



合景泰富集團  
KWG GROUP HOLDINGS

Build Home  
With Heart  
Create Future  
With Aspiration

A stylized city skyline graphic composed of white and orange dots, set against a dark blue background with starburst effects. The skyline includes several skyscrapers of varying heights and widths, with the tallest ones in the center. The dots are arranged in a grid-like pattern, creating a pixelated or digital effect.

# 2021

## ANNUAL REPORT

KWG GROUP HOLDINGS LIMITED  
Incorporated in the Cayman Islands with limited liability  
Stock Code : 1813



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# Corporate Information and Information for Shareholders

## CORPORATE INFORMATION

### Directors

#### Executive Directors

KONG Jianmin (*Chairman*)  
KONG Jiantao  
(*Chief Executive Officer*)  
KONG Jiannan  
CAI Fengjia

#### Independent Non-executive Directors

LEE Ka Sze, Carmelo *JP*  
TAM Chun Fai  
LI Binhai

### Company Secretary

CHAN Kin Wai

### Authorised Representatives

KONG Jianmin  
CHAN Kin Wai

### Audit Committee

TAM Chun Fai (*Chairman*)  
LEE Ka Sze, Carmelo *JP*  
LI Binhai

### Remuneration Committee

TAM Chun Fai (*Chairman*)  
KONG Jianmin  
LI Binhai

### Nomination Committee

KONG Jianmin (*Chairman*)  
TAM Chun Fai  
LI Binhai

### Registered Office

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### Principal Place of Business in Hong Kong

Units 8503-05A, Level 85  
International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

### Principal Share Registrar and Transfer Agent

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3  
Building D, P.O. Box 1586  
Gardenia Court, Camana Bay  
Grand Cayman, KY1-1100  
Cayman Islands

### Hong Kong Branch Share Registrar

Computershare Hong Kong Investor  
Services Limited  
17M Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

### Principal Bankers

Agricultural Bank of China Limited  
China Construction Bank  
Corporation  
China Minsheng Banking Corp. Ltd.  
Hang Seng Bank (China) Limited  
Hang Seng Bank Limited  
Industrial and Commercial Bank of  
China (Asia) Limited  
Industrial and Commercial Bank  
of China Limited  
Shanghai Pudong Development  
Bank Co., Ltd.  
Standard Chartered Bank (China)  
Limited  
Standard Chartered Bank  
(Hong Kong) Limited  
The Bank of East Asia, Limited  
The Hongkong and Shanghai  
Banking Corporation Limited

### Auditor

Ernst & Young  
Registered Public Interest Entity  
Auditor

### Legal Advisors

as to Hong Kong law:  
Sidley Austin

as to Cayman Islands law:  
Conyers Dill & Pearman

## INFORMATION FOR SHAREHOLDERS

### Website

[www.kwggroupholdings.com](http://www.kwggroupholdings.com)

### Stock Code

1813 (Main Board of The Stock  
Exchange of Hong Kong Limited)

### 2021 Financial Calendar

Interim results announcement	:	27 August 2021
Interim dividend paid	:	28 January 2022
Annual results announcement	:	15 April 2022
Closure of register of members <sup>(Note)</sup>	:	30 May to 2 June 2022 (both days inclusive)
Annual general meeting	:	2 June 2022

Note: For the purpose of determining shareholders' entitlement to attend and vote at the annual general meeting



Founded in 1995, KWG Group Holdings Limited (“KWG” or the “Company”, together with its subsidiaries, collectively the “Group”) was listed on the Main Board of The Stock Exchange of Hong Kong (stock code: 01813.HK) in July 2007. As one of the leading integrated urban operators in China, the Group has always upheld its core philosophy of “Build home with heart, create future with aspiration”. Originated from Guangzhou, KWG has strategically expanded nationwide across China and has been exploring opportunities in Greater-Bay-Area, Yangtze-River-Delta Area, Pan Bohai Rim Region and Western and Central regions with a strong focus on tier-one and tier-two cities, covering more than 40 cities.

Over the past 27 years, the Group has built up a comprehensive property development system well supported by a balanced portfolio offering different types of products, including mid- to high-end residential properties, serviced apartments, villas, offices, hotels and shopping malls. While deepening property development and commercial operation, the Group has also made strategic expansions into a wide range of segments including education and healthcare to gain synergic development with property business.

In the future, the Group will focus on the development of residential properties and commercial properties, and we are also committed to attach great importance to “environmental, social and governance (the “ESG”)” to fully promote the Company’s environmental, social and governance practices in a sustainable way.



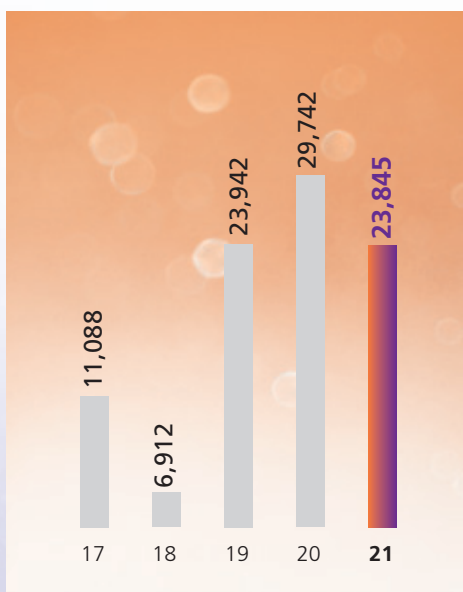


# Financial Highlights

	2021 RMB'000	Year Ended 31 December			
		2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
<b>CONSOLIDATED RESULTS</b>					
Revenue from continuing operations	<b>23,844,720</b>	29,742,063	23,941,953	6,911,750	11,087,739
Profit attributable to owners of the Company	<b>2,421,351</b>	6,676,592	9,805,813	4,035,415	3,620,071
Earnings per share attributable to owners of the Company (RMB cents)					
– Basic	<b>76</b>	210	309	128	117
– Diluted	<b>76</b>	210	309	127	117
<b>CONSOLIDATED ASSETS AND LIABILITIES</b>					
Total assets	<b>232,249,051</b>	232,198,379	214,322,679	184,537,161	134,945,038
Total liabilities	<b>172,547,118</b>	178,281,688	176,080,088	152,765,152	106,699,345

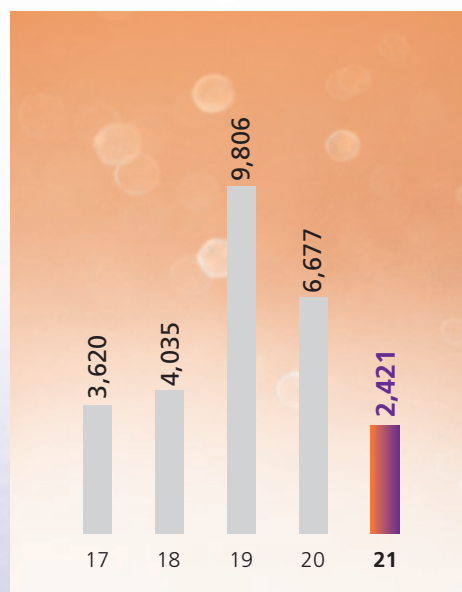
## Revenue from Continuing Operations

(in RMB Million)



## Profit Attributable to Owners of the Company

(in RMB Million)





Some of the awards received by the Group are set out below:

No.	Awarded in	Award	Entity/project awarded	Awarded by
1	2021	2021 Top 100 PRC Property Enterprises	The Group	China Index Academy
2	2021	2021 Top 10 PRC Property Companies Listed in Hong Kong by Comprehensive Strengths	The Group	China Index Academy
3	2021	2020 Top 100 Guangdong Private Enterprises — Ranked the 33th	The Group	Guangdong Federation of Industry and Commerce
4	2021	2021 China's Top 10 Property Development Companies by Comprehensive Development — Ranked the 5th	The Group	China Real Estate Association
5	2021	"ZHEN" product series were listed in the 2021 China Real Estate Developers' Excellent Product Series	The Group	China Real Estate Association
6	2021	2021 City Operator in the 14th Time Weekly China Properties Oscar	The Group	Jointly organized by CSCEC City Construction Development Centre, The Time Weekly and Time Finance
7	2021	2021 APEA Corporate Excellence Award	The Group	Enterprise Asia
8	2021	Golden Award for S/4HANA Supply Chain Finance Platform Integration Solution	The Group	SAP China Research Institute





## Honours and Awards

No.	Awarded in	Award	Entity/project awarded	Awarded by
9	2021	"2021 Dingge Award (鼎革獎) — Digital Transformation Pioneers" Model Award for Supply Chain Transformation of the Year	The Group	"Harvard Business Review (Chinese version), SAP and Institute for Global Industry of Tsinghua University"
10	2021	2021 Forbes China • Best Employers of the Year	The Group	Forbes
11	2021	2021 Forbes China's Sustainable Employers of the Year	The Group	Forbes
12	2021	2021 Top 10 Regional Brand Competitiveness of China Real Estate Enterprises in Southern China	The Group	EHConsulting
13	2021	2021 Top 40 China Real Estate Enterprises By Comprehensive Strengths	The Group	EHConsulting
14	2021	2021 TOP 40 Brand Value of Typical Real Estate Enterprises in China	The Group	EHConsulting
15	2021	2021 Top 500 PRC Private Enterprises	The Group	All-China Federation of Industry and Commerce
16	2021	2021 Charity Pioneer Award of the Times	The Group	The Time Weekly
17	2021	2021 Public Welfare Project on Responsible Practice	The Group	The Paper
18	2021	Guangdong-Hong Kong-Macao Greater Bay Area Real Estate Companies Top 50 Enterprise Award — Ranked the 10th	The Group	China Index Academy
19	2021	2021–2022 New Landmarks in Hundred Cities of China (Landmark Arte Masterpiece)	Guangzhou Landmark Arte Masterpiece	China Index Academy
20	2021	2021–2022 Urban Typical Sample Project (KWG Richmond Greenville)	Guangzhou Richmond Greenville	China Index Academy
21	2021	Annual Best Real Estate & Design Award "Platinum Award"	Shenzhen Grand Oasis	GBE China Real Estate & Design Award 2021–2022
		Annual Best Real Estate & Design Award "Golden Award"	Chongqing The Riviera	
		Best Green, Healthy And Smart House of the Year	The Cloud World in Wenchang, Hainan	
		Model of Quality Residential Projects Award of the Year	Hangzhou Precious Mansion	
		Best Innovative Design Award of the Year	Jiaxing International Commercial Plaza	
		Best Architectural Design Award of the Year	Suzhou Moonlit River	



No.	Awarded in	Award	Entity/project awarded	Awarded by
22	2021	Best Architectural Design Office Building Award	International Finance Place in Tongzhou in Beijing	The 2021 GBE Office Building Awards
23	2021	GBE Hotel Design Award 2021 — Best Interior Design	Chengdu MUSTEL	GBE Construction Business Forum
24	2021	Investors' Preferred Hotel Management Group	Mulian Hotel Group	China Hotel Gold Horse Awards
25	2021	Best Avant Garde Hotel Brand in China	MUSTEL	China Hotel Gold Horse Awards
26	2021	Best New Opening Hotel in China	MORDIN Hotel in Guangzhou	China Hotel Gold Horse Awards
27	2021	MBI Investment Value Brand Award	Mulian Hotel Group	MBI Meadin Travel & Accommodation MBI
28	2021	2021 Most Popular Hotel — Chengdu W Hotel	Chengdu W Hotel	Ctrip.com
29	2021	Innovative Enterprise of the Year	KWG Urban Redevelopment Group	Nanfang Daily
30	2021	2021 Most Powerful Urban Redevelopment Enterprise Award	KWG Urban Redevelopment Group	The Time Weekly
31	2021	2021 Urban Redevelopment Capability Index Benchmarking Project in Greater-Bay-Area	KWG Urban Redevelopment Group — Shuangsha Project	Jointly organized by LEJU, Baishen Media and The Institute of Communication and National Governance of Jinan University

A man in a dark suit and striped tie is sitting on a chair, looking directly at the camera. The background features a modern skyscraper with a distinctive wavy facade, illuminated at night. The sky is dark with some light spots.

# Chairman's Statement

Adhere to Long-termism  
through Steady and  
High-quality Development!

Shenzhen  
Grand Oasis



**Dear Shareholders,**

Looking back to 2021, policies in real estate industry were tightened comprehensively. With more rigorous policies, some property companies faced liquidity issues one after another. The survival of the fittest in the real estate industry is stepping up and under the new situation, the industrial development logic will also change. Under this round of industry cycle, property companies with stable performance will pass the most difficult period and achieve long-term value appreciation.

The general tone of "housing properties are for living in and not for speculation" was reaffirmed in the Report on the Work of the Government in 2022, which also mentioned the core mission of "meeting the reasonable needs of homebuyers". With the determination of the government working keynote in 2022, we believe that her regulatory policies will continue to maintain continuity and stability and the tone of regulatory policies of "housing properties are for living in and not for speculation" and keeping the prices of land and housing as well as market expectations stable will remain unchanged in 2022. In future, the regulatory policies on real estate industry will be more precise. It is also expected that marginal easing policies focusing on rigid and improved demands will be introduced continuously into the industry.

In the new year, KWG Group will also actively respond to opportunities and challenges, continue to give careful thinking, transform its mode of operation, seize opportunities and strengthen the cash management and control capability to constantly enhance its comprehensive strengths. The Group will continue to explore of how to stick to long-termism and deliver long-term value to the society, shareholders and customers along the way as it pursues sustainable development!

**1. Upgrading Products, Innovating Marketing and Achieving Steady Progress in Real Estate Business**

With industry reshuffling and reformation and the pursuit for higher standards in the design and quality of residential properties in the market, the development of real estate companies will enter an era of quality competition. Since its incorporation 27 years ago, KWG has always been committed to the mission of "Build Homes with Heart, Create Future with Aspiration" and has always been persistent in the quest for product design and quality. The Group improved its value potential through the upgrading of residential properties and constantly explored the cutting-edge construction design to lead demonstrating aesthetic residential life, continuously offer properties with premium quality and high added value to customers and fulfill the dream for pleasant living. In 2021, the high-end projects such as Chengdu The Jadeite, Chongqing The Riviera, Guangzhou The Beryl, Hangzhou Precious Mansion, Guangzhou The Landmark Arte Masterpiece and Guangzhou Lakeside Mansion were successively launched with positive market feedback. This year, the Group will launch more high-end luxury properties and continue to showcase KWG outstanding ability in forging luxury properties. In 2021, our six residential projects won the Prize for the Best Property Design of the GBE (Global Business Engine), fully corroborating KWG's leading position in the design of urban benchmark buildings and showcasing the Group's outstanding achievements in design.

## Chairman's Statement

In terms of marketing, the Group actively achieved breakthroughs and innovation through integrating and considering the new environment and new market demands and offered customers online access to the news of all property resources of the Group through the "CoKWG Premium Houses" (一合好房) online marketing platform. In 2021, the Group successfully hosted marketing activities such as the "2021 KWG Happy Home Purchase Season" (2021合景泰富幸福置業季) and "March Goddess Home Purchase Season" (3月女神購房季). At the same time, leveraging the all-dimensional operation of new media, the Group empowered marketing with digitalization through high-quality contents output, enhanced short videos deployment as well as online marketing and "festival" activities such as the "June 18th KWG House Purchase Festival" (618合意購房節) and the "11.11 House Purchase Festival" (雙11合意福購節) to boost the sales performance in 2021.

