acquisition of subsidiaries (Note 46)	**–**	2,618,007
At 31 December	**32,691,200**	29,280,964

Included in the properties under development for sale as at 31 December 2021 was carrying amount of RMB19,924,468,000 (31 December 2020: RMB12,549,047,000) of which the development is expected to be completed and available for sale after more than twelve months from the end of the reporting period.

At 31 December 2021, the land on which properties under development for sale are located with a carrying amount of RMB10,622,463,000 (2020: RMB9,544,556,000) was pledged to secure certain banking facilities granted to the Group (Note 41).

Included in the properties under development for sale as at 31 December 2021 was the carrying amount of construction costs incurred of approximately RMB3,288,784,000 (31 December 2020: RMB2,589,764,000) in relation to primary land development.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

25. ACCOUNTS RECEIVABLE

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Lease receivables	**110,735**	151,860
Property management fee receivables	**3,311**	3,196
Receivables from hotel operations and related services	**21,862**	23,631
Others	**807**	1,748
Less: Allowance for credit losses	**(25,141)**	(35,668)
	111,574	144,767
Rental adjustments*	**8,615**	11,200
	120,189	155,967

* Rental adjustments relating to the recognition of rental income from operating lease on a straight-line basis over the term of the relevant lease

At as 31 December 2021, the gross amount of account receivables from contracts with customers amounted to RMB25,980,000 (2020: RMB28,575,000).

At 31 December 2021, accounts receivable with an aggregate carrying amount of RMB26,089,000 (2020: RMB9,055,000) were pledged to secure certain banking facilities granted to the Group (Note 41).

The following is an aged analysis of accounts receivable at the end of the reporting period, excluding rental adjustments and net of allowance for credit losses, presented based on invoice date, except for lease receivables, which were presented based on the date of rental demand notice issued:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Less than 3 months	**81,011**	97,063
3 months to 1 year	**21,919**	42,148
1 to 2 years	**7,131**	4,190
2 to 3 years	**1,513**	1,366
	111,574	144,767

As at 31 December 2021, included in the Group's accounts receivable balance are debtors with aggregate carrying amount of approximately RMB79,548,000 (31 December 2020: RMB60,868,000) which are past due as at the reporting date. Out of the past due balances, approximately RMB26,897,000 (31 December 2020: RMB30,773,000) has been past due for 90 days or more and is not considered as in default due to historical repayment history from these customers. The Group does not hold any collateral over these balances.

Details of impairment assessment of accounts receivable as at 31 December 2021 and 2020 are set out in Note 43.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

26. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Classified under non-current assets		
Other deposits	**185,892**	185,112
Classified under current assets		
Construction payments on behalf of government in relation to constructions primary land development	**117,165**	225,755
Prepayments to suppliers	**120,700**	231,079
Other deposits paid	**876,206**	1,130,555
Prepaid LAT and other taxes	**1,401,684**	1,074,023
Receivables from tenants for utility expenses paid on their behalf	**20,053**	15,639
Restricted deposits from pre-sale properties	**467,536**	–
Other receivables	**94,958**	106,363
	3,098,302	2,783,414
Less: Allowance for credit losses	**(35,085)**	(33,822)
	3,063,217	2,749,592

Details of impairment assessment of deposits and other receivables as at 31 December 2021 and 2020 are set out in Note 43.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

27. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES, HOLDING COMPANIES, JOINT VENTURES, ASSOCIATES AND NON-CONTROLLING INTERESTS

The amounts due from/to fellow subsidiaries, holding companies, joint ventures, associates and non-controlling interests classified under current assets and current liabilities, respectively, were unsecured, interest-free and repayable on demand.

Included in amounts due to non-controlling interests as at 31 December 2021 was dividend payable to non-controlling interests of RMB336,861,000 (2020: RMB201,272,500).

Details of impairment assessment of amounts due from associates, joint ventures, fellow subsidiaries and non-controlling interests as at 31 December 2021 and 2020 are set out in Note 43.

The particulars of the amounts due from fellow subsidiaries disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) are as follows:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Amounts due from a fellow subsidiary*:		
Name of the fellow subsidiary:		
中糧置地管理有限公司 (COFCO Land Management Co., Ltd**) ("COFCO Land Management")	**–**	–
Maximum amount outstanding during the year		
Name of the fellow subsidiary:		
COFCO Land Management	**313**	359

The amount is non-trade related, interest free and repayable on demand.

* Certain directors of this company are also directors of the Company.

** The English name is translation of its Chinese name and is included for identification purpose only, and should not be regarded as its official English translation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

27. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES, HOLDING COMPANIES, JOINT VENTURES, ASSOCIATES AND NON-CONTROLLING INTERESTS (continued)

The following amounts due from/to fellow subsidiaries, non-controlling interests and the immediate holding company are denominated in Hong Kong dollars ("HK$") or US$, other than the functional currency of the entities comprising the Group to which they relate:

	At 31 December	
	2021 RMB'000	2020 RMB'000
Denominated in HK$		
Amount due from a joint venture	**67**	–
Amounts due to fellow subsidiaries	**34,921**	16,518
Amounts due to non-controlling interests	**3,001**	3,090
Amount due to the immediate holding company	**–**	12,313
Denominated in US$		
Amounts due to fellow subsidiaries	**6,735**	5,489
Amounts due to non-controlling interests	**–**	99,023
Amounts due from non-controlling interests	**21,746**	22,255
Amounts due from a joint venture	**184**	–

28. CASH AND BANK BALANCES, PLEDGED DEPOSITS AND RESTRICTED BANK DEPOSITS

	At 31 December	
	2021 RMB'000	2020 RMB'000
Cash at banks and on hand*	**10,325,072**	16,022,493
Non-pledged time deposits with an original maturity of:		
Three months or less when acquired	**27,825**	27,134
Cash and bank balances	**10,352,897**	16,049,627
Pledged deposits:		
For guarantees provided by the Group in respect of loan facilities utilised by property buyers (Note 41)	**5,500**	7,915
Restricted bank deposits:		
For payments of constructions costs for specified projects	**127,040**	184,879
Others	**176**	161
	127,216	185,040

* Cash at COFCO Finance were amounted to RMB1,485,000,000 at 31 December 2021 (2020: RMB1,495,000,000)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

28. CASH AND BANK BALANCES, PLEDGED DEPOSITS AND RESTRICTED BANK DEPOSITS (continued)

Cash at banks earns interest at rates based on daily bank deposit rates. Short-term time deposits are made for varying periods not exceeding three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks.

The bank balances and deposits carry variable interest rates as follows:

	At 31 December	
	2021	2020
	%	%
Interest rate per annum	**0.01 to 2.03**	0.01 to 4.5

Certain of the Group's cash and bank balances are denominated in the following currencies other than the functional currency of the entities comprising the Group to which they relate:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Denominated in HK$	**584,328**	864,369
Denominated in US$	**165,796**	204,606
	750,124	1,068,975

29. ACCOUNTS PAYABLE

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables	**33,755**	44,231
Accrued expenditure on construction	**5,242,801**	7,080,040
	5,276,556	7,124,271

Accounts payable, including trade payables, accrued expenditures on construction and accrued land cost, mainly comprise construction costs, land cost and other project-related expenses in relation to properties under development for sale which are payable based on project progress measured by the Group. Trade payables are generally with credit period of 60 to 90 days, except for the retention monies of certain construction costs of which the credit period is up to 2 years. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period.

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year	**33,540**	42,814
1 to 2 years	**–**	–
2 to 3 years	**–**	–
Over 3 years	**215**	1,417
	33,755	44,231

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

30. OTHER PAYABLES AND ACCRUALS

Classified under current liabilities

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Construction costs payable for property, plant and equipment	**4,516**	48,559
Construction costs payable for investment properties	**1,238,609**	1,296,116
Receipts of credit card payments on behalf of tenants	**456,686**	518,517
Rental deposits received	**454,958**	483,714
Other deposits received	**527,578**	697,962
Salaries and payroll payables	**268,267**	281,839
Rental receipts in advance	**517,796**	384,422
Other tax payable	**1,289,954**	1,245,774
Consideration payable for acquisition of a joint venture	**6,590**	500,000
Interest payables	**31,843**	29,354
Promotional fees payable	**72,244**	58,056
Other payables and accruals	**486,476**	473,729
	5,355,517	6,018,042

Classified under non-current liabilities

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Obligation arising from put option to non-controlling shareholder (Note)	**379,889**	360,512
Rental deposits received	**614,292**	421,079
	994,181	781,591

Note:

On 8 October 2018, Golden Prominent Limited ("Golden"), a wholly-owned subsidiary of the Company, entered into an agreement with Reco Valley Private Limited (the "Partner"), a third party, to establish a non wholly-owned subsidiary named Joy Valley Limited ("Joy Valley"), to bid for the land use rights for the purpose of developing a property project in Wuhan, HuBei Province, the PRC. Golden holds 51% equity interest in Joy Valley and the Partner holds the remaining 49% equity interest.

Pursuant to the agreement above, Golden has granted the put option (the "Put Option") to the Partner exercisable upon the date of completion of the two years operation of the shopping mall located on the piece of land of the project developed by Joy Valley, within a 30-day valid period, that the Partner has the right to require the Group to buy back the 49% equity interest in Joy Valley held by the Partner at a cash consideration with reference to the market value of net assets of Joy Valley attributable to the Partner. At initial recognition, the obligation arising from the Put Option represented the estimated present value of the amount Golden could be required to pay the Partner amounting to RMB336,470,000. This amount has been recognised in the consolidated statement of financial position with a corresponding debit to other reserve, and was designated as at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

31. BANK BORROWINGS

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Bank loans:		
Secured or guaranteed	**15,463,897**	17,618,968
Unsecured	**5,712,733**	5,091,169
	21,176,630	22,710,137
Represented:		
Fixed-rate borrowings	**–**	–
Floating-rate borrowings	**21,176,630**	22,710,137
	21,176,630	22,710,137

Details of securities for the secured bank loans are set out in Note 41. Certain of bank borrowings are under corporate guarantee executed by related parties and third parties as follows:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Guaranteed by a direct-controlling interest	**–**	127,500
Guaranteed by fellow subsidiaries	**9,311,859**	9,262,257

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

31. BANK BORROWINGS (continued)

The maturity profile of the above bank loans is as follows:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Carrying amount of bank loans repayable*:		
Within one year	**8,400,146**	6,069,083
In the second year	**3,232,005**	7,030,647
In the third to fifth year, inclusive	**8,531,199**	7,046,225
Beyond five years	**1,013,280**	2,564,182
Total bank borrowings	**21,176,630**	22,710,137
Less: Amounts due within twelve months shown under current liabilities	**(8,400,146)**	(6,069,083)
Amounts shown under non-current liabilities	**12,776,484**	16,641,054