The Group achieved sales of RMB103.8 billion in 2021, representing a year-on-year slightly growth of 0.2%. We believe that, with the Group's premium and ample sellable resources in the core tier-one and tier-two cities in Greater-Bay-Area, Yangtze-River-Delta Area, Pan Bohai Rim Region and Western and Central regions and the promotion of each project in key regions and cities this year, it will continue to empower sales in 2022 and meet the market demand. In future, the Group will continue to enhance product capability and vigorously promote the standardised construction of products to meet the rigid and improved demands for self-occupation.





## 2. Making Investment Prudently, Diversifying Land Acquisition Channels and Steadily Consolidating Premium Land Reserves

The land auction market was “first booming then depressed” in 2021. The land tender, auction and listing market in core tier-one and tier-two cities sustained fervent sentiment with frequent land sales with a price premium in the first half year. In the second half year, however, the land auction market entered the “ice-frozen period” due to the impact of financing difficulties and market downturn.

In persisting the implementation of the prudent and pragmatic land acquisition and expansion strategy, the Group has been intensively engaged in the development of the Greater-Bay-Area and Yangtze-River-Delta Area, with a special focus on core tier-one and tier-two cities. In 2021, the Group continued its land acquisition approach at an appropriate pace and diversified land acquisition channels to consolidate its land reserves. It acquired six new projects through industry injection, merger and acquisition and other models. The “14th Five-Year Plan” has clearly sound out the implementation of urban redevelopment initiatives. The 2022 National Two Sessions further mentioned to “proceed urban renewal in an orderly manner”. In 2021, the Group has made orderly progress in urban redevelopment, as it successively won the bidding of three old villages, namely the Shixia Village in Zengcheng District, Guangzhou, Shuangsha Village in Huangpu District, Guangzhou and Nangang Village in Huangpu District, Guangzhou. Under the new situation, the Group will actively respond to policy requirements, give priority to “stability” and seek stable growth and progress to promote urban redevelopment projects in a steady and orderly manner and maintain “organic” urban redevelopment. With the orderly progress of the Group’s urban redevelopment projects, they will gradually provide considerable sellable resources, continue to provide the Group with premium land reserves in the core cities of Greater-Bay-Area and contribute to the Group’s stable growth in scale and profit.



In future, the Group will continue to steadily soliciting new projects through tenders, auctions and listings in the public market, joint developments, merger and acquisition, industry injection, urban redevelopment and other models and diversify land acquisition channels to consolidate premium land reserves.

### **3. Empowering Business Development with Digital Management through Coordinated Development on a Diversified Race Track**

The Group started to roll out its commercial projects in 2008. After more than ten years of development, the Group has persisted in intensive diversification with a dual emphasis on both asset-light and asset-heavy models, such that the pathway for business operation can be continuously broadened and qualitative stable development can be sought. Currently, the Group has 45 investment properties in operation in the core tier-one and tier-two cities, comprising 10 shopping malls, 10 office buildings and 25 hotels. Under the new industry cycle, the diversified development and cross-industry cooperation of the Group enhance the resistance capacities of enterprises to risks. In future, the diversified businesses of the Group will continue to facilitate the ongoing generation of long-term stable income and cash flow to support its sustainable development and attain co-creation, co-sharing and mutual success.

Under the new economic cycle, KWG Group has adopted the advancement of digital management as a long-term strategy in corporate development. The Group keeps changing its thinking and deepens the reform of its operating model through delicate management to consistently create "management bonus". Currently, the Group has completed the construction of the SAP shared financial operation and management system, while the convenient online channels such

as "CoKWG Premium Houses" (一合好房) online marketing platform and KWG Smart Customer Service Platform have also been successfully come into use. In future, the Group will continue to further enhance its operational capability for cost reduction and efficiency enhancement through the use and upgrading of digitalized management platforms and empower its business development and support its qualitative stable growth.

### **4. Effectively Controlling Leveraging and Preventing Liquidity Risk in the Industry under Prudent Financial Management**

The Group always pursues to maintain financial prudence. During the reporting period, the Group has repaid its debts as scheduled, so that the scale of total borrowings has decreased, the debt structure has been optimized and the finance costs have decreased slightly and the Group redeemed its domestic bonds with a total principal amount of RMB14.3 billion and overseas USD bonds with a total amount of USD750 million including subsidiaries and JV companies during the year. It successfully completed the redemption of domestic and overseas bonds due and put during the year, showcasing the stable financial and cash management capabilities of the Company.

In order to better respond to the regulating policies and liquidity risk in the industry, the Group will continue to improve its operation and financial risk mechanism in a bid to enhance risk warning and prevention.



## 5. Pursuing Sustainability and Comprehensively Enhancing the Environmental, Social and Governance Practice of the Company

In 2021, the board of directors of the Company (the "Board" or the "Directors") established the ESG Committee under the Audit Committee of the Board to comprehensively improving the practice and disclosures of sustainable development in the ESG aspect. In future, the Group will continue to improve the relevant policies on sustainable development and implement sustainable development strategy under a top-down approach, so as to ensure incorporating the ESG elements into the development strategy and routine operation of the Group. The Group will actively promote the implementation of its commitments on the environment, society and products aspects to achieve the all-round enhancement of sustainability on the sustainable and high-quality development of the Group and create more value for all stakeholders.

KWG Group responded to the "carbon neutrality and carbon peak" targets put forward by the government, actively explored a feasible pathway for "carbon neutrality" in line with its own conditions and integrated the green development philosophy into the design, operation and construction of products. The Group is committed to increasing its green building ratio in the next three years and attaining the goals of energy conservation and consumption reduction in building construction, so as to make consistent contributions to energy conservation and emission reduction. During the reporting period, the Group successfully established the green financial framework. Under the framework, the Group will continue to practice the green concept and invest in green projects.

In future, the Group will continue to actively perform social responsibilities, dedicate to public welfare and be a heart-warming and responsible enterprise. The Group will continue to fulfill its corporate citizenship responsibilities and obligations in donating for education, fighting against the epidemic and disasters and public welfare with practical actions and share positive energy with the society.

## Outlook for 2022

Under the central government's principal tone of "housing properties are for living in and not for speculation" and the prevailing trend of "keeping the prices of land and housing as well as market expectations stable", the market layout of real estate enterprises will continue to reshape in 2022. KWG Group will follow the trend and seek financial stability with steady and efficient operation in accordance with its core philosophy of "Build Homes with Heart, Create Future with Aspiration". The Group will continue to develop products with craftsmanship and repay its customers with services. It will also continue to consolidate development on a diversified race track, resolutely advance its digital management, enhance its comprehensive capabilities on all fronts as well as improve its governance standards in order to continuously pursue sustainable development.

## Appreciation

On behalf of the Group and the Board of Directors, I would like to extend my sincere appreciation to all shareholders, investors, partners, and customers for their ensuring support and assistance to KWG. I would also like to express my uttermost gratitude to all directors, management and our employees for their unwavering contributions and dedication, as KWG could only sustain our development with their outstanding, wisdom and unremitting efforts. Let us forge ahead and soldier on hand in hand!

**KONG Jianmin**  
*Chairman*

15 April 2022





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# Management Discussion and Analysis





# Management Discussion and Analysis



Guangzhou The Jadeite

## Financial Review

### Revenue

Revenue of the Group comprises primarily the (i) gross proceeds from the sale of properties, (ii) gross recurring revenue received and receivable from investment properties and (iii) gross revenue from hotel room rentals, food and beverage sales and other ancillary services when the services are rendered. The revenue is primarily generated from its three business segments: property development, property investment and hotel operation.

The revenue amounted to approximately RMB23,844.7 million in 2021, representing a decrease of 19.8% from approximately RMB29,742.1 million in 2020.

In 2021, the revenue generated from property development, property investment and hotel operation were approximately RMB22,191.7 million, RMB957.4 million and RMB695.6 million, respectively.

Proportionate revenue amounted to approximately RMB44,282.9 million in 2021, representing a decrease of 3.9% from approximately RMB46,081.0 million in 2020.

### Property development

Revenue generated from property development decreased by 22.1% to approximately RMB22,191.7 million in 2021 from approximately RMB28,486.7 million in 2020, primarily due to a decrease in the total gross floor area ("GFA") delivered to 1,598,546 sq.m. in 2021 from 2,155,240 sq.m. in 2020.

The average selling price ("ASP") increased from RMB13,217 per sq.m. in 2020 to RMB13,882 per sq.m. in 2021, reflecting a change in delivery portfolio with different city mix and product mix as compared with that for the corresponding period in 2020.





Chongqing Jade Moon Villa

Proportionate revenue generated from property development decreased by 5.5% to approximately RMB42,180.8 million in 2021 from approximately RMB44,635.0 million in 2020.

**Property investment**

Revenue generated from property investment increased by 19.5% to approximately RMB957.4 million in 2021 from approximately RMB801.1 million in 2020, primarily due to an increased leaseable GFA from leased investment properties.

**Hotel operation**

Revenue generated from hotel operation increased by 53.1% to approximately RMB695.6 million in 2021 from approximately RMB454.3 million in 2020, primarily due to the increased occupancy rate benefiting from the control of the COVID-19 pandemic.

**Cost of Sales**

Cost of sales of the Group primarily represents the costs incurred directly for the Group’s property development activities. The principal component of cost of sales is cost of properties sold, which includes the direct cost of construction, cost of obtaining land use rights and capitalised borrowing costs on related borrowed funds during the period of construction.

Cost of sales decreased by 7.8% to approximately RMB18,799.2 million in 2021 from approximately RMB20,383.2 million in 2020, mainly due to the decrease in total GFA delivered in sale of properties.

Land cost per sq.m. increased from RMB4,309 in 2020 to RMB5,321 in 2021.

Construction cost per sq.m. increased from RMB3,490 in 2020 to RMB4,322 in 2021, due to the change in delivery portfolio with different city mix compared with that in 2020.

### Gross Profit

Gross profit of the Group decreased by 46.1% to approximately RMB5,045.5 million in 2021 from approximately RMB9,358.8 million in 2020. The decrease of gross profit was principally due to the decrease in the total revenue in 2021. The Group reported gross profit margin of 21.2% for 2021 as compared with 31.5% for 2020.

Proportionate core gross profit of the Group decreased by 27.7% to approximately RMB10,325.9 million in 2021 from approximately RMB14,274.0 million in 2020. The Group reported proportionate core gross profit margin of 23.3% in 2021 (2020: 31.0%).

### Other Income and Gains, Net

Other income and gains increased by 9.8% to approximately RMB1,787.9 million in 2021 from approximately RMB1,628.1 million in 2020, mainly comprising interest income of approximately RMB891.1 million and project management fee income related to our joint venture and associate projects of approximately RMB550.6 million.

### Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 47.9% to approximately RMB1,808.0 million in 2021 from approximately RMB1,222.4 million in 2020, mainly due to an increase in sales commission.

### Administrative Expenses

Administrative expenses of the Group increased by 17.9% to approximately RMB1,839.5 million in 2021 from approximately RMB1,560.8 million in 2020.

### Fair Value (Losses)/Gains on Investment Properties, Net

The Group reported fair value losses on investment properties of approximately RMB662.2 million for 2021 (2020: fair value gains of approximately RMB415.2 million), mainly related to various leaseable commercial properties in various regions.

### Finance Costs

Finance costs of the Group being approximately RMB303.0 million in 2021 (2020: approximately RMB1,034.2 million), were related to the borrowing costs on certain general corporate loans and partial senior notes. Since such borrowings were not earmarked for project development, thus they have not been capitalised.

### Income Tax Expenses

Income tax expenses decreased by 55.3% to approximately RMB1,518.1 million in 2021 from approximately RMB3,397.8 million in 2020, primarily due to a decrease in profit before tax as a result of the decrease in revenue in 2021.

### Profit for the Year from a Discontinued Operation

Upon the spin-off of KWG Living Group Holdings Limited ("KWG Living") on 30 October 2020, the Company did not retain any interest in the issued share capital of KWG Living and KWG Living became a fellow subsidiary of the Company, which was classified as a discontinued operation. The results of KWG Living as a discontinued operation in 2020 was approximately RMB236.2 million.

### Profit for the Year

The Group reported profit for the year of approximately RMB2,562.9 million in 2021 (2020: approximately RMB6,901.3 million).

### Interest in Associates

The Group seek for various new cooperation opportunities by entering into various new projects with third party developers during the year ended 31 December 2021. Since the Group does not have controlling interests in these projects, this resulted in an increase in the balance of interest in associates as at 31 December 2021.

### Prepayments, Other Receivables and Other Assets

Increase in the balance of prepayments, other receivables and other assets as at 31 December 2021 is mainly attributable to the increase in prepayments of contract cost and other taxes, and the increase in deposits paid for the Group's urban redevelopment projects.



## Liquidity, Financial and Capital Resources

### Cash Position

As at 31 December 2021, the carrying amounts of the Group's cash and bank balances were approximately RMB29,447.5 million (31 December 2020: approximately RMB44,580.5 million).

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties.

### Borrowings and Charges on the Group's Assets

As at 31 December 2021, the Group's bank and other loans, senior notes and domestic corporate bonds were approximately RMB41,857.1 million, RMB27,455.1 million and RMB7,406.2 million respectively. Amongst the bank and other loans, approximately RMB7,581.2 million will be repayable within 1 year, approximately RMB23,354.3 million will be repayable between 2 and 5 years and approximately RMB10,921.6 million will be repayable over 5 years. Amongst the senior notes, approximately RMB7,550.7 million will be repayable within 1 year, approximately RMB18,012.7 million will be repayable between 2 and 5 years and approximately RMB1,891.7 million will be repayable over 5 years. Amongst the domestic corporate bonds, approximately RMB5,202.0 million will be repayable within 1 year and approximately RMB2,204.2 million will be repayable in the second year.

As at 31 December 2021, the Group's bank and other loans of approximately RMB37,937.3 million were secured by buildings, land use rights, investment properties, properties under development, completed properties held for sale and time deposits with total carrying value of approximately RMB41,253.4 million, and equity interests of certain subsidiaries of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their shares. The Group's domestic corporate bonds were guaranteed by the Company.

The carrying amounts of all the Group's bank and other loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately RMB5,291.8 million as at 31 December 2021 which were denominated in Hong Kong dollar of approximately RMB2,329.5 million and denominated in U.S. dollar of approximately RMB2,962.3 million respectively. All of the Group's bank and other loans were charged at floating interest rates except for loan balances with an aggregate amount of approximately RMB9,727.1 million which were charged at fixed interest rates as at 31 December 2021. The Group's senior notes were denominated in U.S. dollar and charged at fixed interest rates as at 31 December 2021. The Group's domestic corporate bonds were denominated in RMB and charged at fixed interest rates as at 31 December 2021.

### Gearing Ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and bank balances) over the total equity. As at 31 December 2021, the gearing ratio was 79.2% (31 December 2020: 61.7%).

### Risk of Exchange Rate Fluctuation

The Group mainly operates in Mainland China, so most of its revenues and expenses are measured in RMB. In addition, except for the above mentioned, the Company's domestic corporate bonds were denominated in RMB. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of RMB into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the People's Bank of China.

During 2021, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar increased and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

### Contingent Liabilities

- (i) As at 31 December 2021, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB21,016.4 million (31 December 2020: approximately RMB20,271.7 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made in the financial statements as at 31 December 2021 and 2020 for the guarantees.

- (ii) As at 31 December 2021 and 2020, the Group had provided guarantees in respect of 1) certain bank loans for joint ventures and associates, and 2) certain bank acceptance bills for third parties.