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 December 2021, the amount of RMB3,528,850,000 of bank borrowings was denominated in HK$ (2020: RMB2,841,377,000), and the amount of RMB10,666,032,000 of bank borrowings was denominated in US$ (2020: RMB10,045,927,000). Out of these foreign currency denominated bank loans, the Group has entered into interest rate swap agreements with independent counterparties to lock-up the variable interest rates of the loans amounting to RMB8,370,019,000 as at 31 December 2021 (31 December 2020: RMB8,565,889,000) into fixed rates. These interest rate swap instruments are designated as effective hedging instruments. The Group has entered into foreign currency forward contracts with independent counterparties to lock-up the variable foreign currency exchange rates of the loans amounting to RMB7,241,671,000 as at 31 December 2021 (31 December 2020: 439,185,000) into fixed rates. These exchange rate swap instruments are designated as effective hedging instruments.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings is as follows:

	At 31 December	
	2021	2020
	%	%
Effective interest rate per annum	**1.11 to 5.70**	1.18 to 5.18

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

32. BONDS PAYABLE

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Classified under current liabilities		
COFCO Commercial Property Investment Co., Ltd (Note)	**1,576,267**	905,098
Classified under non-current liabilities		
COFCO Commercial Property Investment Co., Ltd (Note)	**2,409,314**	3,836,252

Note:

On 14 January 2016, a non-wholly-owned subsidiary of the Company (the "Subsidiary"), COFCO Commercial Property Investment Co., Ltd (中糧置業投資有限公司), issued a five-year term unsecured corporate bond (the "Corporate Bonds") in the PRC with a principal amount of RMB3,000,000,000. The coupon rate of the Corporate Bonds is 3.20% per annum for the first three years, up to 14 January 2019. At the end of the third year by giving a 7-day notice, the bond holders have a right to require the Subsidiary to redeem the Corporate Bonds at its par value plus accrued and unpaid interest, and the Subsidiary has a right to adjust the coupon rate of the Corporate Bonds from a range of 1-100 basis points. On 21 December 2018, the Subsidiary announced that it received bond holders' notice to sell the Corporate Bonds in an aggregate principal amount of RMB2,267,788,000 (the "Announcement"). On 14 January 2019, the Corporate Bonds with the principal amount of RMB2,267,788,000 were redeemed according to the Announcement. The adjusted coupon rate of the remaining Corporate Bonds is 3.95% for the next two years. During the year ended 31 December 2021, the remaining bonds of RMB732,212,000 has been repaid.

On 9 January 2019, the Subsidiary further issued a six-year term and a seven-year term unsecured corporate bonds ("CBI" and "CBII") in the PRC, with principal amounts of RMB1,660,000,000 and RMB700,000,000 respectively. The coupon rates of the bonds are 3.94% and 4.10% per annum. At the end of the third year of CBI and the fifth year of CBII, the bond holders have a right to require the Subsidiary to redeem the bonds at its par value plus accrued and unpaid interest, and the Subsidiary has a right to adjust the coupon rate of the bonds from a range of 1-100 basis points.

On 27 March 2020, the Subsidiary further issued a three-year term and a five-year term of unsecured corporate bonds in the PRC, with principal amounts of RMB900,000,000 and RMB600,000,000 respectively, carrying coupon rate of 3.14% and 3.60% per annum, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

33. CONTRACT LIABILITIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Sales of properties	**12,257,461**	10,119,283
Others	**62,666**	51,015
	12,320,127	10,170,298

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	Sales of properties	**Others**
	RMB'000	**RMB'000**
For the year ended 31 December 2021		
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**4,323,226**	**51,015**
For the year ended 31 December 2020		
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	7,209,823	62,467

34. SHARE CAPITAL

Ordinary share capital of the Company

	Number of shares	**Amount**	**(RMB equivalent)**
		HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.10 each			
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	28,904,699,222	2,890,470	2,293,502
Issued and fully paid:			
Ordinary shares of HK$0.10 each			
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	14,231,124,858	1,423,112	1,122,414

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

35. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES

CPS with a par value of HK$0.10 each were created as a new class of shares in the share capital of the Company on 19 December 2013. Upon the completion date of the Reverse Takeover Transaction on 19 December 2013, the Company issued 1,095,300,778 CPS (which are convertible into 1,095,300,778 new ordinary shares of the Company (the "Shares") subject to anti-diluted adjustments, to be allotted and issued credited as fully paid by the Company upon the exercise of the conversion rights attaching to the CPS (the "Conversion Shares")) to Achieve Bloom Limited, the then immediate holding company of the Company, as part of the consideration of the Reverse Takeover Transaction completed in December 2013, resulting in credits to equity of HK$2,190,602,000 (approximately RMB1,722,317,000).

The CPS shall be convertible at the option of its holder, without the payment of any additional consideration therefor, into such number of fully-paid Shares at the conversion ratio of one CPS for one Share. Holders of the CPS will have the right to convert all or such number of CPS into the Conversion Shares at any time after the issuance of the CPS, provided that they may not exercise the conversion rights as to such number of CPS the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules. The CPS shall be non-redeemable by the Company or their holders.

Each CPS shall confer on its holder the right to receive any dividend pari passu with holders of Shares on the basis of the number of Share(s) into which each CPS may be converted and on an as converted basis. The holders of the CPS shall have priority over the ordinary shareholders of the Company on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company (but not on conversion of CPS or any repurchase by the Company of CPS or Shares).

The holders of the CPS shall be entitled to receive notices of and to attend general meetings of the Company, but the CPS shall not confer on their holders the right to vote at a general meeting of the Company, unless a resolution is to be proposed at a general meeting for the winding-up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the CPS or vary the restrictions to which the CPS are subject.

The CPS (including the Conversion Shares once converted from the CPS) may be transferred by their holders without restriction. Save as expressly provided in the Bye-laws and save and except for the voting rights and distribution entitlements upon liquidation, winding-up or dissolution of the Company, each CPS shall have the same rights as each of the Shares.

The Conversion Shares upon conversion of the CPS will be issued as fully paid and will rank pari passu in all respects with the Shares in issue as at the date of conversion. Listing approval for the Conversion Shares has been granted by the Stock Exchange.

If and whenever the Shares are consolidated or sub-divided into a different nominal amount, then the same consolidation or subdivision shall be effected on the CPS, in which case the conversion ratio shall remain as one CPS for one Share (as consolidated or sub-divided, as the case may be).

No listing will be sought for the CPS on the Stock Exchange or any other stock exchange.

36. RESERVES

The reconciliation of each component of the Group's total equity, including share premium and reserves, is set out in the consolidated statement of changes in equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. PERPETUAL CAPITAL INSTRUMENTS

Notes:

(a) In October 2014, COFCO Commercial Property Investments Co., Ltd ("COFCO Commercial Property") (中糧置業投資有限公司) a non-wholly-owned subsidiary of the Company, the ultimate holding company and a bank (the "Bank") have entered into an entrustment loan agreement (the "Perpetual Loan Agreement"), pursuant to which the ultimate holding company shall entrust the Bank to lend RMB3,768 million (the "Perpetual Loan") to the Group for the purpose of repaying part of the loans from the ultimate holding company. The Perpetual Loan Agreement took effect on 20 October 2014 and the Perpetual Loan had been granted to the Group. The Perpetual Loan bears interest at 6.5% per annum. Interest payments on the Perpetual Loan are paid annually in arrears from 20 October 2014 and can be deferred at the discretion of the Group. Neither the ultimate holding company nor the Bank could request for repayment of the principal and accrued interest save and except for when the Group elects to repay the principal and accrued interest at its sole discretion, or in the event of liquidation.

On 9 April 2019, 28 June 2018, 24 December 2017 and 22 December 2016, the Group repaid principal of the Perpetual Loan amounting to RMB1,200 million, RMB200 million, RMB500 million and RMB500 million to the ultimate holding company, respectively. As a result, the principal of the Perpetual Loan reduced to RMB1,368 million as at 31 December 2021 (2020: RMB1,368 million).

On 16 December 2019 and 6 November 2020, COFCO Commercial Property, a non-wholly-owned subsidiary of the Company, issued a Perpetual Note (ref. no. MTN737) through the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) in the PRC. The final total principal amount of this Perpetual Note (ref. no. MTN737) amounts to RMB 3 billion with RMB1.5 billion on each issue carries coupon rate of 4.25% and 4.51% respectively.

(b) In December 2019, Zhejiang Herun Tiancheng Real Estate Co., Ltd (浙江和潤天成置業有限公司) ("Herun Tiancheng"), a non-wholly-owned subsidiary of the Company and the immediate holding company has entered into a loan agreement (the "Herun Tiancheng Perpetual Loan Agreement"), pursuant to which the immediate holding company shall lend RMB1,486 million (the "Herun Tiancheng Perpetual Loan") to Herun Tiancheng. The Herun Tiancheng Perpetual Loan Agreement took effect on 23 December 2019. The Herun Tiancheng Perpetual Loan bears interest at 4.35% per annum for the first five years, and adjusts each five years according to 5-year arithmetic average of PRC treasury bond yield. The principal doesn't have a maturity date and interest payments on the Herun Tiancheng Perpetual Loan are paid annually in arrears from 23 December 2019 and can be deferred at the discretion of Herun Tiancheng, or in the event of liquidation. In 2021, the company repaid the Company's Perpetual Loan principal of RMB843 million to immediate holding company. As a result, the principal of the Herun Tiancheng Perpetual Loan reduced to RMB83 million as at 31 December 2021 (2020: RMB926 million).

(c) In December 2019, Beijing Kunting Asset Management Co., Ltd (北京昆庭資產管理有限公司) ("Beijing kunting") a non-wholly-owned subsidiary of the Company, and the immediate holding company has entered into a loan agreement (the "Beijing Kunting Perpetual Loan Agreement, and the immediate holding company has RMB916 million (the "Beijing Kunting Perpetual Loanal Loanual LoaKunting. The Beijing Kunting Perpetual Loan Agreement took effect on 31 December 2019. The Beijing Kunting Perpetual Loan bears interest at 4.35% per annum for the first five years, and adjusts each five years according to 5-year arithmetic average of PRC treasury bond yield. The principal doesn't have a maturity date and interest payments on the Beijing Kunting Perpetual Loan are paid annually in arrears from 31 December 2019 and can be deferred at the discretion of Beijing Kunting, or in the event of liquidation. The principal of the Beijing Kunting Perpetual Loan reduced to RMB33 million as at 31 December 2021 (2020: RMB374 million).

(d) In December 2020, the Company has entered into a loan agreement ("The Company Perpetual Loan Agreement") with a fellow subsidiary, pursuant to which the fellow subsidiary shall lend HK$900 million (RMB760 million) ("The Company Perpetual Loan") to the Company. The Company Perpetual Loan Agreement took effect on 31 December 2020. The Company Perpetual Loan bears interest at 3-month Hongkong InterBank Offered Rate ("HIBOR") plus 1.15% per annum for the first three years, and adjusts each three years according to 3 month arithmetic average of HIBOR. The principal doesn't have a maturity date and interest payments on the Company Perpetual Loan are paid annually in arrears from 31 December 2020 and can be deferred at the discretion of the Company, or in the event of liquidation. In September 2021, the company repaid the Company's Perpetual Loan principal of HK$120 million (RMB101 million) to fellow subsidiaries. As a result, the principal of the Company Perpetual Loan Agreement reduced to HK$780 million (RMB659 million) as at 31 December 2021.