### Employees and Emolument Policies

As at 31 December 2021, the Group employed a total of approximately 6,500 employees (31 December 2020: approximately 6,000). Employee benefit expense (excluding Directors' and chief executive's remuneration) of the Group incurred was approximately RMB1,414.0 million during the year ended 31 December 2021. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

The Company has adopted the share option scheme and the share award scheme in order to recognise and motivate the contributions by the eligible participants of the Group, and help in retaining them for the Group's further development.

In addition, training and development programmes are provided on an on-going basis throughout the Group.

### Market Review

In 2021, the COVID-19 epidemic had become normalised globally. Thanks to the easing monetary and fiscal policies in different countries, the global economy was principally aiming towards recovery. In facing the multiple challenges such as the complicated and severe international environment and the spreading of the epidemic all over the places, China adhered to the principal tone of prudent progress, scientifically coordinated epidemic prevention & control and economic & social development, strengthened cross-cycle macroeconomic policy adjustment, and increased the support to the real economy, so that the national economy could continue its recovery and development and achieved a healthy start in the 14th Five-Year Plan. The yearly GDP grew by 8.1% year-on-year, with an average growth rate of 5.1% in two years. In 2021, the real estate regulation and control policy was



executed with a principal policy tone of “housing properties are for accommodation, not for speculation”, “city-specific policies” and “keeping the prices of land and housing as well as market expectations stable”, but the regulation and control policy were tightened overall. In the first and second halves of the year, the real estate market first went well and then cooled down with differentiated performances. In the first half year, the overall real estate market experienced good performance with market sentiment kept flourishing, which was witnessed by the extremely robust first round of centralised land auction. The “three red lines” of financing for housing enterprises and the “two red lines” of mortgage management sustained to exert their strengths, the regulatory policies of focused cities continued to intensify, the “concentration ratio” management of loans of financial institutions kept strengthening, and various policies continued to tighten. Since the second half year, however, owing to the comprehensive and stringent real estate control policies, some real estate enterprises have experienced liquidity crisis. The local land auction market was lack lustre and there was strong observing market sentiment, coupled with market sales pressure and credit risk of real estate enterprises. According to the data of the National Bureau of Statistics of China on the investment and sales of nationwide property development for the period from January to December 2021, for 2021, nationwide property development investment increased 4.4% year-on-year to approximately RMB14,760.2 billion; commodity properties sales increased 1.9% year-on-year to 1,794.33 million sq.m. The realised investment of property development enterprises amounted to RMB20,113.2 billion, representing year-on-year growth of 4.2%. The property sector continued to play a stabilising role in the economy.

The 2022 Report on the Work of the Government reiterated to “adhere to the positioning that the housing properties are for accommodation, not for speculation”. The relevant expressions such as “supporting the commodity housing market to better meeting the reasonable housing demand of buyers”, “keeping the prices of land and housing as well as market expectations stable (three stabilisations)” and “implementing city-specific policies to promote the virtuous cycle and healthy development of real estate industry” continued the rhetoric of the Politburo meeting and the Central Economic Working Conference at the end of last year, in which they reflect the stability and continuity of the regulatory policy on real estate industry. In terms of government policy, the government intends to guide buyers’ expectations and bring back reasonable housing demand, so as to achieve the goal of “three stabilisations”.

The real estate industry is facing unprecedented challenges and reshuffling. Under the new situation, real estate enterprises with stable cash flow, efficient operation and multi-track layout will be more resilient.

## Business Review

Under the new economic cycle and facing a complicated and volatile market environment, the real estate industry has entered a new round of “reshuffling”. The KWG Group has persisted its strategic direction of stable operation and diversified development. With the dual-drivers of both the real estate business and investment property business, the Group focuses on “quality growth” to steer through the economic cycle. The Group resolutely drives digital management and deepens diversification, steadily improves its operational and management capability and pursues quality sustainable development.

In 2021, the Group's gross pre-sales amounted to RMB103.8 billion, representing a year-on-year increase of 0.2%. The ASP stood at approximately RMB19,100 per sq.m., improved by 12% over the corresponding period of 2020. Among the 138 projects for sale, when analysed by contribution to pre-sales amount, 46% were from Greater-Bay-Area and 28% were from Yangtze-River-Delta Area; when analysed by the ranking of cities, 91% were from tier-one and tier-two cities.

In 2021, the Group launched brand new projects such as Guangzhou Landmark Arte Masterpiece, Guangzhou Paradise by Moony Sky, Guangzhou Lakeside Mansion, Guangzhou The Beryl, The Riviera Chongqing, Chengdu The Jadeite, Tianjin Beautiful and Happy Life, Tianjin Haya City, Yancheng KWG Haya City and Jiaying International Commerce Place, many of which were high-end luxury properties. The new projects gained market recognition with their prestigious locations and premium product quality.

For many years, KWG Group has always been focusing on product quality forging and innovative design, and both of its product and service quality have become its core competitive strengths. After years of development, the Group has cultivated our comprehensive operation strengths in diversity and co-ordination, drives the enhancement of its brand value and wins the recognition of numerous authoritative institutions. In 2021, the Group won a number of awards on the back of its robust comprehensive strengths in the nomination activities organised by renowned organisations such as China Index Academy, China Real Estate Association, Enterprise Asia, CSCEC City Construction Development Centre, The Time Weekly and Time Finance: the 2021 Top 100 PRC Property Enterprises, 5th ranking in 2021 China's Top 10 Property Development Companies by Comprehensive Development, Top 10 PRC Property Companies Listed in Hong Kong by Comprehensive Strengths, China Fortune 500, "2021 City Operator" in the 14th Time Weekly China Properties Oscar, 2021 China Top 500 Private Enterprises, Top 40 Chinese Real Estate Enterprises in 2021 (Comprehensive Strengths)", and 2021 APEA Corporate Excellence Award.

In 2021, the Group adhered to adopt its prudent land acquisition strategy to acquire land at a proper pace under a diversified and solid land bank approach, and continued to replenish our premium land bank for tier-one and top tier-two cities. A total of six new projects with a total GFA of 1,410,000 sq.m. at a total land cost of RMB5.6 billion were added in 2021. The new acquisition attributable ratio and consolidation ratio were 72% and 75%, respectively.

In the future, the Group will continue to comprehensively use various modes such as tenders, auctions and listings in the public market, joint developments, mergers and acquisition, industry injection, and urban redevelopment, etc. to acquire new projects in diversified ways to consolidate land bank. In terms of regional layout, the Group will further explore the Greater-Bay-Area and the Yangtze-River-Delta Area. We will also establish our presence in key cities in the Pan Bohai Rim Region focused on Beijing and Tianjin and core cities in Central and Western regions including mainly Chengdu, Chongqing and Nanning.

As of 31 December 2021, the Group owned 178 projects in 44 cities across Mainland China and Hong Kong with an attributable land bank of approximately 15.52 million sq.m., total GFA of approximately 21.74 million sq.m. and an attributable ratio at approximately 71%. The Group further explored high-level cities, and focused on the core cities of the Greater-Bay-Area.



The “14th Five-Year Plan” has clearly put forward the implementation of urban redevelopment initiatives. The National “Two Sessions” once again mentioned urban renewal. Under the new situation, the Group responds to the policy requirements, takes “stability” as the lead, strives to progress steadily, promotes urban renewal projects smoothly and orderly, and insists on “organic” urban renewal. In 2021, the Group continued to exert its strengths in urban renewal, won the bid for three old village redevelopment projects and was honoured the title of the “Most Powerful Urban Renewal Enterprise”. The Group has further explored the urban redevelopment projects of the Greater Bay Area, smoothly and orderly promoted urban renewal in the core areas of Guangzhou, Foshan, Shenzhen and Dongguan to supplement abundant sellable resources. At present, the Group has successfully won the bid for four old village redevelopment projects, namely Jishan Village in Tianhe District, Shixia Village in Zengcheng District, Shuangsha Village in Huangpu District, and Nangang Village in Huangpu District, all of which were in Guangzhou. Among them, the Consortium led by the Group was selected as the entity for the Shuangsha Community project in Huangpu District in Guangzhou with a high vote of 96.51% on 30th April 2021. The construction of the first phase of the sellable area in Shuangsha urban redevelopment project has officially commenced, and the project has been rated as the “Benchmarking Project of 2021 Greater Bay Area Urban Renewal Capability Index List”. On 8th December 2021, the Group won the bid for cooperation entity qualification in Nangang Village in Huangpu District in Guangzhou, and will build the benchmark urban redevelopment project of Huangpu Port Economic Zone in the future. In 2021, the Group also reached strategic cooperation with Guangzhou City Renewal Group and other state-owned enterprises. In future, both parties will fully leverage their respective advantages in capital and project operations to jointly promote the steady progress of urban renewal projects. The continuing pace of the Group’s urban redevelopment projects will create a coupling effect in future to facilitate the expansion of the Group’s premium land bank and lay a solid foundation for the Group’s sustained high profitability in future.

## Investment Properties

The Group started to roll out its commercial projects layout in 2008. After more than ten years of development and cultural consideration on the CBD core areas in different cities, the Group constantly upgraded its capability as a comprehensive operator and developer, explored its commercial layout and constructed multi-complexes. Currently, its commercial portfolio is thriving with projects distributed in core locations and new economic zones in tier-one and tier-two cities such as Greater-Bay-Area, Yangtze-River-Delta Area, Bohai-Rim Region, Chengdu, Chongqing and Nanning, with a total of 45 commercial projects in operation, including 10 shopping malls, 10 office buildings and 25 hotels. Investment properties will generate stable cash inflow and profit to the Group on an ongoing basis and serve as part of the Group’s dual-driver alongside its property business to steer through the economic cycles.

### (1) Shopping Malls

With creative thinking, the Group conveys the value concept of “art, attitude and symbiosis” to consumers with diversified operation to empower urban development. Through in-depth cooperation with KWG Living, while the Group inherited the local cultural heritage of the city, we precisely positioned in every commercial complex by combining our refined operation ability and high-quality brand to successfully build three shopping mall product lines of “U Fun”, “M • Cube” and “Ufun Walk” to meet the leisure and entertainment needs at different customer segments.

Currently, the Group has 10 shopping malls in operation, with presence in 6 cities, namely Beijing, Shanghai, Guangzhou, Chengdu, Suzhou and Foshan respectively. In 2021, the Group's shopping malls linked up urban consumers with personalised circle activities, hosting over 800 events nationwide. Through creative festivals, the Group created its own IP activities, Giraffe Market, Urban Sports Season and National Linkage U.Live Festival, and built a new model of marketing and promotion of commercial complexes. Through cross-border resource linkage, the Group dug deeply into the space value of shopping malls, enriched shopping and entertainment experience, and enhanced the business aesthetic concept. The Group's shopping malls delivered stellar performance in 2021: the overall foot traffic and the retail sales grew by 45% and 51% respectively. In 2021, Suzhou U Fun and Chengdu U Fun organised grand anniversary celebrations to mark the 3rd anniversary of their opening in the second quarter. Suzhou U Fun reported record-high retail sales and foot traffic for the anniversary month, while Chengdu U Fun reported record-high daily retail sales and monthly retail sales for the anniversary date and anniversary month, respectively. On the first anniversary of Chengdu M • Cube, the occupancy rate was as high as 96%. The year of 2021 also saw the opening of Guangzhou The Summit Ufun Walk Phase II.

This year, Chongqing U Fun, Guangzhou Knowledge City U Fun, Shanghai Ufun Walk and Beijing Tongzhou Ufun Walk will come into operation successively. As the first commercial project of KWG in Chongqing, Chongqing U Fun will be positioned as "Art Narration, Socialization, Fun-24-hour Light Life and Pleasure Center", creating a modern social space integrating characteristic first shop, mid-to high-end shopping, 24-hour U8 bar street and global cuisine. The project also won the "2021 Most Expectant Commercial Project" award issued by Lianshang.com in 2021. Guangzhou Knowledge City U Fun is located at the core of the new business district of Zhongxin Knowledge City, Huangpu District, Guangzhou. Focusing on the brand concept of "Art Narration, Ecology and Lohas", the project will create a new commercial landmark in the eastern part of Guangzhou,

which is positioned as "the gravitational field of gathering and enjoying", and lead the development of regional commercial quality.

In future, the Group will rely on the complex projects layout to continue expanding our nationwide commercial presence. The Group will continue to gain insight of the multi-dimensional needs of cities and refine commercial projects that resonate with cities and residents.

### (2) Office

The Group has office buildings in the core business regions of tier-one and tier-two cities such as Guangzhou, Shanghai, Chengdu, Suzhou and Nanning. With its superb geographic location, excellent product ability and in-depth cooperation with KWG Living, the Group has successfully built three high-end office brands, namely IFP (International Finance Place), IMP (International Metropolitan Plaza) and ICP (International Commerce Place) to form a quality office life ecosystem, and becomes a long-term partner of many Fortune 500 companies.

The Group has now operated 10 office buildings, providing stable rental income for the Group. In 2021, the Group opened 2 new office buildings. One is KWG Flourishing Biotech Square in Guangzhou Biological Island, which will introduce biomedical enterprises, the other is the Technology Commerce Centre in Guangzhou Science City. The operating office buildings in Guangzhou include International Finance Place and International Metropolitan Plaza in Pearl River New Town, International Commerce Place in Pazhou, KWG Flourishing Biotech Square in Guangzhou Biological Island, Technology Commerce Centre in Guangzhou Science City and Colorland Centre in Nansha. The office building in Shanghai is International Metropolis Plaza in Pudong Bund and those in Chengdu, Suzhou and Nanning include Chengdu International Commerce Place in the Financial High-tech District in southern Chengdu, Leader Plaza in Suzhou Industrial Park Area and Guangxi International Finance Place at the headquarters base in Nanning Wuxiang New District, respectively.



As the Group's office buildings are located in the CBDs of tier-one and top tier-two cities and the tenants are mainly well-known banks and top 500 multinational groups, the tenant mix is superior and stable and the occupancy rate is consistently high. In 2021, the overall occupancy rate of the Group's office buildings was 88%.

Looking into 2022, the Group will open benchmark office buildings in Beijing, Guangzhou, Shanghai and other core cities in China, including International Finance Place in Tongzhou, Beijing, Guangzhou Technology Innovation Centre and Shanghai KWG Biovalley. Among them, International Finance Place in Tongzhou, Beijing, is dedicated to building Beijing wealth management centre and high-tech industrial cluster. The project has received the "Best Architectural Design Office Building Award" in the 2021 GBE Office Building Awards, distinguishing itself with the offer of the best architectural design in Tongzhou Canal Business District to the urban elites, and becoming the international financial and business landmark of Tongzhou, the sub-centre of Beijing.

Looking into the future, the Group will successively open more modern high-end office buildings, create innovative business scenarios through the core concepts of "comfortable technology", "inclusive space" and "homologous service", and continue to contribute to the Group's steady rental income growth.

### (3) Hotels

At present, the Group has 25 hotels in operation, including hotels operated in co-operation with international hotel management groups and hotels operated under the Group's in-house brands.