In August 2021, the Company has entered into a loan agreement with a fellow subsidiary, pursuant to which the fellow subsidiary shall lend HK$274 million (RMB228 million) to the Company. The Company Perpetual Loan Agreement took effect on 16 August 2021. The Company Perpetual Loan bears interest at 3-month Hongkong InterBank Offered Rate ("HIBOR") plus 1.15% per annum for the first three years, and adjusts each three years according to 3 month arithmetic average of HIBOR.

(e) In December 2019, Jinan Joy City Co., Ltd. ("濟南大悦城產業發展有限公司") ("Jinan Joy City"), a non-wholly-owned subsidiary of the Company has entered into a loan agreement (the "Perpetual Loan Agreement"), pursuant to which Qingdao Zhiyue Co., Ltd., one of the wholly-owned subsidiary of Jinan Joy City, and a non-controlling interest shall lend RMB2,088 million (the "Jinan Joy City Perpetual Loan") to Jinan Joy City. The loan from the non-controlling interest amounts to RMB835 million. The Jinan Joy City Perpetual Loan Agreement took effect on 31 December 2019. The Jinan Joy City Perpetual Loan bears interest at 4.35% per annum for the first five years and adjusts each five years according to 5-year arithmetic average of PRC Treasury bond yield. The principal doesn't have a maturity date and interest payments on the Jinan Joy City Perpetual Loan are paid annually in arrears from 31 December 2019 and can be deferred at the discretion of Jinan Joy City, or in the event of liquidation. During the year, Jinan Joy City repaid principal of the Perpetual Loan amounting to RMB270 million to the non- controlling interest. As a result, the principal of the Jinan Joy City Perpetual Loan reduced to RMB417 million as at 31 December 2021 (2020: RMB687 million).

37. PERPETUAL CAPITAL INSTRUMENTS (continued)

Notes: (continued)

(f) In July 2021, Chongqing Zeyue Industrial Co., Ltd. (“重慶澤悦實業有限公司”) (“Chongqing Zeyue”), a wholly-owned subsidiary of the Company, and the immediate holding company entered into a loan agreement (the “Chongqing Zeyue Perpetual Loan Agreement”), pursuant to which the direct holding company lend Chongqing Zeyue RMB 470 million (“Chongqing Zeyue Perpetual Loan”). The Chongqing Zeyue Perpetual Loan Agreement became effective on 14 July 2021. The interest rate of Chongqing Zeyue Perpetual Loan is calculated at an annual interest rate of 1.15% for the first five years. Starting from the sixth interest-bearing year, the interest rate is adjusted every five years and remains unchanged during the five years. The principal doesn’t have a maturity date and interest payments on the Chongqing Zeyue Perpetual Loan are paid quarterly in arrears from 14 July 2021 and can be deferred at the discretion of Chongqing Zeyue, or in the event of liquidation.

(g) In July 2021, Chengdu Tianfu Chenyue Real Estate Co., Ltd. (“成都天府辰悦置業有限公司”) (“Tianfu Chenyue”), a wholly-owned subsidiary of the Company, and the immediate holding company, entered into a loan agreement (the “Tianfu Chenyue Perpetual Loan Agreement”), pursuant to which the immediate holding company lend RMB 220 million to Tianfu Chenyue (the “Tianfu Chenyue Perpetual Loan”). The Tianfu Chenyue Perpetual Loan Agreement became effective on 13 July 2021. The Tianfu Chenyue Perpetual Loan carries interest at an annual interest rate of 1.15% for the first five years. Starting from the sixth interest-bearing year, the interest rate is adjusted every five years and remains unchanged during the five years. The principal doesn’t have a maturity date and interest payments on the Tianfu Chenyue Perpetual Loan are paid quarterly in arrears from 14 July 2021 and can be deferred at the discretion of Tianfu Chenyue, or in the event of liquidation.

(h) In July 2021, Qingdao Zhiyue Land Co., Ltd. (“青島智悦置地有限公司”) (“Qingdao Zhiyue”), a wholly-owned subsidiary of the Company, and the immediate holding company entered into a loan agreement (the “Qingdao Zhiyue Perpetual Loan Agreement”), pursuant to which Accordingly, the immediate holding company lend RMB 40 million to Qingdao Zhiyue (the “Qingdao Zhiyue Perpetual Loan”). The Qingdao Zhiyue Perpetual Loan Agreement became effective on 14 July 2021. The Qingdao Zhiyue perpetual loan carries interest at an annual interest rate of 1.15% for the first five years. Starting from the sixth interest-bearing year, the interest rate is adjusted every five years and remains unchanged during the five years. The principal doesn’t have a maturity date and interest payments on the Qingdao Zhiyue Perpetual Loan are paid quarterly in arrears from 14 July 2021 and can be deferred at the discretion of Qingdao Zhiyue, or in the event of liquidation.

(i) In October 2021, Nanjing Yuejincheng Real Estate Industry Co., Ltd. (“南京悦錦成房地產實業有限公司”) (“Nanjing Yuejincheng”), a 50%-owned subsidiary of the Company, the non-controlling interests and a wholly-owned subsidiary entered into a loan agreement (the “Nanjing Yuejincheng Perpetual Loan Agreement”), pursuant to which the wholly-owned subsidiary and the non-controlling interest shall lend RMB3,060 million to Nanjing Yue Jincheng in aggregate (“Nanjing Yue Jincheng Perpetual Loan”), and the loan from non-controlling interests was RMB 1,530 million. The Nanjing Yuejincheng Perpetual Loan Agreement became effective on 20 October 2021. For the first five years of Nanjing Yuejincheng’s perpetual loan, interest is calculated at an annual interest rate of 4%. Starting from the sixth interest-bearing year, the loan interest rate is the five-year loan market quoted interest rate announced by the National Interbank Funding Center in the month in which the loan occurred, plus the five-year interest rate. Initial spread plus 3%. The principal doesn’t have a maturity date and interest payments on the Nanjing YueJincheng Perpetual Loan are paid quarterly in arrears from 20 October 2021 and can be deferred at the discretion of Nanjing YueJincheng, or in the event of liquidation.

As the Group has the right to defer the repayments of the principal and accrued interest of the perpetual loans and perpetual note mentioned above at its sole discretion, and it has no direct or indirect contractual financial obligation to pay cash or other financial asset in respect of them, they are therefore classified as equity in the consolidated statement of financial position.

In addition, no guarantee of any kind is required to be given by any member of the Group to either the ultimate holding company or the Bank for these perpetual loans.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

38. CONTINGENT LIABILITIES

(a) Guarantees

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Guarantees provided by the Group in respect of		
loan facilities utilised by property buyers	**4,769,836**	4,964,641
loan facilities utilised by an associate	**600,000**	600,000
loan facilities utilised by a joint venture	**865,000**	–
	6,234,836	5,564,641

The Group has pledged certain bank deposits (details set out in Note 28) and provided guarantees to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's properties. These guarantees will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as security of the mortgage loans granted.

In July 2019, Joy City Business Management (Beijing) Co., Ltd. ("Joy City (Beijing)"), an indirect wholly-owned subsidiary of the Company, provided a guarantee for an amount up to RMB600,000,000 in favour of a PRC commercial bank, for the performance of the repayment obligations of Kunming Luosiwan Guoyue Land Co., Ltd. (Kunming Luosiwan), a 30%-owned associate of the Group, to the bank in respect of a loan provided by the bank to Kunming Luosiwan. In addition, as security of the loan, Chengdu Pengyue Enterprise Management Consulting Co., Ltd. ("Chengdu Pengyue"), an indirect wholly-owned subsidiary of the Company and the direct shareholder of Kunming Luosiwan, also entered into a share pledge agreement, pursuant to which Chengdu Pengyu agreed to provide pledge over its 30% shareholding interest in Kunming Luosiwan. In return, Kunming Luosiwan has provided back-to-back guarantees of an aggregate indemnification amount of RMB600,000,000 to the Group in relation to the guarantee and the share pledge respectively provided by the Group pursuant to which Kunming Luosiwan would indemnify the Group if the Group has assumed liabilities due to default of Kunming Luosiwan.

In July 2021, Joy City (Beijing), together with a joint venture partner, entered into a guarantee agreement, providing a joint liability guarantee on a several basis in favour of two PRC commercial banks, for the performance of the repayment obligations of Beijing Golden Shifeng Real Estate Development Co., Ltd., a joint venture of the Group, to the banks in respect of the loan provided by the banks to the joint venture. As at 31 December 2021, the Group provided financial guarantee for an amount up to RMB865,000,000 under the guarantee agreement. Joy City (Beijing) also entered into a counter guarantee agreement with the joint venture, pursuant to which the joint venture would indemnify the Group if the Group has assumed liabilities due to the joint venture's default on its obligation under the loan agreement.

In the opinion of the Directors, the fair value of the financial guarantee contracts at initial recognition and subsequently at the end of each reporting period is not significant as the default rate is low.

38. CONTINGENT LIABILITIES (continued)

(b) The Group has certain non-compliance incidents which are relating to the failure to comply with certain terms and conditions of the relevant construction works planning permits in respect of two projects, Chaoyang Joy City and Shenyang Joy City. The Group may be subject to a fine of up to 10% of the construction cost of the noncompliant structure or the excess area (as the case may be), demolishment of the relevant property and confiscation of any illegal revenue.

The construction costs of Chaoyang Joy City amounted to RMB3,374 million, including the cost for the non-compliant structure of RMB42 million. The non-compliant structure has been occupied as office and has not generated any revenue, and accordingly, the Directors believe that there would not be illegal revenue subject to confiscation. Chaoyang Joy City generated revenue since the year 2010 and it has not received any notification from the relevant authorities with respect to the non-compliant structure since the commencement of operation. The aggregate revenue of the shopping mall of Chaoyang Joy City since it generated revenue up to 31 December 2021 amounted to RMB6,045 million (31 December 2020: RMB5,314 million).

The construction costs of Shenyang Joy City amounted to RMB1,923 million, including an estimated cost for the excess area of RMB81 million. The excess area has been utilised as passageways for commercial use and has generated only a small percentage of the aggregate revenue of Shenyang Joy City. Shenyang Joy City generated revenue since the year 2009 and it has not received any notification from the relevant authorities with respect to the excess area since the commencement of operation, and accordingly, the Directors believe that the likelihood for the confiscation of any illegal revenue is low, and any action taken by the authorities will have minimal impact on the income and performance of Shenyang Joy City. The aggregate revenue of Shenyang Joy City since it generated revenue up to 31 December 2021 amounted to RMB2,863 million (31 December 2020: RMB2,530 million).

Based on the reasons and circumstances of these non-compliances and the PRC legal advice, the management of the Group considers that the risk of the above losses is remote, and accordingly, no provision has been made. In addition, COFCO Corporation, the ultimate holding company of the Company, has undertaken to indemnify the Company against all penalties, losses and expenses in connection with the above non-compliances.

39. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of office premises, retail shops and residential premises which fall due as follows:

	At 31 December	
	2021 **RMB'000**	2020 RMB'000
Within one year	**3,204,702**	3,123,817
In the second year	**2,447,966**	2,036,306
In the third year	**1,652,052**	1,449,840
In the fourth year	**1,115,372**	1,085,452
In the fifth year	**822,822**	900,003
After five years	**2,021,511**	1,233,565
	11,264,425	9,828,983

Leases are negotiated for an average term of 1 to 20 years (2020: 1 to 20 years) mostly with fixed rentals. Certain lease arrangements contain rental escalation clauses which increase the monthly rental on a yearly basis, no variable leave payments was included.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

40. CAPITAL COMMITMENTS

The Group had the following commitments as at the end of each reporting period:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Capital commitments in respect of:		
Purchase of property, plant and equipment	**–**	1,576
Constructing and developing investment properties contracted, but not provided for	**1,586,038**	1,526,423
Capital injection commitments to a newly established fund	**1,705,252**	2,107,466
	3,291,290	3,635,465

41. PLEDGE OF ASSETS

The carrying amounts of the non-current and current assets pledged to secure loan facilities granted to the Group by banks and loan facilities utilised by property buyers, are as follows:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Investment properties	**30,673,070**	24,348,863
Property, plant and equipment	**2,518,314**	2,341,184
Properties under development for sale	**10,622,463**	9,544,556
Right-of-use assets	**1,434,517**	1,373,563
Accounts receivable	**26,089**	9,055
Pledged deposits	**5,500**	7,915
	45,279,953	37,625,136

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

42. CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each reporting period are as follows:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Financial assets:		
Financial assets at amortised cost	**14,707,158**	21,062,625
Financial assets at FVTPL:		
– Equity instruments	**510**	510
– Loan to an associate	**374,891**	383,664
Hedging instruments designated in cash flow hedges	**230**	–
Financial liabilities:		
Amortised cost	**48,108,329**	47,408,324
Hedging instruments designated in cash flow hedges	**158,410**	304,959
Financial liabilities at FVTPL	**379,889**	360,512
Rental deposits received	**1,069,250**	904,793

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include financial assets at FVTPL, amounts due from/to fellow subsidiaries, holding companies, joint ventures, associates, and non-controlling interests, loans from/to joint ventures, associates, fellow subsidiaries, non-controlling interests and third parties, accounts receivables, deposits and other receivables, accounts and other payables, bank borrowings, pledged deposits, restricted bank deposits and cash and bank balances, bonds payable and hedging instruments. Details of these financial instruments are disclosed in respective notes to these consolidated financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Currency risk

The Group collects most of its revenue in RMB and most of the expenditures including expenditures incurred in property sales as well as capital expenditures are also denominated in RMB.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Currency risk (continued)

The Group has account balances denominated in foreign currencies, hence exposure to exchange rate fluctuations arises.

The Group uses foreign exchange forward contracts to eliminate the currency exposures. The foreign exchange forward contracts must be in the same currency as the hedged item. On this basis, the Group has entered into such forward contracts in relation to the foreign currency denominated monetary liabilities amounting to US$1,053,000,000 (2020: HK$100,000,000 and US$50,000,000). It is the Group's policy to negotiate the terms of the hedge derivatives, to the extent possible, to match or approximate the terms of the hedged item to maximise hedge effectiveness.

Of the foreign currency denominated monetary liabilities at the end of the reporting period, bank borrowings are hedged by foreign exchange forward contracts and designated as effective hedging relationship.

At 31 December 2021, the group entities with RMB as functional currency have bank balances denominated in foreign currencies which mainly consist of HK$ and US$ as set out in Note 28, amounts due to fellow subsidiaries, non-controlling interests and immediate holding company which mainly consist of HK$ and US$ as set out in Note 27, loan to associates and joint ventures and loan from non-controlling interests which consist of US$ as set out in Note 23 and bank borrowings which mainly consist of HK$ and US$ as set out in Note 31 which expose the Group to foreign currency risk.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in RMB against US$/HK$ while all other variables are held constant, which represents the Directors' assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding US$/HK$ denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2020: 5%) change in foreign currency rate. A positive number below indicates an increase in post-tax profit where RMB strengthens 5% against US$/HK$ and vice versa.

	2021 RMB'000	2020 RMB'000
(Decrease)/increase in post-tax profit for the year:		
– if RMB weakens against US$	**(248,273)**	(227,207)
– if RMB strengthens against US$	**248,273**	227,207
– if RMB weakens against HK$	**(160,814)**	(107,951)
– if RMB strengthens against HK$	**160,814**	107,951

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans from/to associates, joint ventures, third parties and non-controlling interests, fixed-rate bank borrowings, bonds payable (see Notes 23, 31 and 32 respectively for details) and lease liabilities.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, variable-rate bank borrowings, variable-rate loans from fellow subsidiaries, including derivatives which are designated as effective hedging instruments at the end of the reporting period. The Group manage its interest rate exposures by entering into interest rate swap contract as detailed in Note 31.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Interest rate risk management (continued)

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. As listed in Note 31, several of the Group's LIBOR/HIBOR bank loans may be subject to the interest rate benchmark reform. The Group is closely monitoring the transition to new benchmark interest rates.

The interest rates and terms of repayment of the interest-bearing bank borrowings of the Group are disclosed in Note 31. The interest rates and terms of repayment of the interest-bearing loans from/to fellow subsidiaries, associates, joint ventures, non-controlling interests and third parties of the Group are disclosed in Note 23. It is the Group's policy to negotiate the terms of the interest-bearing bank borrowings in order to balance the interest rate exposure.

Total interest income from financial assets that are measured at amortised cost is as follows:

	2021 **RMB'000**	2020 RMB'000
Other income	**265,881**	346,707

The sensitivity analysis below has been determined based on the exposure to interest rates, including derivatives which are designated as effective hedging instruments at the end of the reporting period. No sensitivity analysis has been presented for the exposure to interest rates for bank balances as the management of the Group considers that, taking into account that the fluctuation in interest rates on bank balances is minimal, the impact of profit or loss for the year is insignificant.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the benchmark interest rate quoted by the People's Bank of China arising from the Group's RMB denominated borrowings.

The analysis is prepared assuming the variable-rate bank borrowings, variable-rate loans from fellow subsidiaries, including derivatives which are designated as effective hedging instruments, outstanding at the end of the reporting period were outstanding for the whole year. A 50 (2020: 50) basis points increase or decrease in variable-rate bank borrowings, variable-rate loans from fellow subsidiaries and interest rate swaps designated to hedge cash flow interest rate risk during the year are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 (2020: 50) basis points higher/lower during the year and all other variables were held constant, the impact on post-tax profit after taking into account the interest capitalisation effect is set out below.

	2021 **RMB'000**	2020 RMB'000
(Decrease)/increase in post-tax profit for the year:		
– interest rates 50 basis points higher	**(82,966)**	(76,120)
– interest rates 50 basis points lower	**82,966**	76,120

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets stated in the consolidated statement of financial position and the financial guarantee contracts as disclosed in Note 38 (Contingent liabilities).

At as 31 December 2021, the Group's credit risk is primarily attributable to its loans to/amounts due from fellow subsidiaries, the ultimate holding company, joint ventures, associates and non- controlling interests, accounts and other receivables, pledged deposits, restricted bank deposits, cash and bank balances, and financial guarantee contracts. In order to minimise the credit risk of accounts receivable, management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances individually or based on provision matrix. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

For the loans to/amounts due from fellow subsidiaries, joint ventures, associates and non- controlling interests, the management of the Group is in the opinion that the failure of these entities to make required payments is unlikely after considering their past settlement records, and/or the financial position of the entities.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risks of the Group on liquid funds are limited because the counterparties are banks with good reputation. The Group has no significant concentration of credit risk on liquid funds, with exposure spread over a number of banks.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Accounts receivables	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management (continued)

The table below details the credit risk exposures of the Group's financial assets, operating lease receivables and financial guarantee contracts, which are subject to ECL assessment:

	Notes	Internal Credit rating	12-month or lifetime ECL	31 December 2021 Gross carrying amount RMB'000	31 December 2020 Gross carrying amount RMB'000
Financial assets at amortised costs					
Deposit, prepayments and other receivables	a	Low risk	12m ECL	**768,439**	1,437,669
Accounts receivable	b	Doubtful	Lifetime ECL (not credit-impaired)	**25,141**	12,287
Accounts receivable	b	Low risk	Lifetime ECL (not credit-impaired)	**25,980**	16,288
Loans to associates, joint ventures and non-controlling interests	a	Low risk	12m ECL	**2,624,551**	2,806,494
Amounts due from ultimate holding company, fellow subsidiaries, joint ventures, associates and non-controlling interests	a	Low risk	12m ECL	**787,151**	593,414
Cash and bank balances		Low risk	12m ECL	**10,352,897**	16,049,627
Restricted bank deposit		Low risk	12m ECL	**127,216**	185,040
Pledged deposits	a	Low risk	12m ECL	**5,500**	7,915
Other items					
Lease receivables included in accounts receivable	b	Low risk	Lifetime ECL (not credit-impaired)	**119,351**	163,060
Financial guarantee contracts	c	Low risk	12m ECL	**6,234,836**	5,564,641

Notes:

a. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

b. For accounts receivables (including lease receivables), the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired which assessed individually, the Group determines the ECL on these items by using a provision matrix.

c. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management (continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers/debtors in relation to its rental and other operations. The management assessed the exposure to credit risk for account receivables based on provision matrix as at 31 December 2021 and 2020 within lifetime ECL.

The estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movements in lifetime ECL that has been recognised for accounts receivable under the simplified approach:

	Lifetime ECL (not credit impaired) RMB'000
As at 1 January 2020:	28,923
– Impairment losses recognised	8,270
– Impairment losses reversed	(1,508)
– Impairment losses write off	(17)
As at 31 December 2020	35,668
– Impairment losses recognised	8,783
– Impairment losses reversed	(1,535)
– Impairment losses write off	(17,775)
At 31 December 2021	25,141

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management (continued)

The following table shows reconciliation of loss allowances that has been recognised for other receivables:

	12m ECL RMB'000
As at 1 January 2020:	30,667
– Impairment losses recognised	4,256
– Impairment losses reversed	(1,604)
– Acquisition of a subsidiary	927
– Impairment losses write off	(424)
As at 31 December 2020	33,822
– Impairment losses recognised	1,795
– Impairment losses reversed	–
– Impairment losses write off	(532)
At 31 December 2021	35,085

The following table shows reconciliation of loss allowances that has been recognised for loan to an associate:

	12m ECL RMB'000
As at 1 January 2020 and 31 December 2020:	
– Impairment losses recognised	299,439
As at 31 December 2021	299,439

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following tables detail the contractual maturity of the Group for its non-derivative financial liabilities and derivative instrument. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rate at the end of each reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management of the Group considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk management (continued)

Liquidity tables

	Weighted average interest rate %	Repayable on demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2021							
Accounts payable	–	5,276,556	–	–	–	5,276,556	5,276,556
Other payables at amortised cost	–	3,279,500	219,016	301,702	93,574	3,893,792	3,893,792
Lease liabilities	4.39%-4.61%	79,161	93,308	88,479	3,688	264,636	248,469
Obligation arising from put option to non-controlling shareholder	5%	–	–	379,889	–	379,889	379,889
Bank borrowings	1.11%-5.70%	8,908,223	3,620,060	8,764,994	1,040,701	22,333,978	21,176,630
Amount due to the ultimate holding company	–	28	–	–	–	28	28
Amount due to an intermediate holding company	–	660	–	–	–	660	660
Amounts due to the immediate holding company	–	15,550	–	–	–	15,550	15,550
Amounts due to non-controlling interests	–	367,599	–	–	–	367,599	367,599
Amounts due to joint ventures	–	336,707	–	–	–	336,707	336,707
Amount due to an associate	–	94,469	–	–	–	94,469	94,469
Amounts due to fellow subsidiaries	–	202,510	–	–	–	202,510	202,510
Loan from a joint venture	3.85%	2,622,005	–	–	–	2,622,005	2,524,800
Loans from non-controlling interests	3.85%-6.00%	2,112,332	–	–	–	2,112,332	1,953,326
Loans from third parties	3.80%-6.50%	1,613,740	1,553,605	2,380,000	3,550,796	9,098,141	7,584,327
Loans from fellow subsidiaries	2.12%-4.20%	1,060,536	219,355	466,929	158,686	1,905,506	1,765,044
Bond payable	3.14%-4.10%	1,576,481	962,350	1,558,782	–	4,097,613	3,985,581
		27,546,057	6,667,694	13,940,775	4,847,445	53,001,971	49,805,937
Financial guarantee contracts		6,234,836	–	–	–	6,234,836	6,234,836
Derivatives – net settlement							
Interest rate swaps	–	38,774	–	39,570	–	78,344	78,344
Foreign exchange forward contracts	–	79,836	–	–	–	79,836	79,836
		118,610	–	39,570	–	158,180	158,180

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk management (continued)

Liquidity tables (continued)

	Weighted average interest rate %	Repayable on demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2020							
Accounts payable	–	7,124,271	–	–	–	7,124,271	7,124,271
Other payables at amortised cost	–	4,106,007	163,544	195,981	61,554	4,527,086	4,527,086
Lease liabilities	4.39%-4.61%	65,087	68,717	177,077	8,238	319,119	277,600
Obligation arising from put option to non-controlling shareholder	5%	–	–	438,206	–	438,206	360,512
Bank borrowings	1.18%-5.18%	6,715,054	7,542,636	7,394,048	2,762,964	24,414,702	22,710,137
Amount due to the ultimate holding company	–	346	–	–	–	346	346
Amount due to an intermediate holding company	–	674	–	–	–	674	674
Amounts due to non-controlling interests	–	1,424,712	–	–	–	1,424,712	1,424,712
Amounts due to joint ventures	–	19,400	–	–	–	19,400	19,400
Amount due to an associate	–	201,797	–	–	–	201,797	201,797
Amounts due to fellow subsidiaries	–	152,140	–	–	–	152,140	152,140
Loan from a joint venture	3.85%	285,380	–	–	–	285,380	274,800
Loans from fellow subsidiaries	4.28%-5.39%	639,045	263,734	364,896	365,000	1,632,675	1,441,661
Loans from non-controlling interests	8.00%	604,489	–	–	–	604,489	559,712
Loans from third parties	5.2%-6.5%	311,200	2,696,231	1,703,729	1,448,400	6,159,560	5,135,031
Bonds payable	3.14%-4.24%	2,565,098	978,560	1,371,900	–	4,915,558	4,741,350
		24,214,700	11,713,422	11,645,837	4,646,156	52,220,115	48,951,229
Financial guarantee contracts		5,564,641	–	–	–	5,564,641	–
Derivatives – net settlement							
Interest rate swaps	–	–	128,204	149,699	–	277,903	277,903
Foreign exchange forward contracts	–	27,056	–	–	–	27,056	27,056
	–	27,056	128,204	149,699	–	304,959	304,959

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 amount if that amount is 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 than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value

In estimating the fair value, the Group uses market-observable data to the extent it is available. Except for interest rate swaps, foreign currency forward contracts, loan to an associate, and obligation arising from put option to non-controlling shareholder, there is no other material financial instruments measured at fair value on a recurring basis. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial assets/liabilities	Fair value as at 31/12/2021	Fair value as at 31/12/2020	Fair value hierarchy	Valuation technique(s) and key input(s)
Interest rate swaps (designed as hedging instruments)	**Liabilities – RMB78,343,000**	Liabilities – RMB277,903,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Foreign currency forward contracts (designed as hedging instruments)	**Assets – RMB230,000** **Liabilities – RMB80,066,000**	Liabilities – RMB27,056,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Loan to an associate	**Assets – RMB374,891,000**	Assets – RMB383,664,000	Level 3	Discounted cash flow. Future cash flows are estimated based on expected repayment of the loan from pre-sale proceeds arising from the properties of the associate, discounted at a rate that reflects the credit risk of the associate. A slight increase in the discounted rate used would result in a significant decrease in fair value, and vice versa.
Obligation arising from put option to non- controlling shareholder	**Liabilities – RMB379,889,000**	Liabilities – RMB360,512,000	Level 3	Discounted cash flow. Future cash flows are estimated based on the expected future economic benefits derived from the 49% ownership interest in Joy Valley held by the Partner, discounted at an appropriate discount rate. A slight increase in the discounted rate used would result in a significant decrease in fair value, and vice versa.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value (continued)

There is no significant change in fair value and other movement of loan to an associate during the year ended 31 December 2021 and 2020.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their respective fair values at the end of each reporting period.

44. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Apart from the above, the Group's overall strategy remains unchanged throughout the current and prior years.

The capital structure of the Group consists of net debt (which includes bank borrowings, loans from and/or amounts due to holding companies, fellow subsidiaries, joint venture, third parties and non-controlling interests, bonds payable), net of cash and cash equivalents and equity attributable to owners of the Company (comprising issued equity, CPS, reserves and retained profits as disclosed in consolidated statement of changes in equity).

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to balance its overall capital structure. Neither Company nor any of its subsidiaries is subject to externally imposed capital requirements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details major changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Interest paid	Loans from fellow subsidiaries	Loans from third parties	Loans from non-controlling interests	Loan from a joint venture	Bonds payable	Amounts due to an associate	Amounts due to fellow subsidiaries	Amounts due to non-controlling interests	Amount due to the immediate holding company	Dividend payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 31	Note 30	Note 23	Note 23	Note 23	Note 23	Note 32	Note 27	Note 27	Note 27	Note 27	Note 12	
At 1 January 2021	22,710,137	29,354	1,441,661	5,135,031	559,712	274,800	4,741,350	201,797	152,140	1,424,712	-	39,849	36,710,543
Financing cash flows	(1,298,496)	(1,072,552)	329,160	2,443,800	1,393,614	2,250,000	(907,570)	-	(234,130)	(2,095,866)	(248,951)	(106,168)	452,841
Exchange realignment	(235,011)	-	(5,777)	-	-	-	-	-	-	19,432	-	-	(221,356)
Interest expense	-	1,077,285	-	-	-	-	151,801	713	79,093	98,641	-	-	1,407,533
Dividend	-	-	-	-	-	-	-	-	-	900,805	264,501	116,635	1,281,941
Operating activities related	-	-	-	-	-	-	-	-	97,367	19,875	-	-	117,242
Others	-	(2,244)	-	5,496	-	-	-	-	-	-	-	-	3,252
At 31 December 2021	21,176,630	31,843	1,765,044	7,584,327	1,953,326	2,524,800	3,985,581	202,510	94,470	367,599	15,550	50,316	39,751,996

Note: Dividend payable was included under other payable and accruals.

	Borrowings	Interest paid	Loans from fellow subsidiaries	Loans from third parties	Loans from non-controlling interests	Loan from a joint venture	Bonds payable	Amounts due to an associate	Amounts due to fellow subsidiaries	Amounts due to non-controlling interests	Amount due to the immediate holding company	Dividend payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 31	Note 30	Note 23	Note 23	Note 23	Note 23	Note 32	Note 27	Note 27	Note 27	Note 27	Note 12	
At 1 January 2020	23,091,406	46,421	1,484,780	3,115,600	626,721	–	4,220,417	166,827	118,468	1,755,037	8,090	25,472	34,659,239
Financing cash flows	(1,410,840)	(1,275,763)	(30,110)	2,012,118	(49,328)	274,800	322,097	34,970	(94,874)	(914,924)	(329,551)	(149,930)	(1,611,335)
Acquisition of a subsidiary	1,773,900	–	–	–	–	–	–	–	–	–	–	–	1,773,900
Exchange realignment	(744,329)	–	(13,009)	–	(17,681)	–	–	–	(2,839)	(29,968)	(13,335)	(9,180)	(830,341)
Interest expense	–	1,259,928	–	–	–	–	198,836	–	62,605	48,756	–	–	1,570,125
Dividend	–	–	–	–	–	–	–	–	53,663	561,464	335,023	173,487	1,123,637
Operating activities related	–	–	–	–	–	–	–	–	15,117	4,347	(227)	–	19,237
Others	–	(1,232)	–	7,313	–	–	–	–	–	–	–	–	6,081
At 31 December 2020	22,710,137	29,354	1,441,661	5,135,031	559,712	274,800	4,741,350	201,797	152,140	1,424,712	–	39,849	36,710,543

Note: Dividend payable was included under other payable and accruals.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

46. BUSINESS COMBINATIONS (continued)

For the year ended 31 December 2020

Suzhou City Xiang Zhi Yue Property Development Co., Ltd ("Suzhou Xiang Zhi Yue") was a joint venture invested by COFCO Property Investment (Beijing) Co., Ltd. ("COFCO Property Investment Beijing"), a fellow subsidiary of the Company, with 50.1% of equity interest and an independent third party with 49.9% of equity interest. In October 2020, Shanghai Top Glory Real Estate Development Co., Ltd.(上海鵬利置業發展有限公司)("Shanghai Top Glory"), a wholly-owned subsidiary of the Company, acquired 50.1% equity interest in Suzhou Xiang Zhi Yue from COFCO Property Investment Beijing with a cash consideration of RMB577,794,000 and obtained the control over Suzhou Xiang Zhi Yue. Accordingly, Suzhou Xiang Zhi Yue became a subsidiary of the Group.