The Group's own brand of The Mulian Hotel has accumulated experience in co-operating with many international five-star hotels, and has now fostered comprehensive and sophisticated ability in hotel design, development, investment and operation. The Mulian brand meets the needs at all levels of the market through the strategy of differentiated market positioning, and has incubated four major product lines, including the luxury five-star hotel "MORDIN", light luxury business hotel "The Mulian Hotel", high-end resort hotel "The Mulian Resort Hotel" and trendy design hotel "MUSTEL". Currently, The Mulian Hotel Group has its layout in 8 tier-one and tier-two cities nationwide with a total of 20 hotels in operation. In 2021, the Hotel Group has won the "MBI Investment Value Brand Award" and "MBI Brand Influence Award — Annual Artistic Hotel" presented by Meadin Index and "Investors' Preferred Hotel Management Group" in the China Hotel Gold Horse Awards.

In March, the first "MUSTEL" under The Mulian Hotel Group was glamorously opened in Chengdu as the first "modulised mixed space" hotel in China, and the Group further opened Guangzhou Nansha MUSTEL in 2021. With its insights into the younger generation, MUSTEL made a breakaway from the traditional idea of a hotel and integrated multi-cultural experience into physical space, affording infinite extension to imaginations of a "hotel" to create an unprecedented hotel experience for the creative and fashionable traveler-resident and a personalized community space that is inspiring, fun and autonomous. "MUSTEL" assists the opening of new stores by creating "Z" generation creative culture, IP-linked event packages, and fan fission, and solicits sales. The unique style and design of MUSTEL has won it the "Best Avant Garde Hotel Brand in China" presented by the China Hotel Gold Horse Awards, while Chengdu MUSTEL has won the "GBE Hotel Design Award 2021 — Best Interior Design" presented by GBE Construction Business Forum. In July, the brand new luxury hotel "MORDIN" was opened in Guangzhou Knowledge City as the first quasi-five-star hotel in this area and won the "Best Newly Opened Hotel in China" awarded by the Golden Horse Award.

In future, The Mulian Hotel will explore opportunities meticulously and continue to “renovate” its brand value, constantly upgrade its products and boost hotel check-in experience with scalable development direction through combining asset-heavy and asset-light approaches to bring new growth space and return on investment, and thereby striving to become a highly competitive domestic self-owned hotel brand.

Under the new economic cycle, KWG will continue to create scenarios and spaces for better business life, build a better urban ecosystem by enhancing its capabilities in product, service ability and operation, and enhance the comprehensive competitiveness of multiple business formats throughout the cycle.

### **Firmly Promoting Digital Management and Continuously Improving Management Efficiency**

In the post-epidemic era, digital transformation is of paramount need for Chinese enterprises. For the real estate industry that has entered an inventory era, it is an inevitable trend for them to carry out digital transformation under the new cycle.

KWG acknowledges the importance of digital transformation and has started digital transformation early back to 2018. In 2020, The Group has completed the comprehensive construction of the SAP financial sharing centre system, and successfully implemented a smart enterprise platform covering all modules, full processes and all business formats of the Group, marking that the enterprise has entered a new stage of digitalisation. This year, the Group and IBM continued to deepen cooperation with our human resources and officially launched DHR digital platform project. The in-depth promotion of digitalisation will continue to empower human lean management. The Group will be supported by a new generation of digital human resources management platform to propel the digital coordinated development of people, finance and materials.

In 2021, KWG Group’s supply chain financing project won the “2021 “DingGe Award” Digital Transformation Pioneer List”, the “Annual Supply Chain Transformation Model Award”. The supply chain solution aims to build cloud products of the supply chain platform to meet the supply chain business operation under the entire KWG Group. The solution effectively integrated and opened up the isolated information resources between the three platforms, realised the closed loop operation of online business of “application — confirmation — lending”, achieved 100% online structured information exchange and document data transfer, and also improved the real-time statistical collection and high requirement monitoring of overall key indicators, forming a real-time, highly efficient and precise supply chain system. The granting of the award signified a strong proof of the Group’s production and research innovation and customer service guarantee capabilities, which was also an affirmation of achievements of our digital strategy, highlighting that KWG Group has taken another concrete move towards digital management.

In future, the Group will continue to take advancing digital management as its long-term business development strategy and constantly activate the potential of digital factors. Through the digital management platform, we will improve the ability in precision management, continue to create “management benefits” and support the Company’s longer-term, more stable and higher-quality development.



## Resolutely Implementing Sustainable Development Strategy and Practicing Corporate Social Responsibility Comprehensively

In 2021, the Board established the Environmental, Social and Governance Committee under the Audit Committee of the Board to comprehensively improving the practice and disclosures of sustainable development in the ESG aspect. In future, the Group will continue to improve the relevant sustainable development policies and adopt a top down approach in its implementation, so as to ensure ESG will be taken into the consideration in the Group's development strategies and daily operation. At the same time, the Group actively facilitated the committed implementation of the environmental, social and products in a bid to achieve all-round enhancement of the sustainable and high-quality development of the Group's endurance, and create greater value for shareholders.

In terms of eco-friendly aspect, the Group proactively responds to the calls of "carbon neutrality and carbon peak", incorporates the "green development" concept into the course of product design, operation and construction and continues to contribute energy conservation and emission reduction efforts. The Group actively explores the feasible path of "carbon neutrality" in line with its own characteristics. In addition, we will increase our efforts in detailed adjustments such as energy conservation and environmental protection, promote the layout of "green construction" externally, and advocate green office, energy conservation and emission reduction internally. In future, the Group will further implement the green development concept and strengthen the endurance of sustainable and high-quality development. According to the "Top 50 Green Credit Index of the PRC Real Estate Enterprises" jointly released by China Investment Association and Standard Ranking, KWG Group ranked 32nd position. In May 2021, KWG officially released the "Green Financing Framework" and successfully issued the first green dollar bonds, marching the first step of our green financial practice and was widely recognised by the capital market. In future, the Group will continuously practice the green concept and invest in green projects.

While developing steadily, the Group actively performs its social responsibility, devotes itself into welfare undertaking and becomes a warm and responsible company. For public welfare, the Group created a charity platform for everyone's public welfare, mobile public welfare and digitalised public welfare through a new and innovative public welfare model, and cooperated with social welfare organisations such as Guangzhou Charity Association, Guangdong-Hong Kong-Macao Greater Bay Area Animation Promotion Association and other social welfare organisations to carry out the "Love Colour Hat" activities. With the help of the powerful Internet technology, it linked up with artists, educators and social elites from all walks of life to actively participate and carry out free public welfare. In 2021, the Group won the "11th China Public Welfare Festival — 2021 Annual Public Welfare Innovation Award", "14th Times Marketing Ceremony Award Ceremony — 2021 Times Public Welfare Pioneer Award" and "2021 (www.thepaper.cn): Responsibility Practice Public Welfare Project". In terms of anti-epidemic and disaster relief, as COVID-19 vaccine began its vaccination nationwide, the office buildings of the Group fully participated in epidemic prevention works and provided convenient vaccination points. In order to fully support Guangzhou's epidemic prevention works, Guangzhou International Finance Place provides temporary vaccination points with humanised and convenient services for the community, and has completed the vaccination for over 10,000 people. The Group actively responded to the call for epidemic prevention and assisted the urban redevelopment communities to conduct nucleic acid testing and other epidemic prevention and control works.

### Outlook

Looking forward into 2022, under the central government's policy of "housing properties are for living in and not for speculation" and "city-specific policies were implemented for different cities", "stability" will be the principal tone of real estate industry development. In 2022, the market landscape will continue to reshape. The property developers that have stable finance, pre-eminent product capability, highly efficient operational capability and diversified real estate business enterprises, are expected to outperform amid the long-term competitions and will also possess stronger capability to resist the pressure in the short run.

Under the current situation, the Group will implement rigorous and pragmatic land bank strategy. In the future, the Group will continue to explore opportunities in Greater-Bay-Area and Yangtze-River Delta Area with strong focuses on tier-one and tier-two cities. Currently, the group's land bank and sellable resources in these two regions account for 65% and 82% of the total land bank and total gross sellable resources respectively. Looking ahead into 2022, the Group will launch high-end luxury projects under the "Zhen" series, including Guangzhou Landmark Arte Masterpiece, Guangzhou Richmond Greenville and other projects. Total sellable resources for 2022 will be RMB160 billion, among which, when analysed by regions, 70% is from Greater-Bay-Area and 15% is from Yangtze-River-Delta Area. When analysed by city ranking, 95% is from tier-one and tier-two cities. The prudent and stable land investment and expansion, high-quality land bank, as well as the conversion of urban redevelopment projects of the Group, will jointly support the Group's steady growth in the future.

Looking forward into the future, the KWG Group will develop steadily in multiple race tracks, realising the synergetic co-existence of diversified businesses in terms of residential, shopping malls, office buildings, hotels, city-industry integration, and massive health industry. The Group will persist our prudent and solid finance standard, capitalise on new opportunities brought by digital management and constantly improve operational management capability. The Group will continue to adhere to the concept of "building home with heart and creating future with aspiration", constantly enhance the value of brands, and continue to create value for clients. We will adhere to long-termism through prudent and high-quality development.



## Overview of the Group's Property Development

As at 31 December 2021, the Group's major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Lingshui, Wenchang, Shanghai, Tianjin, Nanning, Hangzhou, Nanjing, Foshan, Hefei, Wuhan, Xuzhou, Jiaxing, Taizhou, Jinan, Changshu, Lishui, Chongqing, Taicang, Wuxi, Zhaoqing, Zhongshan, Nantong, Liuzhou, Shenzhen, Shaoxing, Huizhou, Jiangmen, Wenzhou, Dongguan, Yangzhou, Ningbo, Meishan, Chenzhou, Wuzhou, Xi'an, Kunming, Yancheng, Fuzhou, Sanya and Hong Kong.

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
1	The Summit	Guangzhou	Residential/villa/serviced apartment/ office/commercial/hotel	1,034	100
2	International Metropolitan Plaza	Guangzhou	Office/commercial	40	50
3	Tian Hui Plaza (including The Riviera and Top Plaza)	Guangzhou	Serviced apartment/office/commercial/ hotel	44	33.33
4	KWG Flourishing Biotech Square	Guangzhou	Office/commercial	84	100
5	Top of World	Guangzhou	Villa/serviced apartment/office/ commercial/hotel	297	100
6	The Eden	Guangzhou	Residential/commercial	2	50
7	Paradise by Moony Sky	Guangzhou	Villa/hotel	41	100
8	Essence of City	Guangzhou	Residential/villa/commercial	19	100
9	International Commerce Place	Guangzhou	Office/commercial	50	50
10	CFC (including Mayfair and IFE (International Finance Edifice))	Guangzhou	Serviced apartment/office/commercial	63	33.33
11	The Horizon	Guangzhou	Residential/villa/serviced apartment/ office/commercial/hotel	14	50
12	Blooming River	Guangzhou	Residential/villa/commercial	83	50
13	Nansha River Paradise	Guangzhou	Residential/commercial	7	40
14	V-city	Guangzhou	Serviced apartment/commercial	149	70
15	Montkam	Guangzhou	Residential/villa	23	30
16	E-city	Guangzhou	Serviced apartment/commercial	466	67

## Management Discussion and Analysis

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
17	Guangzhou Luogang M • Cube	Guangzhou	Commercial/hotel	15	60
18	Technology Commerce Center	Guangzhou	Office/commercial	8	50
19	The Beryl (Guangzhou Development Area Hotel A Project)	Guangzhou	Villa/serviced apartment/commercial/ hotel	12	60
20	The Beryl (Guangzhou Development Area Hotel B Project)	Guangzhou	Villa/serviced apartment/office/ commercial	16	60
21	Landmark Arte Masterpiece	Guangzhou	Residential/serviced apartment/ commercial	78	80
22	Clover Shades	Guangzhou	Residential/commercial	77	62.5
23	The Emerald	Guangzhou	Residential	75	100
24	KWG Biovalley (formerly known as Guangzhou Biotech Park)	Guangzhou	Villa/serviced apartment/office/ commercial	192	80
25	Longyatt Mansion	Guangzhou	Residential/commercial	92	100
26	Dreams Garden	Guangzhou	Residential/commercial	281	100
27	Lakeside Mansion	Guangzhou	Residential/commercial	323	100
28	Richmond Greenville	Guangzhou	Residential	95	100
29	Guangzhou Nansha Project	Guangzhou	Educational	89	60
30	The Star Garden	Guangzhou	Residential/commercial	194	87.5
31	Tianhe District Zhujiang New Town Project	Guangzhou	Serviced apartment/office/commercial/ hotel	69	100
32	IFP	Guangzhou	Office/commercial	61	100
33	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
34	The Mulian Huadu	Guangzhou	Hotel	25	100
35	W Hotel / W Serviced Apartments	Guangzhou	Hotel/serviced apartment	80	100
36	The Mulian Guangzhou	Guangzhou	Hotel	8	100



No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
37	The Sapphire	Suzhou	Residential/serviced apartment/office/ commercial/hotel	21	100
38	Suzhou Apex	Suzhou	Residential/serviced apartment/ commercial/hotel	112	100
39	Suzhou Emerald	Suzhou	Residential/commercial	1	100
40	Leader Plaza	Suzhou	Serviced apartment/office/commercial	24	100
41	Fortune Plaza (formerly known as Fortune Building)	Suzhou	Office/commercial/hotel	22	100
42	Suzhou Jade Garden	Suzhou	Residential/commercial	2	100
43	Orient Aesthetics	Suzhou	Residential/commercial	2	16
44	Orient Moon Bay	Suzhou	Residential	1	50
45	Swan Harbor Park	Suzhou	Residential/serviced apartment/office/ commercial	155	50
46	Lunar River	Suzhou	Residential/commercial	47	51
47	Blessedness Seasons	Suzhou	Residential/commercial	37	49
48	Moonlit River	Suzhou	Residential	48	50
49	The Vision of the World	Chengdu	Residential/serviced apartment/ commercial	51	100
50	Chengdu Cosmos	Chengdu	Residential/serviced apartment/office/ commercial/hotel	239	100
51	Chengdu Sky Ville	Chengdu	Residential/serviced apartment/office/ commercial	119	50
52	Yunshang Retreat	Chengdu	Residential/villa/serviced apartment/ commercial/hotel	581	55
53	The Jadeite	Chengdu	Residential/villa/commercial/hotel	48	100
54	Fragrant Seasons	Beijing	Residential/villa/serviced apartment/ commercial	2	100
55	La Villa	Beijing	Residential/villa/commercial	8	50
56	Beijing Apex	Beijing	Residential/villa/serviced apartment/ commercial	27	50
57	M • Cube	Beijing	Commercial	16	100
58	Summer Terrace	Beijing	Residential/commercial	16	100

## Management Discussion and Analysis

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
59	Uptown Riverside I	Beijing	Serviced apartment/office/commercial	128	100
60	Uptown Riverside II	Beijing	Serviced apartment/office/commercial	66	100
61	Rose and Ginkgo Mansion	Beijing	Residential/villa/office/commercial	27	33
62	The Core of Center (Beijing Niulanshan Complex Project)	Beijing	Residential/villa/commercial/hotel	194	100
63	The Core of Center (Beijing Niulanshan 1107# Project)	Beijing	Residential	16	100
64	New Chang'an Mansion	Beijing	Residential/office/commercial/hotel	31	100
65	Pearl Coast	Lingshui	Residential/villa/commercial/hotel	97	100
66	Moon Bay (formerly known as Villa Como)	Wenchang	Residential/villa/commercial/hotel	343	100
67	The Cloud World (formerly known as Hainan Wenchang Changsa Project)	Wenchang	Villa/commercial	76	100
68	International Metropolis Plaza	Shanghai	Office/commercial	30	75.5
69	Shanghai Apex	Shanghai	Residential/serviced apartment/commercial/hotel	19	51
70	Shanghai Sapphire	Shanghai	Serviced apartment/commercial	26	51
71	Amazing Bay	Shanghai	Residential/serviced apartment/office/commercial/hotel	49	50
72	Vision of World	Shanghai	Residential/serviced apartment/commercial/hotel	56	51
73	Glory Palace	Shanghai	Residential	3	100
74	KWG Biovalley (formerly known as Shanghai Biotech Park)	Shanghai	Office/commercial	121	90
75	Jinnan New Town	Tianjin	Residential/villa/serviced apartment/commercial	241	25
76	Tianjin The Cosmos	Tianjin	Residential/villa/commercial	262	100