A summary of fair value of the identifiable assets and liabilities of Suzhou Xiang Zhi Yue acquired at the date of the above acquisition was as follows:

	RMB'000
Investment properties	964,000
Property, plant and equipment	1,583
Intangible assets	42
Deferred tax assets	43,992
Properties held for sale	2,636,495
Properties under development for sale	2,618,007
Contract costs	13,844
Deposits, prepayments and other receivables	400,387
Tax recoverable	22,230
Cash and bank balances	1,307,662
Restricted bank deposits	151,243
Accounts payable	(602,608)
Other payables and accruals	(421,454)
Contract liabilities	(4,208,208)
Bank borrowings	(1,773,900)
Deferred income	(33)
	1,153,282
Goodwill arising on acquisitions	
Consideration transferred	577,794
Add: Non-controlling interests	575,488
Less: Net assets acquired	(1,153,282)
	–

An analysis of cash and cash equivalents in respect of the above acquisitions:

Consideration paid in cash	577,794
Less: Cash and bank balances acquired	(1,307,662)
Net cash inflow	(729,868)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

46. BUSINESS COMBINATIONS (continued)

For the year ended 31 December 2020 (continued)

Impact of acquisition on the results of the Group

The receivables acquired (which principally comprised other receivables) with a fair value of RMB17,192,000 at the date of acquisition had gross contractual amounts of RMB17,192,000. The best estimate at acquisition date of the contractual cash flows expected to be collected amounted RMB17,192,000.

The non-controlling interests (49.99%) in Suzhou City Xiang Zhi Yue recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Suzhou City Xiang Zhi Yue and amounted to RMB575,488,000.

Included in the profit for the year was RMB116,685,000 attributable from Suzhou City Xiang Zhi Yue. Revenue for the year includes RMB2,465,587,000 generated from Suzhou City Xiang Zhi Yue.

Had the acquisition of Suzhou City Xiang Zhi Yue been completed on 1 January 2020, revenue for the year of the Group from continuing operations would have been RMB14,109,832,000, and profit for the year from continuing operations would have been RMB2,152,290,000.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future results.

47. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year.

Guarantee provided

Corporate guarantees were executed by a fellow subsidiary and the immediate holding company in relation to certain of the Group's loans from third parties and bank borrowings. Details of which are disclosed in the Notes 23 and 31 respectively above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party transactions

During the year, the Group had the following material transactions with related parties.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue from leasing of properties to:		
Fellow subsidiaries *	**150,618**	157,464
Intermediate holding company *	**3,236**	3,817
Ultimate holding company *	**–**	5
Immediate holding company *	**105**	52
Associates *	**399**	–
Provision of property management service by:		
Fellow subsidiaries *	**45,154**	33,651
Other revenue from:		
Fellow subsidiaries	**–**	12,259
Joint ventures	**99,381**	–
Sourcing of staple supplies and catering services from:		
Fellow subsidiaries *	**3,055**	4,789
Ultimate holding company *	**1,129**	1,193
Services fee for entrust loans from:		
Fellow subsidiaries*	**1,782**	1,583
Interest expense to:		
Fellow subsidiaries	**79,092**	62,605
Joint venture	**31,295**	1,161
Other expense to:		
Fellow subsidiaries	**2,791**	4,523

* These related party transactions also constituted continuing connected transactions according to the Listing Rules.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party balances

COFCO Finance Co., Ltd ("COFCO Finance"), a fellow subsidiary, is a non-banking financial institution regulated by the People's Bank of China (the "PBOC") and the China Banking and Insurance Regulatory Commission. In the PRC, deposit and lending rates are set by the PBOC which is applicable to all financial institutions. The interest rates offered by COFCO Finance are the same as the rates promulgated by the PBOC. The loans from COFCO Finance to the Group at 31 December 2021 amounted to RMB1,568,578,000 (2020: RMB1,239,418,000). The deposits placed in COFCO Finance were RMB1,485,000,000 (2020: RMB1,495,000,000) at 31 December 2021.

Details of the Group's balances with related parties are disclosed in Notes 23 and 27. Except for balances with related parties below which are trade in nature, the remaining balances are non-trade in nature. The following is an aged analysis of balances with related parties which are trade in nature at the end of the reporting period based on invoice date.

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Amounts due from fellow subsidiaries:		
Within 1 year	**52,114**	24,547
Amounts due to fellow subsidiaries:		
Within 1 year	**89,623**	78,540
1 to 2 years	**–**	–
	89,623	78,540

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

47. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel of the Group

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, allowance and other benefits	**43,864**	40,402
Retirement benefit scheme contributions	**3,532**	3,599
	47,396	44,001

The key management personnel of the Group includes the Directors and certain top executives of the Company. The remuneration of certain of these Directors and top executives was borne by the ultimate holding company or fellow subsidiaries during the current and prior years. Further details of Directors' emoluments are included in Note 14.

Transactions with other government-related entities in the PRC

The Group itself is part of a larger group of companies under COFCO Corporation which is controlled by the PRC government. Thus, the Directors consider that the Group is ultimately controlled by the PRC government. In addition, the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC government-related entities"). Apart from the transactions and balances with the ultimate holding company, an intermediate holding company and fellow subsidiaries set out in "Related party transactions" and "Related party balances" above, the Group also conducts businesses with other PRC government-related entities in the ordinary course of business. Certain of the Group's bank deposits and bank borrowings are entered into with certain banks which are PRC government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the Directors are of the opinion that separate disclosures would not be meaningful. In addition, the Group entered into various transactions, including purchases of land use rights, construction of properties and other operating expenses with other PRC government- related entities in the ordinary course of business. The pricing and the selection of suppliers and service providers are not dependent on whether the counterparties are PRC government-related entities or not. In the opinion of the Directors, the above transactions are collectively significant transactions of the Group with PRC government-related entities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

48. COMPOSITION OF THE GROUP

Details of non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ establishment and place of business	Proportion of ownership interests held by non-controlling interests	(Loss)/profit allocated to non-controlling interests RMB'000	Accumulated non-controlling interests RMB'000 (Note (a))
Year ended 31 December 2021				
Sanya Yalong Development Company Limited and its subsidiaries ("Yalong Development group")	**PRC**	**43.0%**	**(12,278)**	**1,592,568**
Fortune Set	**BVI**	**49.0%**	**464,844**	**9,541,458**
Sunny Ease	**BVI**	**49.0%**	**42,001**	**2,397,644**
Speedy Cosmo Limited ("Speedy Cosmo")	**HK**	**45.0%**	**37,831**	**592,069**
Individually immaterial subsidiaries with non-controlling interests			**7,716**	**5,726,072**
Total			**540,114**	**19,849,811**
Year ended 31 December 2020				
Yalong Development group	PRC	43.0%	(21,427)	1,620,846
Fortune Set	BVI	49.0%	262,897	9,095,929
Sunny Ease	BVI	49.0%	74,986	2,425,068
Speedy Cosmo	HK	45.0%	277,056	554,238
Individually immaterial subsidiaries with non-controlling interests			259,851	3,292,469
Total			853,363	16,988,550

Note:

(a) The amounts represent the consolidated amount of these non-wholly-owned subsidiaries and their respective subsidiaries, as applicable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

48. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Summarised consolidated financial information in respect of each of the subsidiaries that has material non-controlling interests is set out below. The summarised consolidated financial information below represents amounts before intragroup eliminations.

Yalong Development group

	At 31 December	
	2021 **RMB'000**	2020 RMB'000
Current assets	**9,466,235**	7,894,962
Non-current assets	**2,521,546**	2,615,208
Current liabilities	**(8,115,960)**	(6,552,987)
Non-current liabilities	**(248,131)**	(278,131)
Total equity	**3,623,690**	3,679,052
Equity attributable to:		
Owners of the Company	**2,031,122**	2,058,206
Non-controlling interests	**1,279,806**	1,295,393
Non-controlling interests of subsidiary	**312,762**	325,453
Total equity	**3,623,690**	3,679,052

48. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Yalong Development group (continued)

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue	**362,935**	487,309
Other income, and other gains and losses, net	**66,412**	(5,557)
Fair value gain of investment properties	**1,953**	9,517
Total expenses	**(467,514)**	(559,070)
Loss and total comprehensive expense for the year	**(36,214)**	(67,801)
Loss and total comprehensive expense attributable to:		
Owners of the Company	**(23,937)**	(46,374)
Non-controlling interests	**(15,585)**	(40,422)
Non-controlling interests of subsidiary	**3,308**	18,995
	(36,214)	(67,801)
Dividends declared to non-controlling interests	**(16,000)**	(21,000)
Net cash inflow/(outflow) from:		
Operating activities	**(718,820)**	323,166
Investing activities	**(95,315)**	(47,032)
Financing activities	**515,546**	(18,133)
Net cash inflow/(outflow)	**(298,589)**	258,001

48. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Fortune Set

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Current assets	**15,503,660**	13,465,076
Non-current assets	**30,631,609**	30,585,274
Current liabilities	**(22,338,491)**	(19,270,601)
Non-current liabilities	**(2,502,192)**	(2,995,395)
Total equity	**21,294,586**	21,784,354
Equity attributable to:		
Owners of the Company	**7,181,055**	7,903,617
Perpetual capital instruments	**4,572,073**	4,784,808
Non-controlling interests	**9,042,195**	8,619,919
Non-controlling interests of subsidiary	**499,263**	476,010
Total equity	**21,294,586**	21,784,354

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

48. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Fortune Set (continued)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue	**2,765,795**	2,155,553
Other income, and other gains and losses, net	**64,642**	210,693
Total expenses	**(1,968,608)**	(1,648,029)
Profit and total comprehensive income for the year	**861,829**	718,217
Profit and total comprehensive income attributable to:		
Owners of the Company	**136,907**	244,124
Perpetual capital instruments	**260,078**	211,196
Non-controlling interests	**422,276**	234,550
Non-controlling interests of subsidiary	**42,568**	28,347
Profit and total comprehensive income for the year	**861,829**	718,217
Dividends declared to non-controlling interests	**(499,333)**	(247,212)
Net cash inflow/(outflow) from:		
Operating activities	**1,564,240**	701,276
Investing activities	**(88,115)**	1,504,537
Financing activities	**(1,388,130)**	(2,805,032)
Net cash inflow/(outflow)	**87,995**	(599,219)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

48. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Sunny Ease

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Current assets	**3,150,700**	3,066,246
Non-current assets	**5,478,584**	5,479,048
Current liabilities	**(5,372,537)**	(2,635,556)
Non-current liabilities	**(19,494)**	(2,715,427)
Total equity	**3,237,253**	3,194,311
Equity attributable to:		
Owners of the Company	**839,609**	769,243
Non-controlling interests	**2,397,644**	2,425,068
Total equity	**3,237,253**	3,194,311