No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
77	Tianjin Apex	Tianjin	Residential/office/commercial	71	100
78	Beautiful and Happy Life (formerly known as Jin Yue Fu)	Tianjin	Residential/commercial	96	100
79	Haya City	Tianjin	Residential/commercial	173	60
80	The Core of Center	Nanning	Residential/villa/serviced apartment/ commercial/hotel	263	100
81	International Finance Place	Nanning	Office/commercial	61	100
82	Top of World	Nanning	Residential/villa/serviced apartment/ commercial/hotel	82	100
83	Fragrant Season	Nanning	Residential/villa/commercial	16	100
84	Impression Discovery Bay I	Nanning	Residential/commercial	1	34
85	Impression Discovery Bay II	Nanning	Residential/commercial	3	34
86	Emerald City	Nanning	Residential/serviced apartment/ commercial	414	100
87	The Mulian Hangzhou	Hangzhou	Commercial/hotel	18	100
88	The Moon Mansion	Hangzhou	Residential/villa	2	51
89	Sky Ville	Hangzhou	Residential/villa	1	100
90	Puli Oriental	Hangzhou	Residential/commercial	8	50
91	Urban Artwork	Hangzhou	Serviced apartment/commercial	1	60
92	Malus Moon	Hangzhou	Residential/villa/commercial	4	100
93	Oriental Dawn	Hangzhou	Residential/commercial	54	50
94	Precious Mansion	Hangzhou	Residential/villa/office/commercial	92	100
95	Season Mix	Hangzhou	Residential/commercial/hotel	43	25
96	Shine City	Nanjing	Residential/office/commercial	1	50
97	South Bank Palace	Nanjing	Residential/commercial	2	19.75
98	Ruyi Palace	Nanjing	Residential/commercial	1	50
99	Oriental Bund	Foshan	Residential/villa/serviced apartment/ commercial/hotel	939	50
100	The Riviera	Foshan	Residential/commercial	35	51

## Management Discussion and Analysis

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
101	One Palace	Foshan	Residential/serviced apartment/ commercial	32	33.3
102	Foshan Apex	Foshan	Residential/serviced apartment/ commercial	7	50
103	China Image	Foshan	Residential/commercial	29	34
104	Water Moon	Hefei	Residential/commercial	61	100
105	City Moon	Hefei	Residential/commercial	2	100
106	The One	Hefei	Residential/commercial	92	100
107	Park Mansion	Hefei	Residential	2	50
108	The Buttonwood Season I	Wuhan	Residential/villa/commercial	9	100
109	The Buttonwood Season II	Wuhan	Residential/villa/commercial	142	100
110	Exquisite Bay	Xuzhou	Residential/commercial	3	50
111	Fragrant Season	Xuzhou	Residential/commercial	11	50
112	Xuzhou Tongshan Project I	Xuzhou	Residential	6	33
113	Xuzhou Tongshan Project II	Xuzhou	Residential/commercial	24	33
114	Oriental Milestone	Xuzhou	Residential	137	100
115	Majestic Mansion	Jiaxing	Residential/commercial	4	100
116	Star City	Jiaxing	Residential	1	25
117	Noble Peak	Jiaxing	Residential	2	100
118	International Commercial Plaza	Jiaxing	Residential/serviced apartment/office/ commercial/hotel	361	100
119	Top of World Residence I	Taizhou	Residential	2	100
120	Top of World Residence II	Taizhou	Residential/commercial	4	100
121	Linhai Mansion	Taizhou	Residential/commercial	3	100
122	Star Mansion	Taizhou	Residential/commercial	2	33
123	Lead Peak Mansion	Taizhou	Residential/commercial	1	100
124	Emerald the Bay	Taizhou	Residential/serviced apartment/office/ commercial	255	50
125	Jinan Zhangqiu Project	Jinan	Residential	87	49
126	Jinan Zhang Ma Tun C6# Project	Jinan	Residential/commercial	1	20
127	Jinan Zhang Ma Tun C8# Project	Jinan	Residential/commercial	26	20
128	Fragrant Season	Changshu	Residential	9	40



No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
129	The Inherited Villa (formerly known as Brown Stone Life)	Changshu	Residential	3	25
130	Liu Xiang Mansion	Lishui	Residential/commercial	8	49
131	The Riviera Chongqing	Chongqing	Residential/commercial/hotel	22	100
132	The Cosmos Chongqing	Chongqing	Residential/serviced apartment/office/commercial/hotel	257	100
133	The Moon Mansion	Chongqing	Residential/commercial	1	39
134	Splendid City	Chongqing	Residential/commercial	2	50
135	Mansion of Jasper	Chongqing	Residential/commercial	1	50
136	Jade Moon Villa	Chongqing	Residential/commercial	2	50
137	Jinzhū Tianyi Huayuan	Taicang	Residential	77	100
138	Oriental Mansion	Wuxi	Residential/commercial	1	20
139	Exquisite Palace	Wuxi	Residential/commercial	3	45
140	Star Mansion	Wuxi	Residential/commercial	3	50
141	Vision of the World	Zhaoqing	Residential/commercial	102	100
142	River View Mansion	Zhaoqing	Residential/commercial	32	33
143	The Moon Mansion	Zhongshan	Residential/commercial	50	50
144	Serenity in Prosperity	Nantong	Residential/villa/commercial	4	51
145	Oriental Beauty	Nantong	Residential	1	70
146	Central Mansion	Nantong	Residential	21	70
147	The Moon Mansion	Liuzhou	Residential/villa/commercial	60	100
148	Fortunes Season	Liuzhou	Residential/commercial/hotel/educational	1,013	100
149	Shenzhen Bantian Project	Shenzhen	Serviced apartment/office/commercial	61	51
150	KWG Topchain City Center	Shenzhen	Serviced apartment/office/commercial	52	51
151	Grand Oasis	Shenzhen	Serviced apartment/office/commercial/hotel	41	55
152	Shenzhen Longhua Project	Shenzhen	Residential	90	50
153	Shaoxing Project	Shaoxing	Residential/villa	1	24.9
154	Skyline Seasons	Huizhou	Residential/commercial	244	100
155	Huizhou Longmen Project-Educational#[2019]011	Huizhou	Educational	11	100
156	Huizhou Longmen Project-Educational#[2019]014	Huizhou	Educational	61	100

## Management Discussion and Analysis

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest (‘000 sq.m.)	Interest Attributable to the Group (%)
157	The Horizon	Jiangmen	Residential	1	100
158	Jiangmen Apex International	Jiangmen	Residential/serviced apartment/ commercial	60	100
159	Cullinan Mansion	Wenzhou	Residential/commercial	30	100
160	Art Wanderland	Dongguan	Residential/commercial	1	12.5
161	Center Mansion (formerly known as Dongguan Hengli Project)	Dongguan	Residential/villa/commercial	22	20
162	Yangzhou Apex	Yangzhou	Residential/commercial	102	80
163	Ningbo Beilun Project	Ningbo	Residential	1	49
164	Parkview Palace	Ningbo	Residential	2	49
165	Cloud Mansion	Ningbo	Residential	37	50
166	Meishan Apex	Meishan	Residential/commercial	2	100
167	River State	Meishan	Residential/commercial	61	34
168	Chenzhou Wangxian Eco-tourism Project	Chenzhou	Residential/villa	71	50
169	KWG Tusholdings Ice Snow	Wuzhou	Residential/commercial	256	75
170	Meet	Xi'an	Serviced apartment/commercial/hotel	32	100
171	Salar de Uyuni	Kunming	Residential/commercial/hotel	273	67.11
172	Salar de Uyuni Guan Lake Phase 2 - #17-28	Kunming	Residential/Commercial	87	70.56
173	Salar de Uyuni Guan Lake Phase 1 - #17-29	Kunming	Residential/Commercial	112	70.56
174	KWG Haya City	Yancheng	Residential/serviced apartment/ commercial/hotel	671	100
175	Phoenix International	Fuzhou	Serviced apartment/office/commercial	47	22.4
176	Sanya Haitangwan Project	Sanya	Serviced apartment	8	6.72
177	Hong Kong Ap Lei Chau Project	Hong Kong	Residential	35	50
178	Upper RiverBank	Hong Kong	Residential/commercial	12	50





# Project Overview

- Guangzhou — 36 projects**  
 Total Attributable GFA approximately 4,300,000 sqm  
 The Summit  
 International Metropolitan Plaza  
 Tian Hui Plaza (including The Riviera and Top Plaza)  
 KWG Flourishing Biotech Square  
 Top of World  
 The Eden  
 Paradise by Moony Sky  
 Essence of City  
 International Commerce Place  
 CFC (including Mayfair and IFE (International Finance Edifice))  
 The Horizon  
 Blooming River  
 Nansha River Paradise  
 V-city  
 Montkam  
 Ec-city  
 Guangzhou Luogang M + Cube  
 Technology Commerce Center  
 The Beryl (Guangzhou Development Area Hotel A Project)  
 The Beryl (Guangzhou Development Area Hotel B Project)  
 Landmark Arte Masterpiece  
 Clover Shades  
 The Emerald  
 KWG Biovalley (formerly known as Guangzhou Biotech Park)  
 Longyatt Mansion  
 Dreams Garden  
 Lakeside Mansion  
 Richmond Greenville  
 Guangzhou Nansha Project  
 The Star Garden  
 Tianhe District Zhujiang New Town Project  
 IFF  
 Four Points by Sheraton Guangzhou, Donggu  
 The Mulian Huadu  
 W Hotel/AW Serviced Apartments  
 The Mulian Guangzhou
- Foshan — 5 projects**  
 Total Attributable GFA approximately 1,042,000 sqm  
 Oriental Bund  
 The Riviera  
 One Palace  
 Foshan Apex  
 China Image
- Huizhou — 3 projects**  
 Total Attributable GFA approximately 316,000 sqm  
 Skyline Seasons  
 Huizhou Longmen Project-Educational#[2019]011  
 Huizhou Longmen Project-Educational#[2019]014
- Shenzhen — 4 projects**  
 Total Attributable GFA approximately 244,000 sqm  
 Shenzhen Bantian Project  
 KWG Topchain City Center  
 Grand Oasis  
 Shenzhen Longhua Project
- Zhaoqing — 2 projects**  
 Total Attributable GFA approximately 134,000 sqm  
 Vision of the World  
 River View Mansion
- Jiangmen — 2 projects**  
 Total Attributable GFA approximately 61,000 sqm  
 The Horizon  
 Jiangmen Apex International
- Zhongshan — 1 project**  
 Total Attributable GFA approximately 50,000 sqm  
 The Moon Mansion
- Hong Kong — 2 projects**  
 Total Attributable GFA approximately 47,000 sqm  
 Hong Kong Ap Lei Chau Project  
 Upper RiverBank
- Dongguan — 2 projects**  
 Total Attributable GFA approximately 23,000 sqm  
 Art Wanderland  
 Center Mansion (formerly known as Dongguan Hengli Project)
- Yancheng — 1 project**  
 Total Attributable GFA approximately 671,000 sqm  
 KWG Haya City
- Suzhou — 12 projects**  
 Total Attributable GFA approximately 480,000 sqm  
 The Sapphire  
 Suzhou Apex  
 Suzhou Emerald  
 Leader Plaza  
 Fortune Plaza (formerly known as Fortune Building)  
 Suzhou Jade Garden  
 Orient Aesthetics  
 Orient Moon Bay  
 Swan Harbor Park  
 Lunar River  
 Blessedness Seasons  
 Moonlit River
- Jiaxing — 4 projects**  
 Total Attributable GFA approximately 368,000 sqm  
 Majestic Mansion  
 Star City  
 Noble Peak  
 International Commercial Plaza
- Shanghai — 7 projects**  
 Total Attributable GFA approximately 309,000 sqm  
 International Metropolitan Plaza  
 Shanghai Apex  
 Shanghai Sapphire  
 Amazing Bay  
 Vision of World  
 Glory Palace  
 KWG Biovalley (formerly known as Shanghai Biotech Park)
- Taizhou — 6 projects**  
 Total Attributable GFA approximately 267,000 sqm  
 Top of World Residence I  
 Top of World Residence II  
 Linhai Mansion  
 Star Mansion  
 Lead Peak Mansion  
 Emerald the Bay
- Hangzhou — 9 projects**  
 Total Attributable GFA approximately 226,000 sqm  
 The Mulian Hangzhou  
 The Moon Mansion  
 Sky Ville  
 Puli Oriental  
 Urban Artwork  
 Malus Moon  
 Oriental Dawn  
 Precious Mansion  
 Season Mix
- Xuzhou — 5 projects**  
 Total Attributable GFA approximately 181,000 sqm  
 Exquisite Bay  
 Fragrant Season  
 Xuzhou Tongshan Project I  
 Xuzhou Tongshan Project II  
 Oriental Milestone
- Hefei — 4 projects**  
 Total Attributable GFA approximately 157,000 sqm  
 Water Moon  
 City Moon  
 The One  
 Park Mansion
- Yangzhou — 1 project**  
 Total Attributable GFA approximately 102,000 sqm  
 Yangzhou Apex
- Taicang — 1 project**  
 Total Attributable GFA approximately 77,000 sqm  
 Jinzhu Tianyi Huayuan
- Ningbo — 3 projects**  
 Total Attributable GFA approximately 40,000 sqm  
 Ningbo Beilun Project  
 Parkview Palace  
 Cloud Mansion
- Wenzhou — 1 project**  
 Total Attributable GFA approximately 30,000 sqm  
 Cullinan Mansion
- Nantong — 3 projects**  
 Total Attributable GFA approximately 26,000 sqm  
 Serenity in Prosperity  
 Oriental Beauty  
 Central Mansion
- Changshu — 2 projects**  
 Total Attributable GFA approximately 12,000 sqm  
 Fragrant Season  
 The Inherited Villa (formerly known as Brown Stone Life)
- Lishui — 1 project**  
 Total Attributable GFA approximately 8,000 sqm  
 Liu Xiang Mansion
- Wuxi — 3 projects**  
 Total Attributable GFA approximately 7,000 sqm  
 Oriental Mansion  
 Exquisite Palace  
 Star Mansion
- Nanjing — 3 projects**  
 Total Attributable GFA approximately 4,000 sqm  
 Shine City  
 South Bank Palace  
 Ruyi Palace
- Shaoxing — 1 project**  
 Total Attributable GFA approximately 1,000 sqm  
 Shaoxing Project
- Tianjin — 5 projects**  
 Total Attributable GFA approximately 844,000 sqm  
 Jinan New Town  
 Tianjin The Cosmos  
 Tianjin Apex  
 Beautiful and Happy Life (formerly known as Jin Yue Fu)  
 Haya City
- Beijing — 11 projects**  
 Total Attributable GFA approximately 531,000 sqm  
 Fragrant Seasons  
 La Villa  
 Beijing Apex  
 M + Cube  
 Summer Terrace  
 Uptown Riverside I  
 Uptown Riverside II  
 Rose and Ginkgo Mansion  
 The Core of Center (Beijing Niulanshan Complex Project)  
 The Core of Center (Beijing Niulanshan 1107# Project)  
 New Chang'an Mansion
- Jinan — 3 projects**  
 Total Attributable GFA approximately 114,000 sqm  
 Jinan Zhanguo Project  
 Jinan Zhang Ma Tun C6# Project  
 Jinan Zhang Ma Tun C8# Project
- Liuzhou — 2 projects**  
 Total Attributable GFA approximately 1,075,000 sqm  
 The Moon Mansion  
 Fortunes Season
- Chengdu — 5 projects**  
 Total Attributable GFA approximately 1,038,000 sqm  
 The Vision of the World  
 Chengdu Cosmos  
 Chengdu Sky Ville  
 Yunshan Retreat  
 The Jadeite
- Nanning — 7 projects**  
 Total Attributable GFA approximately 840,000 sqm  
 The Core of Center  
 International Finance Place  
 Top of World  
 Fragrant Season  
 Impression Discovery Bay I  
 Impression Discovery Bay II  
 Emerald City
- Kunming — 3 projects**  
 Total Attributable GFA approximately 840,000 sqm  
 Salar de Uyuni  
 Guan Lake  
 Phase 2 — #17-28  
 Salar de Uyuni Guan Lake  
 Phase 1 — #17-29
- Wenchang — 2 projects**  
 Total Attributable GFA approximately 419,000 sqm  
 Moon Bay (formerly known as Villa Como)  
 The Cloud World (formerly known as Hainan Wenchang Changsa Project)
- Chongqing — 6 projects**  
 Total Attributable GFA approximately 285,000 sqm  
 The Riviera  
 Chongqing  
 The Cosmos Chongqing  
 The Moon Mansion  
 Splendid City  
 Mansion of Jasper  
 Jade Moon Villa
- Wuzhou — 1 project**  
 Total Attributable GFA approximately 256,000 sqm  
 KWG Tusholdings Ice Snow
- Wuhan — 2 projects**  
 Total Attributable GFA approximately 151,000 sqm  
 The Buttonwood Season I  
 The Buttonwood Season II
- Lingshui — 1 project**  
 Total Attributable GFA approximately 97,000 sqm  
 Pearl Coast
- Chenzhou — 1 project**  
 Total Attributable GFA approximately 71,000 sqm  
 Chenzhou Wangxian Eco-tourism Project
- Meishan — 2 projects**  
 Total Attributable GFA approximately 63,000 sqm  
 Meishan Apex  
 River State
- Fuzhou — 1 project**  
 Total Attributable GFA approximately 47,000 sqm  
 Phoenix International
- Xi'an — 1 project**  
 Total Attributable GFA approximately 32,000 sqm  
 Meet
- Sanya — 1 project**  
 Total Attributable GFA approximately 8,000 sqm  
 Sanya Haitangwan Project

# Directors and Senior Management's Profile

## Directors

### Executive Directors

**KONG Jianmin**, aged 54, is the founder of the Group. He has been an executive director and the chairman of the Company (the "Chairman") since July 2007. Mr. KONG is also the chairman of the nomination committee and a member of the remuneration committee of the Company. He is primarily responsible for the formulation of our development strategies, as well as supervising our project planning, business operation and sales and marketing. Mr. KONG graduated from Jinan University (暨南大學) in the PRC majoring in computer science in 1989. Mr. KONG has over 27 years of experience in property development and investment. He founded the Group in November 1994. Prior to founding the Group, from December 1985 to July 1993, he worked at the Baiyun Road Sub-Branch of the Guangzhou Branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司廣州白雲路支行), where he served as a credit officer. Mr. KONG is a non-executive director and the chairman of KWG Living which is listed on the Stock Exchange. Mr. Kong is a brother of Messrs. KONG Jiantao and KONG Jiannan, both are executive director of the Company. Mr. KONG is also a director of most of the Company's subsidiaries incorporated in the BVI, Hong Kong and the PRC.

**KONG Jiantao**, aged 51, has been an executive director and the chief executive officer of the Company (the "Chief Executive Officer") since July 2007. Mr. KONG is responsible for the overall operation of the Group's projects. He has over 27 years of experience in property development and has been a director of the Group since 1995. Mr. KONG is the younger brother of Messrs. KONG Jianmin and KONG Jiannan, both are executive director of the Company. Mr. KONG is also a director of most of the Company's subsidiaries incorporated in the BVI, Hong Kong and the PRC.

**KONG Jiannan**, aged 56, has been an executive director and executive vice president of the Company since July 2007. He is responsible for coordinating and managing human resources, administrative management, IT management and legal affairs of the Group. Mr. KONG graduated from the Guangzhou Radio and TV University (廣州市廣播電視大學) (also known as the Open University of China (Guangzhou) (國家開放大學(廣州))) in the PRC majoring in law in October 1988. Mr. KONG has over 20 years of experience in the real estate industry. From November 1997 to June 2007, he served as a director of Guangzhou Hejing Real Estate Co., Ltd. (廣州合景房地產開發有限公司), a subsidiary of the Company, where he was primarily responsible for coordinating and managing human resources, administrative management and IT management. Prior to joining the Group, from September 1984 to October 1997, he worked at the Dongshan District Justice Bureau (東山區司法局) in Guangzhou, the PRC, where he last served as a section chief. Mr. KONG is an executive director and the chief executive officer of KWG Living which is listed on the Stock Exchange. Mr. KONG is the elder brother of Messrs. KONG Jianmin and KONG Jiantao, both are executive director of the Company. Mr. KONG is also a director of most of the Company's subsidiaries incorporated in the BVI, Hong Kong and the PRC.

**CAI Fengjia**, aged 52, has been an executive director of the Company and the chief executive officer of the Company's real estate business since September 2018 and December 2017 respectively. Mr. CAI graduated from Hunan University with a bachelor's degree in architecture and is a registered architect. Mr. CAI joined the Group in May 2007 and served as the deputy general manager of its Suzhou's real estate sector, the general manager of its Hangzhou's real estate sector and the general manager of Eastern China District. Prior to joining the Group, Mr. CAI worked in Guangdong Provincial Architectural Design Institute from 1992 to 2005.



### Independent Non-Executive Directors

**LEE Ka Sze, Carmelo JP**, aged 61, is an independent non-executive director of the Company and a member of the audit committee of the Company. Mr. LEE joined the Company in June 2007. He received a bachelor's degree in Laws and the Postgraduate Certificate in Laws from The University of Hong Kong. He is qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory and has been a partner of Messrs. Woo, Kwan, Lee & Lo since 1989. Mr. LEE is a non-executive director of Playmates Holdings Limited and Safety Godown Company Limited, both of which are listed on the Stock Exchange. Mr. LEE is a member of chairmen pool of Listing Review Committee of the Stock Exchange since 5 July 2019. He is also a member of HKSAR InnoHK Steering Committee, the chairman of the Appeal Tribunal Panel (Buildings) (Section 45 of the Buildings Ordinance, Chapter 123 of the Laws of Hong Kong), a convenor cum member of Financial Reporting Review Panel of The Financial Reporting Council, a member of Campaign Committee of The Community Chest of Hong Kong and the co-chairman of The Community Chest Corporate Challenge Half Marathon. He was the chairman of the Listing Committee of the Stock Exchange from May 2012 to July 2015 after serving as a deputy chairman and a member of the Listing Committee of the Stock Exchange from 2009 to 2012 and from 2000 to 2003, respectively. Mr. LEE resigned as a non-executive director of four companies listed on the Stock Exchange, namely Planetree International Development Limited (formerly known as Yugang International Limited), Hopewell Holdings Limited (which withdrawn its listing in May 2019), Termbray Industries International (Holdings) Limited and CSPC Pharmaceutical Group Limited respectively with effect from 30 April 2019, 3 May 2019, 13 September 2019 and 1 January 2021. He also resigned as an independent non-executive director of two companies listed on the Stock Exchange, namely China Pacific Insurance (Group) Co., Ltd and Esprit Holdings Limited respectively with effect from 12 May 2020 and 1 January 2021.

**TAM Chun Fai**, aged 60, is an independent non-executive director of the Company, the chairman of the audit committee of the Company, the chairman of the remuneration committee of the Company and a member of the nomination committee of the Company. Mr. TAM joined the Company in June 2007. He graduated from The Hong Kong Polytechnic University with a bachelor's degree in accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants and Chartered Financial Analyst. Mr. TAM has almost 37 years of experience in auditing, corporate advisory services and financial management, as well as compliance work. He is an executive director, the chief financial officer and the company secretary of Beijing Enterprises Holdings Limited and is an independent non-executive director of Hi Sun Technology (China) Limited, both of which are listed on the Stock Exchange.

**LI Binhai**, aged 72, is an independent non-executive director of the Company and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. He was the former chairman of Poly Real Estate Group Co., Ltd. ("Poly Real Estate", together with its subsidiaries, the "Poly Real Estate Group"), a company listed on the Shanghai Stock Exchange and retired on 31 May 2010 after 20 years at the helm of Poly Real Estate. Before his retirement, he held various positions within the Poly Real Estate Group, including the general manager of Guangzhou Poly Real Estate Development Corporation, a director and the deputy general manager of Poly Southern Group Co., Ltd. and chief economist of China Poly Group Corporation.

### Senior Management

**LI Ning**, aged 57, is the general manager of product research and development of the Group. Mr. Li joined the Group in November 2010 and is mainly responsible for the development and design of products of the Group. Mr. Li is a grade-one national registered architect and senior architecture design engineer. Mr. Li graduated from Murdoch University with a master's degree in business administration. Mr. Li has over 31 years of experience in designing large-scaled integrated architecture and operational management.

**CHEN Guangchuan**, aged 53, is the vice president of the Group. Mr. Chen graduated from Guangzhou Open University, majoring in business administration. Mr. Chen joined the Group in October 2009 and was the general manager of its Hainan's real estate sector. He is now mainly responsible for the management of land reserves in China as well as financing management of the Group. Before joining the Group, Mr. Chen was a general manager of a real estate company.

**JIN Yanlong**, aged 42, is the general manager of the Group's Northern China District. Mr. Jin obtained a bachelor's degree in electrical engineering and automation from Nanjing Tech University. Mr. Jin joined the Group in June 2008 and was the engineering manager, the deputy general manager of its Hangzhou's real estate sector and the general manager of its Suzhou's real estate sector. Currently, Mr. Jin is mainly responsible for the overall management and operation of Northern China District of the Group.

**HUANG Yanping**, aged 47, is the vice president of the finance and treasury department of the Group. Ms. Huang graduated from the University of Maryland in the US with a master's degree in business administration. Ms. Huang joined the Group in September 2008 and was the director of finance and treasury and the general manager of finance and treasury of the Group. Currently, Ms. Huang is responsible for the management of finance and treasury of the Group. She has 24 years of extensive experience in financial management.

**LUO Qing**, aged 57, is the general manager of construction sector of the Group. Mr. Luo graduated from South China University of Technology, majoring in construction engineering. Mr. Luo joined the Group in August 2001 and was the general manager of its Chengdu's real estate sector, the general manager of its Beijing's real estate sector and the general manager of its Wuhan's real estate sector. Before joining the Group, Mr. Luo worked in a sound first-tier main construction contractor in Guangzhou. He has 36 years of extensive experience in the management of construction work.

**YAO Zhimin**, aged 60, vice president of the finance and treasury department of the Group. Mr. Yao graduated from the Shenzhen University with a bachelor's degree in finance. Mr. Yao joined the Group in March 2018 as a vice president of the finance and treasury department, and is responsible for the management of treasury activities. Prior to joining the Group, Mr. Yao has worked as a president and general manager at the Guangzhou Xiajiu Lu sub-branch, Guangzhou Dezhengzhong Lu sub-branch, settlement and electronic banking department of Guangzhou branch, Guangzhou Baiyun Lu sub-branch of the Industrial and Commercial Bank of China. Mr. Yao has 31 years of experience in the management of treasury activities.



## Corporate Governance Code

The Group believes that sound and good corporate governance practices are not only key elements in enhancing investor's confidence and the Company's accountability and transparency, but also important to the Company's long-term success. Key practices adopted by the Company on corporate governance are as follows:

- Develop and review the Company's policies and practices on corporate governance
- Review and monitor the training and continuous professional development of directors and senior management
- Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements

The Group strives to attain and maintain effective corporate governance practices and procedures. Throughout the year, the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the code provisions (the "Code Provisions") set out in the Corporate Governance Report (the "Corporate Governance Code"), save and except for code provision A.1.7. Code provision A.1.7 stipulates that if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.

During the year, the following continuing connected transactions were dealt by written resolutions instead of physical board meeting:

- the leasing of certain properties to Guangzhou Kai Chuang Business Investments Company Limited\* (廣州凱創商務投資有限公司) ("Guangzhou Kai Chuang") of which Mr. KONG Jiantao is the executive Director and chief executive officer of the Company, and also a director and the ultimate beneficial owner of Guangzhou Kai Chuang. Therefore, Mr. KONG Jiantao was regarded as having material interests in those leasing.
- the supplemental agreements in relation to the revision of annual caps of the (i) property lease framework agreement, (ii) residential property management services framework agreement, (iii) property agency services framework agreement and (iv) commercial property management services framework agreement entered into between the Company and KWG Living. Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan, being the executive Directors, are the ultimate controlling shareholders of each of the Company and KWG Living pursuant to the shareholders' agreements entered into among their respective controlled entities. Therefore, KWG Living, as an associate of the controlling shareholders of the Company, is a connected person of the Company.

The Board considered that (1) the terms of the above transactions are on normal commercial terms or better, and the relevant terms of the agreements for those transactions (including the relevant annual caps) are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole; (2) the relevant Directors have abstained from voting on the relevant resolutions of the above transactions; and (3) the adoption of written resolutions would facilitate and maximize the effectiveness of decision-making and implementation.

The Board shall nevertheless review its board meeting arrangement from time to time to ensure the appropriate action is being taken to comply with the requirements under the Code Provision.

### Board of Directors

The Board is in charge of the task of maximizing the financial performance of the Company and making decisions in the best interest of the Company. The Board is also responsible for formulating business policies and strategies, directing and supervising management of the Group, adopting and monitoring internal business and management control, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, considering dividend policy, reviewing and monitoring the Company's systems of financial control and risk management. The Board has delegated the day-to-day management, administration and operation of the Group and implementation and execution of Board policies and strategies to the executive Directors and management of the Company.

All Directors have full and timely access to all relevant information in relation to the Group's businesses and affairs as well as unrestricted access to the advice and services of the company secretary of the Company (the "Company Secretary"). The Directors may seek independent professional advice at the Company's expenses in carrying out their duties and responsibilities.

#### Board composition

During the year ended 31 December 2021 and up to the date of this report, the Board has seven Directors, including four executive Directors, Mr. KONG Jianmin (Chairman), Mr. KONG Jiantao (Chief Executive Officer), Mr. KONG Jiannan and Mr. CAI Fengjia and three independent non-executive Directors, LEE Ka Sze, Carmelo JP, Mr. TAM Chun Fai and Mr. LI Binhai. Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are brothers. Save as disclosed above, there is no financial, business, family or other material/relevant relationship among members of the Board.

The biographical details of the Directors, including relationships among members of the Board, are set out on pages 38 and 39 of this report. The latest list of Directors setting out their roles and responsibilities is available for inspection at the websites of the Company and the Stock Exchange.