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

48. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Sunny Ease (continued)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue	**304,085**	304,269
Other income, and other gains and losses, net	**100,834**	183,315
Total expenses	**(319,203)**	(334,551)
Profit and total comprehensive income for the year	**85,716**	153,033
Profit and total comprehensive income attributable to:		
Owners of the Company	**43,715**	78,047
Non-controlling interests	**42,001**	74,986
Profit and total comprehensive income for the year	**85,716**	153,033
Dividends declared to non-controlling interests	**(69,425)**	(31,896)
Net cash inflow/(outflow) from:		
Operating activities	**158,836**	187,886
Investing activities	**(9,422)**	(530,219)
Financing activities	**(69,027)**	612,962
Net cash inflow	**80,387**	270,629

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

48. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Speedy Cosmo

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Current assets	**2,034,592**	3,441,947
Non-current assets	**3,307,564**	3,318,455
Current liabilities	**(1,792,168)**	(4,453,377)
Non-current liabilities	**(120,112)**	(148,611)
Total equity	**3,429,876**	2,158,414
Equity attributable to:		
Owners of the Company	**2,754,586**	677,402
Perpetual capital instruments	**83,221**	926,774
Non-controlling interests	**592,069**	554,238
Total equity	**3,429,876**	2,158,414

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

48. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Speedy Cosmo (continued)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue	**848,278**	2,857,330
Other income, and other gains and losses, net	**14,244**	32,425
Fair value gain of investment properties	**(48,995)**	(19,405)
Total expenses	**(729,459)**	(2,254,670)
Profit and total comprehensive income for the year	**84,068**	615,680
Profit and total comprehensive income attributable to:		
Owners of the Company	**46,237**	338,624
Perpetual capital instruments	**–**	–
Non-controlling interests	**37,831**	277,056
Profit and total comprehensive income for the year	**84,068**	615,680
Net cash (outflow)/inflow from:		
Operating activities	**269,032**	(575,646)
Investing activities	**(3,774)**	4,114
Financing activities	**(1,360,944)**	(55)
Net cash (outflow)/inflow	**(1,095,686)**	(571,587)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

49. DETAILS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at the end of the reporting period are as follows:

Company name	Paid-up issued/ registered capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
		Directly		Indirectly		
		2021	2020	2021	2020	
Entities incorporated in Hong Kong and operating principally in Hong Kong						
Bapton Company Limited	HK$2	–	–	100%	100%	Property investment
Joy Sincere (Hong Kong) Limited	HK$390,656,370	–	–	51.96%	51.96%	Investment holding
Entities established in the PRC and operating principally in the PRC						
中糧置業投資有限公司 (COFCO Commercial Property Investment Co., Ltd*) (Note (c))	RMB5,000,000,000	–	–	100%	100%	Investment holding
西單大悦城有限公司 (Xidan Joy City Co., Ltd*) ("Xidan Joy City") (Note (d))	RMB1,025,000,000	–	–	100%	100%	Property investment and development
北京弘泰基業房地產有限公司 (Beijing Hongtaijiye Real Estate Co., Ltd.*) (Note (d))	RMB1,055,000,000	–	–	90%	90%	Property investment and development
大悦城(天津)有限公司 (Joy City (Tianjin) Co., Ltd.*) (Note (b))	RMB1,120,000,000	–	–	100%	100%	Property investment and development
大悦城(上海)有限責任公司 (Joy City (Shanghai) Co., Ltd.*) (Note (e))	RMB520,000,000	–	–	100%	100%	Property management
上海新蘭房地產開發有限公司 (Shanghai Xinlan Real Estate Development Co., Ltd.*) (Note (d))	RMB4,200,000,000	–	–	100%	100%	Property investment and development
瀋陽大悦城房產開發有限公司 (Shenyang Joy City Real Estate Development Co., Ltd.*) (Note (c))	US$129,300,000	–	–	100%	100%	Property investment and development

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

49. DETAILS OF PRINCIPAL SUBSIDIARIES (continued)

Company name	Paid-up issued/ registered capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
		Directly		Indirectly		
		2021	2020	2021	2020	
Entities established in the PRC and operating principally in the PRC (continued)						
瀋陽大悅城商業管理有限公司 (Shenyang Joy City Commercial Management Co., Ltd.*) (Note (d))	RMB1,080,000	–	–	100%	100%	Property management
煙臺大悅城有限公司 (Yantai Joy City Co., Ltd.*) ("Yantai Joy City Co") (Note (c))	RMB900,000,000	–	–	100%	100%	Property investment and development
北京昆庭資產管理有限公司 (Beijing Kunting Asset Management Co., Ltd*) ("Beijing Kunting") (Note (d))	RMB1,074,318,600	–	–	100%	100%	Property investment
中糧酒店(三亞)有限公司 (COFCO Hotel (Sanya) Limited.*) (Note (c))	US$165,500,000	–	–	100%	100%	Hotel ownership and operations
三亞亞龍灣開發股份有限公司 (Sanya Yalong Development Company Limited*) (Note (b))	RMB598,684,807	–	–	56.96%	56.96%	Property development
三亞亞龍灣熱帶海岸公園管理有限公司 (Sanya Yalong Tropical Coast Park Management Co., Ltd.*) (Note (d))	RMB3,000,000	–	–	100%	100%	Provision of tourism service
三亞虹霞開發建設有限公司 (Sanya Hongxia Development & Construction Co., Ltd.*) (Note (d))	RMB1,339,500,000	–	–	80%	80%	Property development
三亞悅晟開發建設有限公司 (Sanya Yuesheng Development Company Limited) (Note (d))	RMB499,500,000	–	–	100%	100%	Property development
北京中糧廣場發展有限公司 (Beijing COFCO Plaza Development Co., Ltd.*) (Note (b))	US$33,300,000	–	–	100%	100%	Property investment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

49. DETAILS OF PRINCIPAL SUBSIDIARIES (continued)

Company name	Paid-up issued/ registered capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
		Directly		Indirectly		
		2021	2020	2021	2020	
Entities established in the PRC and operating principally in the PRC (continued)						
四川凱萊物業管理有限公司 (Sichuan Gloria Properties Management Co., Ltd.*) (Note (b))	RMB500,000	–	–	94%	94%	Property management
上海鵬利置業發展有限公司 (Shanghai Top Glory Real Estate Development Co., Ltd.*) (Note (c))	US$70,000,000	–	–	100%	100%	Property investment and development
中糧鵬利(成都)實業發展有限公司 (COFCO Top Glory (Chengdu) Real Estate Development Co., Ltd.*) (Note (c))	US$18,000,000	–	–	100%	100%	Property development
卓遠地產(成都)有限公司 (Zhuoyuan Property (Chengdu) Co., Ltd.*) (Note (c))	US$20,000,000	–	–	100%	100%	Property investment and development
浙江和潤天成置業有限公司 (Zhejiang Herun Tiancheng Real Estate Co., Ltd.*) (Note (c))	US$406,500,000	–	–	100%	100%	Property investment and development
上海悦耀置業發展有限公司 (Shanghai Yueyao Development Co., Ltd.*) (Note (b))	RMB1,862,934,229	–	–	50% (Note (a))	50% (Note (a))	Property development
四川中國酒城股份有限公司 (Sichuan China Jiucheng Co., Ltd.*) (Note (d))	RMB80,830,230	–	–	69.65%	69.65%	Property development
重慶澤悦實業有限公司 (Chongqing Zeyue Co., Ltd.*) (Note (c))	RMB900,000,000	–	–	100%	100%	Property development
青島大悦城房地產開發有限公司 (Qingdao Joy City Co., Ltd.*) (Note (c))	RMB1,329,880,000	–	–	100%	100%	Property development

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

49. DETAILS OF PRINCIPAL SUBSIDIARIES (continued)

Company name	Paid-up issued/ registered capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
		Directly		Indirectly		
		2021	2020	2021	2020	
Entities established in the PRC and operating principally in the PRC (continued)						
青島智悅置地有限公司 (Qingdao Zhiyue Co., Ltd.*) (Note (c))	US$100,000,000	–	–	100%	100%	Property development
武漢大悅城房地產開發有限公司 (Wuhan Joy City Co., Ltd.*) (Note (c))	RMB1,457,370,000	–	–	100%	100%	Property development
瀋陽和韜房地產開發有限公司 (Shenyang Hetao Real Estate Development Co., Ltd.*) (Note (c))	US$85,000,000	–	–	100%	100%	Property development
成都天府辰悅置業有限公司 (Chengdu Tianfu Chenyue Development Co., Ltd.*) (Note (c))	RMB400,000,000	–	–	100%	100%	Property investment and development
瀋陽和安商業管理有限公司 (Shenyang Hean Business Management Co., Ltd)	RMB10,000	–	–	100%	100%	Property development
陝西鼎安置業有限公司 (Shanxi Dingan Development Co., Ltd.*) (Note (b))	RMB358,323,051	–	–	51%	51%	Property development
濟南大悅城產業發展有限公司 (Jinan Joy City Co., Ltd.*) (Note (b))	RMB1,191,666,667	–	–	60%	60%	Property development
大悅城三亞投資有限公司 (Sanya Joycity investment Co., Ltd*) (Note (d))	RMB300,000,000	–	–	100%	100%	Property development
三亞悅港企業管理有限公司 (Sanya Yuegang Development Co., Ltd*) (Note (c))	RMB349,525,000	–	–	100%	100%	Property investment
臺灣飯店有限公司 (Taiwan Hotel Limited) (Note (e))	RMB489,240,002	–	–	100%	91.64%	Hotel ownership and operations
蘇州相之悅房地產開發有限公司 (Suzhou Xiangzhiyue Real Estate Development Co., Ltd.) (Note (d))	RMB1,100,000,000	–	–	50.10%	50.10%	Property investment and development

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

49. DETAILS OF PRINCIPAL SUBSIDIARIES (continued)

Company name	Paid-up issued/ registered capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
		Directly		Indirectly		
		2021	2020	2021	2020	
Entities established in the PRC and operating principally in the PRC (continued)						
廈門市悅集商業管理有限公司 (Xiamen Yueji Properties Management Co., Ltd.) (Note (b))	RMB1,400,000,000	–	–	51%	51%	Property investment and development
大悅城商業管理(北京)有限公司 (Joy City Commercial Management (Beijing) Co., Ltd.)	RMB10,000,000	–	–	100%	100%	Property management
成都中糧悅街企業管理有限公司 (Chengdu COFCO Yuejie Enterprise Management Co., Ltd.)	RMB5,000,000	–	–	100%	100%	Property investment and development
成都鵬悅企業管理諮詢有限公司 (Chengdu Pengyue Enterprise Management Consulting Co., Ltd.)	RMB60,000,000	–	–	100%	100%	Property development
大悅城商業管理(天津)有限公司 (Joy City Commercial Management (Tianjin) Co., Ltd.)	RMB10,000,000	–	–	100%	100%	Property management

* The English names are translations of their Chinese names and are included for identification purpose only, and should not be regarded as their official English translation.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group during the year ended 31 December 2021. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Notes:

(a) The Group has control over the board of directors and the relevant activities of this entity and therefore accounted for as a subsidiary of the Company.

(b) These companies are sino-foreign equity joint ventures.

(c) These companies are wholly-foreign owned enterprise.

(d) These companies are wholly-domestic owned enterprise.

(e) During the year ended 31 December 2021, the Group acquired additional 8.36% equity interest in Taiwan Hotel Limited, a subsidiary of the Company from its ultimate holding company for a consideration of RMB83,700,000. Upon the completion of the transaction, the Group held 100% of Taiwan Hotel Limited.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

50. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Unlisted investments in subsidiaries	**13,295,091**	13,295,091
	13,295,091	13,295,091
CURRENT ASSETS		
Amounts due from subsidiaries	**21,378,217**	20,496,238
Loans to subsidiaries	**1,108,137**	1,140,720
Deposits, prepayments and other receivables	**6,545**	5,751
Cash and bank balances	**1,110,069**	1,451,185
Hedging instruments	**230**	–
	23,603,198	23,093,894
CURRENT LIABILITIES		
Amounts due to subsidiaries	**622,432**	607,903
Amounts due to fellow subsidiaries	**1,302**	13,616
Loan from a subsidiary	**1,000,000**	1,000,000
Bank borrowings	**1,915,212**	5,091,169
Amount due to the immediate holding company	**15,550**	–
Income tax payable	**13,651**	6,643
Other payables and accruals	**60,315**	51,245
Hedging instruments	**99,346**	27,056
	3,727,808	6,797,632
NET CURRENT ASSET	**19,875,390**	16,296,262
NON-CURRENT LIABILITIES		
Hedging instruments	**39,570**	226,812
Bank borrowings	**3,797,521**	–
	3,837,091	226,812
NET ASSETS	**29,333,390**	29,364,541
CAPITAL AND RESERVES		
Share capital (Note 34)	**1,122,414**	1,122,414
Reserves (Note)	**27,312,606**	27,482,410
Perpetual capital instruments	**898,370**	759,717
TOTAL EQUITY	**29,333,390**	29,364,541

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

50. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

Reserves of the Company

	Share premium RMB'000	Non-redeemable convertible preference shares RMB'000 (Note 35)	Foreign currency translation reserve RMB'000	Capital redemption reserve RMB'000	Contributed surplus and other reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2020	17,993,202	1,722,317	3,266	1,931	252,584	8,934,627	28,907,927
Profit and total comprehensive income for the year	–	–	–	–	(104,446)	(758,898)	(863,344)
Final 2019 dividend declared (Note 12)	–	–	–	–	–	(562,173)	(562,173)
At 31 December 2020	**17,993,202**	**1,722,317**	**3,266**	**1,931**	**148,138**	**7,613,556**	**27,482,410**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**13,756**	**197,576**	**211,332**
Final 2020 dividend declared (Note 12)	**–**	**–**	**–**	**–**	**–**	**(381,136)**	**(381,136)**
At 31 December 2021	**17,993,202**	**1,722,317**	**3,266**	**1,931**	**161,894**	**7,429,996**	**27,312,606**

Definitions

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

"Achieve Bloom"	Achieve Bloom Limited（得茂有限公司）, a company incorporated in the BVI with limited liability on 10 June 2011, a wholly-owned subsidiary of COFCO (HK)
"Acquisition"	has the meaning ascribed to it in the announcement of the Company dated 24 September 2013
"AGM"	the annual general meeting of the Company to be held on Thursday, 2 June 2022 or any adjournment thereof
"Annual Caps"	the maximum aggregate annual transaction amounts set for the Non–Exempt Continuing Connected Transactions
"Audit Committee"	the audit committee under the Board
"Bapton"	Bapton Company Limited, a company incorporated in Hong Kong with limited liability on 22 August 1986, a wholly-owned subsidiary of the Company
"Beijing COFCO Plaza Co."	Beijing COFCO Plaza Development Co. Ltd.（北京中糧廣場發展有限公司）, a company incorporated in the PRC with limited liability on 14 September 1987 and a wholly-owned subsidiary of the Company
"Board"	the board of Directors
"BVI"	British Virgin Islands
"Bye-laws"	the bye-laws of the Company, as may be amended from time to time
"Candidate(s)"	has the meaning ascribed to it in the section headed "Shareholders' Rights" of the Corporate Governance Report
"CG Code"	the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which shall, for the purposes of this annual report, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"COFCO (HK)"	COFCO (Hong Kong) Limited（中糧集團（香港）有限公司）(formerly known as Top Glory Company Limited（鵬利有限公司）, Top Glory Holding Company Limited（鵬利控股有限公 司）, Top Glory Holding Company Limited（鵬利集團有限公司）and COFCO (Hong Kong) Limited（中國糧油食品集團（香港）有限公司）), a company incorporated in Hong Kong with limited liability on 14 August 1981 and wholly-owned by COFCO Corporation, an indirect controlling shareholder of the Company
"COFCO Corporation"	COFCO Corporation（中糧集團有限公司）, a state-owned enterprise incorporated in the PRC in September 1952 under the purview of SASAC

Definitions

"COFCO Group"	COFCO Corporation and its subsidiaries, excluding the Group
"Company"	Joy City Property Limited (formerly known as COFCO Land Holdings Limited), a company incorporated under the laws of Bermuda with limited liability on 23 September 1992, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 00207)
"controlling shareholder(s)"	has the meaning given to it under the Listing Rules and in the context of the Company, means Grandjoy, Vibrant Oat, COFCO (HK) and COFCO Corporation
"Conversion Shares"	the new Shares to be allotted and issued by the Company upon the exercise of the conversion rights attaching to the CPS
"CPS"	the non-redeemable convertible preference shares of HK$0.10 each in the share capital of the Company
"Director(s)"	director(s) of the Company
"Executive Committee"	Executive Committee under the Board
"Grandjoy"	Grandjoy Holdings Group Co., Ltd.(大悦城控股集團股份有限公司)(formerly known as COFCO Property (Group) Co., Ltd.(中糧地產(集團)股份有限公司)), a company incorporated in the PRC with limited liability on 8 October 1993, which is listed on the Shenzhen Stock Exchange (stock code: 000031), a subsidiary of COFCO Corporation, a controlling shareholder of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive directors
"independent third party"	a party who is not a connected person (within the meaning of the Listing Rules) of the Group
"Joy City Acquisition"	has the same meaning as those defined as "Acquisition" in the circular of the Company dated 5 November 2014
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Master Agreements"	collectively the Master Lease Agreement, the Master Property Management Agreement and the Master Sourcing Agreement, and "Master Agreement" shall refer to any one of them

Definitions

"Master Lease Agreement"	the master lease agreement entered into between the Company and COFCO Corporation on 29 November 2013 (extended and supplemented by three supplemental agreements thereto) for the leasing of properties by the Group to the COFCO Group
"Master Property Management Agreement"	the master property management agreement entered into between the Company and COFCO Corporation on 29 November 2013 (extended and supplemented by three supplemental agreements thereto) for the provision of project consultation, property management and hotel management services
"Master Sourcing Agreement"	the master sourcing agreement entered into between the Company and COFCO Corporation on 29 November 2013 (extended and supplemented by three supplemental agreements thereto) for the sourcing of staple supplies and catering services by the Group from the COFCO Group
"Memorandum"	the memorandum of association of the Company
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee under the Board
"Non-Competition Undertaking"	the deed of non-competition dated 29 November 2013 executed by COFCO Corporation in favour of the Company in relation to the Acquisition
"Non-Exempt Continuing Connected Transaction(s)"	the transactions to be carried out pursuant to the Connected Transaction Agreements, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules
"Notice Period"	has the meaning ascribed to it in the section headed "Shareholders' Rights" of the Corporate Governance Report
"Notices for Director's Election"	has the meaning ascribed to it in the section headed "Shareholders' Rights" of the Corporate Governance Report
"PBOC"	The People's Bank of China（中國人民銀行）, the central bank of the PRC
"PRC government" or "Chinese government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"Remuneration Committee"	the remuneration committee under the Board

Definitions

"Restricted Business"	(a) the development, operation, sale, leasing or management of any property project which is wholly designated for commercial purpose such as offices, retail, shopping malls, hotels, resorts or serviced apartments; and/or (b) the development, operation, sale, leasing or management of any mixed-use complex project
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	has the meaning ascribed to it in the section headed "Shareholders' Rights" of the Corporate Governance Report
"SGM Requisitionists"	has the meaning ascribed to it in the section headed "Shareholders' Rights" of the Corporate Governance Report
"Shareholders"	the holders of the Shares and the CPS
"Shares"	ordinary shares of HK$0.10 each in the share capital of the Company
"sq meters" or "sqm"	square meters Definitions Joy City Property Limited Annual Report 2020
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Codes"	the Codes on Takeovers and Mergers and Share Buy-backs
"US$"	United States Dollars, being the lawful currency of the United States of America
"Vibrant Oak"	Vibrant Oak Limited (明毅有限公司), a company incorporated in the BVI with limited liability, a wholly-owned subsidiary of COFCO (HK) and an indirect controlling shareholder of the Company
"%"	per cent

Corporate Information

DIRECTORS

Executive Directors

Mr. YOU Wei *(Chairman)*
Mr. CAO Ronggen

Non-executive Directors

Mr. MA Dewei
Mr. LIU Yun
Mr. ZHU Laibin

Independent Non-executive Directors

Mr. LAU Hon Chuen, Ambrose, *GBS, JP*
Mr. LAM Kin Ming, Lawrence
Mr. CHAN Fan Shing

EXECUTIVE COMMITTEE

Mr. YOU Wei *(Committee Chairman)*
Mr. CAO Ronggen

AUDIT COMMITTEE

Mr. LAU Hon Chuen, Ambrose, *GBS, JP (Committee Chairman)*
Mr. CAO Ronggen
Mr. LAM Kin Ming, Lawrence
Mr. CHAN Fan Shing

REMUNERATION COMMITTEE

Mr. LAU Hon Chuen, Ambrose, *GBS, JP (Committee Chairman)*
Mr. CAO Ronggen
Mr. LAM Kin Ming, Lawrence
Mr. CHAN Fan Shing

NOMINATION COMMITTEE

Mr. YOU Wei *(Committee Chairman)*
Mr. LAU Hon Chuen, Ambrose, *GBS, JP*
Mr. LAM Kin Ming, Lawrence
Mr. CHAN Fan Shing

COMPANY SECRETARY

Ms. NG Chi Man, *ACG, ACS*

AUDITOR

SHINEWING (HK) CPA Limited
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

PRINCIPAL OFFICE IN HONG KONG

33/F., COFCO Tower
262 Gloucester Road
Causeway Bay, Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

COMPANY WEBSITE

www.joy-cityproperty.com

STOCK CODE

207

大悦城控股 GRANDJOY | 中粮 COFCO 自然之源 重塑你我

JOY CITY PROPERTY LIMITED
大悦城地產有限公司

33/F ,COFCO Tower
262 Gloucester Road
Causeway Bay, Hong Kong

Tel: (852) 2833 0338
Fax: (852) 2833 0330

www.joy-cityproperty.com

FSC™
www.fsc.org
MIX
Paper from responsible sources
FSC™ C004888