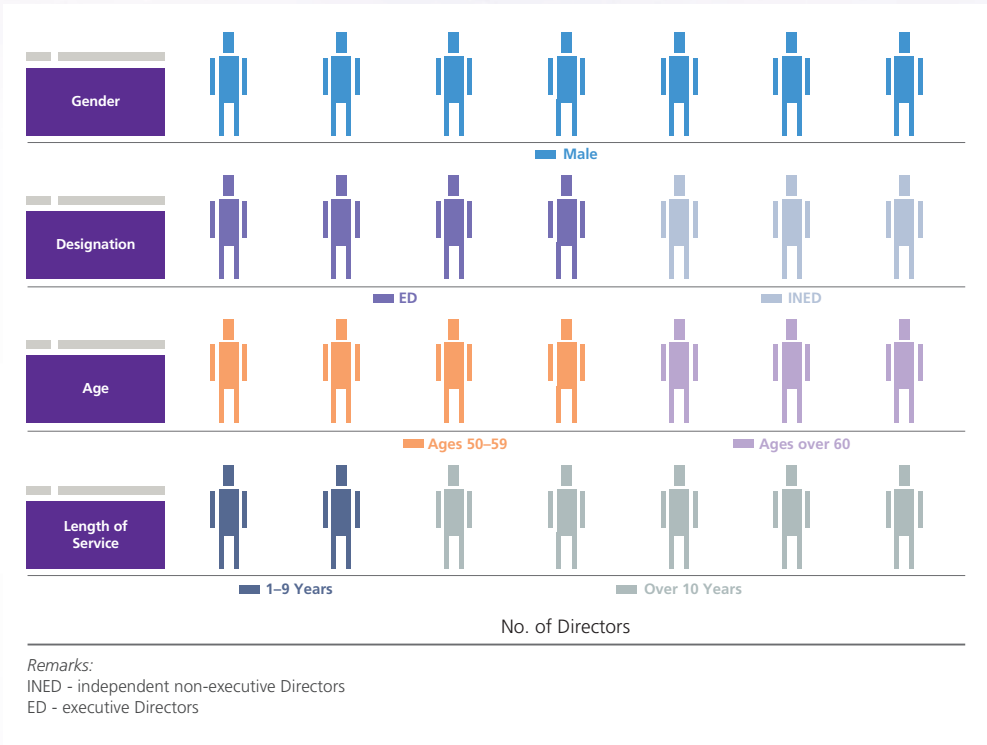
#### Board Diversity

The Board has adopted a board diversity policy (the "Diversity Policy") which sets out the approach by the Company to achieve diversity on the Board. Under the Diversity Policy, the Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining its competitive advantage and supporting its sustainable development. In determining an optimum composition of the Board, the Company will consider all aspects of diversity and will also take into account factors based on its own business model and specific needs from time to time. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, skills and industry experience and expertise, cultural and educational background, and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.



The current composition and structure of the Board are established with reference to the Diversity Policy, reflecting diverse mix of educational background, professional knowledge, industry experience and length of service, which are also in line with the Group’s demand for all-round sustainable development. The diversity mix of the Board as at the date of this report is summarised in the following charts:

**Diversity Mix**



### Chairman and Chief Executive Officer

Mr. KONG Jianmin is the Chairman and Mr. KONG Jiantao is the Chief Executive Officer. As disclosed, Mr. KONG Jianmin and Mr. KONG Jiantao are brothers. Despite their relationship, the divisions of responsibilities between the Chairman and the Chief Executive Officer are clearly divided to ensure a balance of power and authority and to reinforce their independence and accountability.

The Chairman is mainly responsible for providing leadership to the Board and ensuring that the Board functions effectively; providing all Directors with that information which is adequate, complete and reliable in a timely manner, formulating good corporate governance practice and process and making sure to adopt proper measures to maintain effective contact with the Shareholders. The Chief Executive Officer is mainly responsible for the daily operations and the overall management of the Group, execution of business policies and objectives as formulated and adopted by the Board and reported to the Board for the overall operation of the Group.

### Independent Non-executive Directors

The Company currently has three independent non-executive Directors (“INEDs”), representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the INEDs an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules, therefore the Company considered all the INEDs to be independent.

During the year, the INEDs contributed to the Company on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance of Board and Board committees meetings, and proposed their independent opinions on several matters in relation to strategy, policy, the Company’s performance and risk monitoring.

LEE Ka Sze, Carmelo *JP* and Mr. TAM Chun Fai have served as independent non-executive Director of the Company for over 9 years. Despite their long term of service, however, the Board is of the view that their individual independence should not be determined solely by the length of service. LEE Ka Sze, Carmelo *JP* and Mr. TAM Chun Fai made positive contributions to the Company by proposing independent, constructive and well-founded opinions over their term of office, and their succession in service as directors will bring about certain stability to the Board. In addition, it will also be of great benefit to the Board to maintain its members who have rendered long term service to the Company and are familiar with the Group’s business and its market situation. The Board will also consider that they can still continue to demonstrate a high degree of independent judgment after taking into consideration of the factors that may affect their independence pursuant to Rule 3.13 of the Listing Rules, hence, both of them are considered to be independent.



### Appointments and re-election of Directors

Each Director has entered into a service contract or a letter of appointment with the Company for a term of three years, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Articles of Association (the "Articles of Association"). Mr. KONG Jiantao, Mr. TAM Chun Fai and Mr. LI Binhai shall retire by rotation at the forthcoming annual general meeting and shall be eligible for re-election in accordance with the article 87 of the Articles of Association. Only Mr. KONG Jiantao and Mr. TAM Chun Fai will offer themselves for re-election at the forthcoming annual general meeting.

### Directors' insurance

The Company has purchased suitable and adequate insurance coverage for all Directors against their litigation liabilities arising from legal actions due to the performance of corporate activities. The Company reviews the insurance purchased annually to ensure the provision of reasonable and sufficient protection.

### Operation of the Board

During the year, the Board held four regular meetings. At these board meetings, Directors discussed and exchanged their views on significant issues and general operations of the Group, formulated business policies and strategies, reviewed the Group's financial and operational performance, and approved the annual and interim results of the Group. It also reviewed the Group's risk management and internal control systems, board diversity, remuneration policy and environmental, social and governance report etc.

In addition to the aforesaid regular meetings, the senior management of the Group provides to Directors, on a regular basis, monthly updates and other information with respect to the performance, business activities and development of the Group. Throughout the year, the Directors participate in the deliberation and approval of certain matters of the Company by way of written resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information from the Company Secretary or other executives of the Company as and when required. Whenever warranted, additional board meetings are held.

During the year, the Chairman held one meeting with independent non-executive Directors without the presence of other Directors.

## Corporate Governance Report

Attendances of the Directors at the board meetings and the annual general meeting in 2021 are set out as follows:

Directors	Board Meetings Attended/ Eligible to attend	Attendance at 2021 annual general meeting
<i>Executive Directors</i>		
KONG Jianmin ( <i>Chairman</i> )	4/4	√
KONG Jiantao ( <i>Chief Executive Officer</i> )	3/4	X
KONG Jiannan	4/4	X
CAI Fengjia	4/4	X
<i>Independent Non-executive Directors</i>		
LEE Ka Sze, Carmelo JP	4/4	X
TAM Chun Fai	4/4	X
LI Binhai	4/4	√

Regular board meetings in each year are scheduled well in advance to facilitate maximum attendance of Directors. At least 14 days' notice of a regular board meeting is normally given to all Directors who are provided with an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings to comply with all applicable rules and regulations. The agenda and the accompanying board papers are normally sent to Directors at least 3 days before the intended date of a board meeting. Directors may participate in meetings in person, by phone or by other communication means. All minutes are kept by the Company Secretary and are open for inspection at reasonable time on reasonable notice by any Director.

Directors are required to declare their respective interests (if any) in the matters to be considered at the board meetings in accordance with the Articles of Association, and a Director who is considered to be materially interested in the matter shall abstain from voting right for approving such matter.



### Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2021.

### Training and support for Directors

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

Upon appointment to the Board, all newly appointed Directors have been provided with necessary induction training and materials to ensure that they have proper understanding of the operation and business of the Company and their responsibilities under the relevant laws, regulations and rules.

To further ensure that all Directors are adequately informed about the Company’s business and operations as well as his responsibilities under relevant laws, rules and regulations, all Directors are regularly provided materials regarding the Company’s most recent performance as well as updates on latest amendments and developments to the Listing Rules and other relevant legal and regulatory requirements from time to time. The Company has also organized a seminar on the Listing Rules with the participation of external legal counsels.

During the year, the Directors have participated in adequate continuous professional development through their attendance of seminars, taking training courses and online learning resources. According to the information provided to the Company by the Directors, they attended the following trainings as of 31 December 2021:

Directors	Attending trainings, seminars, conferences, or briefings etc.	Reading materials in respect of updates on the Company’s business, duties and responsibilities of Directors and regulatory requirements
<i>Executive Directors</i>		
KONG Jianmin	√	√
KONG Jiantao	√	√
KONG Jiannan	√	√
CAI Fengjia	√	√
<i>Independent Non-executive Directors</i>		
LEE Ka Sze, Carmelo JP	√	√
TAM Chun Fai	√	√
LI Binhai	√	√

## Annual Remuneration Payable to the Members of Senior Management

The annual remuneration of the members of the senior management by band for the year ended 31 December 2021 is as follows:

Remuneration Bands (RMB)	Number of Individuals
0–1,000,000	2
1,000,001–2,000,000	2
2,000,001–3,000,000	1
3,000,001–4,000,000	1

## Board Committees

The Board has established four board committees, namely Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee. Each of the Board committees has its respective written terms of reference approved by the Board, which cover its duties, authority and functions. Such terms of reference comply with the requirements of the Listing Rules and have taken into account the specific business needs of the Company. The Board committees have sufficient resources to perform their duties, report to the Board on the results of their meetings, raise key issues and findings, and provide recommendations to assist the Board in decision-making.

### Audit Committee

The Audit Committee was established in 2007. The terms of reference of the Audit Committee was determined and updated in accordance with the Corporate Governance Code, which was amended from time to time. As at the date of this report, the Audit Committee comprises three members who are independent non-executive Directors, namely Mr. TAM Chun Fai (chairman), LEE Ka Sze, Carmelo *JP*, and Mr. LI Binhai.

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of external auditor, review financial statements and express material advice in respect of financial reporting matters, as well as review the financial control, internal control, risk management systems, corporate governance and environmental, social and governance of the Company. The terms of reference of the Audit Committee are available for inspection at the websites of the Company and the Stock Exchange respectively.

During the year, the Environmental, Social and Governance Committee (the “ESG Committee”) has been established under the Audit Committee. The ESG Committee is responsible to assist the Audit Committee to formulate policies and reporting guidelines on environmental, social and governance matters with reference to the requirements of the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited from time to time.



Three Audit Committee meetings were held during the year. The work of the Audit Committee is summarized as follows:

- reviewed the interim and annual results of the Group, and recommended the Board to adopt such results;
- met with the auditor to discuss the accounting and audit issues of the Group, and reviewed their findings, recommendations and representations;
- reviewed the Group's continuing connected transactions, financial control, internal control and risk management systems;
- reviewed the independence of the external auditor, recommended the appointment of external auditor and its terms of appointment;
- reviewed the corporate governance of the Company;
- reviewed the environmental, social and governance structure and performance; and
- reviewed the connected transactions and continuing connected transactions during the year.

The Audit Committee also had a private meeting with the external auditor without the presence of the management to discuss any area of concern.

Attendance of the members at the Audit Committee meetings for the year ended 31 December 2021 is set out as follows:

Committee Members	Meetings attended/held
TAM Chun Fai	3/3
LEE Ka Sze, Carmelo <i>JP</i>	3/3
LI Binhai	3/3

### Remuneration Committee

The Remuneration Committee was established in 2007. The terms of reference of the Remuneration Committee was determined and updated in accordance with the Corporate Governance Code, which was amended from time to time. As at the date of this report, the Remuneration Committee comprises an executive Director, namely Mr. KONG Jianmin, and two independent non-executive Directors, namely Mr. TAM Chun Fai (chairman) and Mr. LI Binhai.

The primary duties of the Remuneration Committee are to formulate and make recommendations on remuneration policy and remuneration package of the Directors and members of senior management to the Board. The terms of reference of the Remuneration Committee are available for inspection at the websites of the Company and the Stock Exchange respectively.

One Remuneration Committee meeting was held during the year. The work of the Remuneration Committee is summarized below:

- reviewed the remuneration policies and structure; and
- reviewed the packages of the Directors and senior management.

Attendance of the members at the Remuneration Committee meeting for the year ended 31 December 2021 is set out as follows:

Committee Members	Meetings attended/held
TAM Chun Fai	1/1
KONG Jianmin	1/1
LI Binhai	1/1

### Nomination Committee

The Nomination Committee was established in 2007. The terms of reference of the Nomination Committee was determined and updated in accordance with the Corporate Governance Code, which was amended from time to time. As at the date of this report, the Nomination Committee comprises an executive Director, namely Mr. KONG Jianmin (chairman), and two independent non-executive Directors, namely Mr. TAM Chun Fai and Mr. LI Binhai.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board and make recommendations to the Board regarding the selection of director candidates. The terms of reference of the Nomination Committee are available for inspection at the websites of the Company and the Stock Exchange respectively.

One Nomination Committee meeting was held during the year. The work of the Nomination Committee is summarized as follows:

- reviewed the structure, size and composition (including skills, expertise and experience) of the Board; and
- evaluated the independence of INEDs, considered the retirement and re-election of the Directors and reviewed whether the time and attention made to the Company's affairs is sufficient by each Director.



The Nomination Committee has set the measurable objectives including but not limited to gender, age, cultural and educational background, length of service and professional experience for the implementation of board diversity of the Company. Details are set out in the paragraphs under “Board Composition” and “Board Diversity” in this report. The Nomination Committee reviews the Diversity Policy to ensure its continued effectiveness from time to time. It is of the view that the Board comprises seven Directors who are drawn from a diverse background and professional experience, thereby ensuring critical review and control of the management process. The balanced composition of the Board brings effective performance by providing sound judgment on strategic issues and effective oversight of and guidance to management. The biographical details of the Directors set out in pages 38 and 39 of this report demonstrate a diversity of skills, expertise, experience and qualifications.

Having reviewed the implementation of the Diversity Policy and the structure, size and composition of the Board, the Nomination Committee considered that the requirements of the board diversity policy had been met.

Attendance of members at the Nomination Committee meeting for the year ended 31 December 2021 is set out as follows:

Committee Members	Meetings attended/held
KONG Jianmin	1/1
TAM Chun Fai	1/1
LI Binhai	1/1

### Nomination Policy

The Company’s policy for the nomination of Directors (the “Nomination Policy”) was adopted pursuant to resolutions of the Board. Pursuant to the Nomination Policy, the Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the Shareholders for election as Directors at general meetings of the Company or to appoint as Directors to fill casual vacancies or as an addition to the existing Board. The non-exhaustive factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- Reputation for integrity;
- Accomplishment and experience;
- Compliance with legal and regulatory requirements;
- Commitment in respect of available time and relevant interest; and
- Diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Nomination Committee shall also assess the independence of independent non-executive Directors, and shall take into account factors for independence as prescribe by the Listing Rules in force as amended from time to time.

### Executive Committee

The Executive Committee was established in 2019 and performs its duty in accordance with the terms of reference which were amended from time to time. As at the date of this report, the Executive Committee comprises executive Directors, namely Mr. KONG Jianmin (chairman), Mr. KONG Jiantao, Mr. KONG Jiannan and Mr. CAI Fengjia. The Board has delegated to the Executive Committee with authority and responsibility for handling the management functions and day-to-day operations of the Company, while reserving certain key matters such as the declaration of interim dividend, making recommendation of final dividend or other distributions for the approval by the Board. The Executive Committee monitors the execution of the Company's business plans and the operations of business units of the Company and convenes meeting regularly as and when necessary.

## Audit and Accountability

### Financial reporting

The Directors acknowledged their responsibility for preparing the financial statements of the Group for the year ended 31 December 2021, and confirmed that the financial statements contained herein gave a true and fair view of the results and state of affairs of the Group during the year. The Directors consider that the financial statements have been prepared on the going concern basis in conformity with the applicable statutory requirements and accounting standards.

### External Auditor

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" contained in this report.

For the year ended 31 December 2021, the external auditor's remuneration in respect of audit services provided to the Group amounted to RMB5,800,000 and fees for non-audit services amounted to an aggregate amount of approximately RMB3,486,000, being the service charge for the review of financial information, tax services and other reporting services.

### Risk Management and Internal Control

The Board is responsible for maintaining sound and effective risk management and internal control system in order to safeguard the Company's assets and Shareholders' interests and reviewing and monitoring the effectiveness of the Company's risk management and internal control system on a regular basis so as to ensure that internal control and risk management system in place are adequate. The Audit Committee assists the Board in performing its governance functions as to finance, operation, compliance, risk management and internal control of the Group. The risk management centre assists the Board and/or the audit committee in reviewing the effectiveness of the risk management and internal control system of the Group on a continual basis. The Board may be informed regularly of material risks that would affect the Group.

The Group applies the "three lines of defense" model as the basic structure of the risk management and internal control system:

**First line of defense:** The Group integrates the risk management system in the core business operation practices. Each operating unit is responsible for identifying and assessing its respective risks and formulating appropriate risk mitigating measures within its terms of reference. The implementation of risk mitigating measures is monitored and the conditions of risk management work are reported to the management in a timely manner.

**Second line of defense:** Each function department of the Group provides and promotes the methodology and instruments of risk management and control for the first line of defense. Meanwhile, significant risks across disciplines, processes and departments are under streamlined management, and risk reminder and control strategy study are conducted on such basis.

**Third line of defense:** The Group's risk management centre is mainly responsible for monitoring the compliance with policies and procedures by the Group and its major departments as well as the effectiveness of internal control structure, conducting independent assessment of the financial and operational activities of the Group, and providing constructive advice to relevant management. The risk management centre organises regular risk assessment of the Group and formulates internal audit plan for the year based on the results of the risk assessment. The results of the audit will also be reported to the Audit Committee.

The Board conducted a review and assessment of the effectiveness of the Group's risk management and internal control system as to financial, operational and compliance control and risk management for the year ended 31 December 2021. The assessment was discussed between the management of the Group and the Group's risk management centre. The Board believes that the existing risk management and internal control system is adequate and effective.

### Key Risks and Uncertainties

The following lists out the key risks and uncertainties facing the Group. As it is not exhaustive in listing out all factors, there may be other risks and uncertainties which are unknown or currently not but may become material in future, save as those disclosed below. In addition, investors are advised to make their own judgment or consult professionals before making any investment in the securities of the Company.

- Unfavourable changes in requirements of policies, laws and regulatory regulated by the government;
- Adverse changes in macroeconomic environment due to the uncertainties associated with the Russia-Ukraine war, US-China trade war and global financial conditions;
- Threats to public health and disruptions in operations due to outbreak of coronavirus pandemic or potential pandemic diseases;
- Ability to generate liquidity internally and obtain external financing;
- Exposure of customers' credit risks, the Group's liquidity position may be adversely affected if the customers fail to make payment on time or in full;
- The market competition faced by the Group will be more intense due to adverse effects of several factors, such as the increase of new competitors and land cost, property cooling measures;
- Business partnership risk due to limited controls in minority interest investment.



### Policy on Inside Information

The Company has adopted policies on monitoring, reporting and disclosure of inside information (as defined in the Listing Rules). This ensures timely reporting and disclosure as well as fulfilment of the Group's continuous disclosure obligations.

### Company Secretary

Mr. CHAN Kin Wai is the Company Secretary and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on governance matters.

Mr. CHAN Kin Wai has taken no less than 15 hours of relevant professional training during the year.

### Shareholder Relations

The Company understands the importance of maintaining effective mutual communication with its Shareholders and values every opportunity to communicate with them. The Company has disclosed clear and relevant information to Shareholders through various channels in a timely manner. Annual and interim reports are printed and sent to all Shareholders by post as requested. The Company has also complied with the Listing Rules by posting announcements, notices, annual reports, interim reports, shareholders' circulars and monthly updates etc. on the websites of the Stock Exchange and the Company for the designated period. Apart from these documents, press releases and newsletters are posted on the Company's website to enhance its transparency. Being constantly updated in a timely manner, the website also contains a wide range of additional information on the Company's business activities.

In addition to publication of information, the annual general meeting of the Company provides a platform for communication between Shareholders and Directors. The chairman of the Board personally chairs the annual general meeting to ensure Shareholders' views are communicated to the Board. Moreover, the briefing on the Company's business and the questions and answer session at the meeting allow Shareholders to stay informed of the Group's strategies and goals.

The annual general meeting proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices and Shareholders' rights are preserved. Notice of annual general meeting is delivered to all Shareholders at least 21 clear days prior to the date of the meeting, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. At the beginning of the meeting, the procedures for demanding and conducting a poll will be explained by the chairman of the meeting. Vote results are released by way of publication of an announcement.

## Shareholders' Rights

### Procedures for shareholders to convene an Extraordinary General Meeting ("EGM")

Pursuant to the article 58 of the Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "EGM Requisitionists") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The EGM Requisitionists can deposit the written request at the Company's principal place of business in Hong Kong, which is presently situated at Units 8503-05A, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The EGM Requisitionists must state in their request(s) the objects of the EGM, and such request must be signed by all the EGM Requisitionists, any may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The share registrar will verify the EGM Requisitionists' particulars in the EGM Requisitionists' request. Promptly after confirmation from the share registrar that the EGM Requisitionists' request is in order, the Company Secretary will arrange the Board to convene an EGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is verified not in order, the EGM Requisitionists will be advised of this outcome and accordingly, an EGM will not be convened as requested.

If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the EGM Requisitionists' himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the EGM Requisitionists by reason of the Board's failure to duly convene an EGM shall be reimbursed to the EGM Requisitionists by the Company.

### Procedures for putting forward proposals at general meeting

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law. However, Shareholders are requested to follow the article 58 of the Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to the article 88 of the Articles of Association, no person other than a director retiring at a meeting, shall, unless recommended by the directors for election, be eligible for election as a director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Principal Place of Business in Hong Kong or at the Share Registrar provided that the minimum length of the period, during which such notices(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch 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. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for Shareholders to propose a person for election as director is posted on the Company's website.

## **Investor Relations**

### **Communication with Shareholders**

Shareholders may at any time send their enquiries and concerns to the Board in writing through the investor relations department which contact details are as follows:

Investor Relations Department  
KWG Group Holdings Limited  
Units 8503-05A, Level 85, International Commerce Centre,  
1 Austin Road West, Kowloon, Hong Kong

Fax: (852) 2878 7091

Email: [ir@kwggroupholdings.com](mailto:ir@kwggroupholdings.com)

### **Constitutional documents**

During the year, no changes have been made to the memorandum and articles of association of the Company which is available to Shareholders for inspection on the websites of the Company and the Stock Exchange.

## **Dividend Policy**

The Company has adopted a dividend policy which aims to provide the Shareholders with a sustainable dividend out of the profit of the Group. Declaration of dividends is subject to the discretion of the Board, taking into consideration of factors such as the Group's financial results, Shareholders' interests, general business conditions and strategies, capital requirements, taxation considerations, contractual, statutory and regulatory restriction and any other factors that the Board may deem relevant. The policy will be reviewed from time to time so as to keep in line with the future prospects and capital requirements of the Group and the changes in market conditions.



The Board are pleased to present its report together with the audited financial statements of the Group for the year ended 31 December 2021.

## Principal Activities

The principle activities of the Group are property development, property investment and hotel operation, the details of principal activities of its principal subsidiaries are set out in note 1 to the financial statements.

## Business Review

According to the requirements under Schedule 5 to the Hong Kong Companies Ordinance, a fair review of the business of the Group, a discussion and analysis of the Group's performance during the year including analysis using financial key performance indicators, particulars of important events affecting the Group that have occurred since the end of the financial year, description of the principal risks and uncertainties facing the Group, and a discussion on the Group's environmental policies and performance and the Group's compliance with relevant laws and regulations that have a significant impact on the Group, and an account of the Group's key relationships with its stakeholders are provided throughout this report, particularly in the sections headed "Financial Highlights", "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" of this report. These discussions form part of this Directors' Report.

The Environmental, Social and Governance Report of the Company for the year ended 31 December 2021 will be published on the websites of the Company ([www.kwggroupholdings.com](http://www.kwggroupholdings.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

## Results and Dividends

The Group's results for the year ended 31 December 2021 are set out in the Consolidated Statement of Profit or Loss on page 85.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: RMB53 cents per ordinary shares).

## Report of the Directors

### Five Year Financial Summary

A financial summary of the Group for the last five financial years is set out on page 204 of this report.

### Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements of this report.

### Investment Properties, Properties under Development and Completed Properties Held for Sale

Details of investment properties of the Group during the year are set out in note 15 to the financial statements; and details of the properties under development of the Group and completed properties held for sale by the Group during the year are set out in notes 20 and 21 respectively. Further details of the Group's major investment properties are set out on page 203 of this report.

### Shares in issue

The details of the movement in the Company's share capital during the year are set out in note 31 to the financial statements.

### Debentures Issued

During the year, the Company issued the following senior notes that are listed on the Stock Exchange for the purpose of general working capital needs of the Group:

- (1) On 14 May 2021, the Company issued the 6% green senior notes with an aggregate principal amount of US\$378,000,000 due 2026.
- (2) On 10 September 2021, the Company issued the 5.95% senior notes with an aggregate principal amount of US\$100,000,000 due 2025.
- (3) On 17 September 2021, the Company issued the 7.40% senior notes with an aggregate principal amount of US\$158,000,000 due 2024.

Further details are set out in note 28 to the financial statements.

### Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

## Purchase, Sale or Redemption of Listed Securities

By the shareholders' resolution passed by the Shareholders at the annual general meeting of the Company held on 3 June 2021, the Directors were granted a general mandate to buy back a maximum of 318,052,285 shares of the Company, representing 10% of the total number of issued shares of the Company as at 3 June 2021.

During the year, the Company bought back an aggregate of 594,500 ordinary shares of the Company on the Stock Exchange at a paid aggregate consideration of HK\$3,623,665 (before expenses). All the bought back shares have been cancelled on 16 February 2022.

Details of the shares bought back during the year are as follows:

Date	Number of shares bought back	Price paid per share		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
17 September 2021	387,000 shares	6.13	5.95	2,352,015
20 September 2021	57,500 shares	6.02	6.02	346,150
21 September 2021	150,000 shares	6.17	6.17	925,500
Total:	594,500 shares			3,623,665

The above share buy-backs were made with a view to enhancing the earnings per share of the Company and thus benefit the Shareholders as whole.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in notes 46 and 33 to the financial statements and in the consolidated statement of changes in equity respectively.

## Distributable Reserves

Total distributable reserves of the Company as at 31 December 2021, calculated in accordance with article 146 of the Articles of Association, amounted to approximately RMB1,445,497,000, of which RMB1,177,713,000 has been declared as 2021 interim dividend.

## Charitable Donations

The charitable donations made by the Group during the year amounted to approximately RMB47,888,000.



## Report of the Directors

### Major Customers and Contractors

For the year ended 31 December 2021, sales to the Group's five largest customers accounted for less than 30% of the Group's revenue in the year.

In the year under review, purchases from the Group's largest contractors and five largest contractors accounted for approximately 4.4% and 16.8% respectively, of the total purchases for the year.

### Bank borrowings

The details of bank borrowings of the Group as of 31 December 2021 are set out in note 28 to the financial statements of this report.

### Directors

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

#### Executive Directors

KONG Jianmin (*Chairman*)

KONG Jiantao (*Chief Executive Officer*)

KONG Jiannan

CAI Fengjia

#### Independent Non-executive Directors

LEE Ka Sze, Carmelo *JP*

TAM Chun Fai

LI Binhai

Biographical details of the Directors are set out on pages 38 and 39 of this report.

Pursuant to the article 87 of the Articles of Association, Mr. KONG Jiantao, Mr. TAM Chun Fai and Mr. LI Binhai shall retire from office by rotation and shall be eligible for re-election at the 2022 AGM. Only Mr. KONG Jiantao and Mr. TAM Chun Fai will offer themselves for re-election at the 2022 AGM.

The Company has received annual confirmations of independence from LEE Ka Sze, Carmelo *JP*, Mr. TAM Chun Fai and Mr. LI Binhai, and as of the date of this report still considers them to be independent.

### Directors' Service Contracts

The executive Directors and independent non-executive Directors have entered into service contracts and letters of appointment with the Company for a term of three years respectively.

Apart from the above, no Director proposed for re-election at the 2022 AGM has a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## Directors' Remuneration

The Directors' remunerations are subject to the recommendations of the Remuneration Committee and the Board's approval. The remunerations are determined by the Board with reference to Directors' duties, responsibilities, performances and the results of the Group.

## Directors' Interests in a Competing Business

During the year and up to the date of this report, none of the Directors or any of their respective associates have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

## Director's Interests in Transactions, Arrangements and Contract

Save as disclosed under the section headed "Continuing Connected Transactions" on pages 70 to 75 of this report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, or its subsidiaries was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Arrangement to Acquire Shares or Debentures

Mr. CAI Fengjia, executive Director, was awarded shares of the Company pursuant to the share award scheme of the Company (the "Share Award Scheme"). Details are set out in the section headed "Share Award Scheme" on pages 68 and 69 of this report.

Save for the above, at no time during the year or at the end of 2021 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

## Equity-linked Agreements

Other than the share option scheme of the Company (the "Share Option Scheme") set out on pages 65 to 68 of this report, no equity-linked agreements were entered into by the Company during the year or existed at the end of the year.

## Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures

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 its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

### (i) Long positions in shares and underlying shares of the Company

Name of Director	Number of Shares held				Total	Approximate% of the issued share capital <sup>(1)</sup>
	Personal Interests (held as beneficial owner)	Family Interests (interests of spouse or child under 18)	Corporate Interests (interests of controlled corporation)	Other Interests		
KONG Jianmin	-	-	1,594,749,652 <sup>(3)</sup>	399,053,500 <sup>(2)(3)</sup>	1,993,803,152	62.64%
KONG Jiantao	-	-	256,804,687 <sup>(4)</sup>	1,443,385,000 <sup>(2)(4)</sup>	1,700,189,687	53.42%
KONG Jiannan	-	-	144,338,500 <sup>(5)</sup>	1,553,761,500 <sup>(2)(5)</sup>	1,698,100,000	53.35%
CAI Fengjia	254,291 <sup>(6)</sup>	112,000 <sup>(7)</sup>	-	110,000 <sup>(8)</sup>	476,291	0.02%
LEE Ka Sze, Carmelo <i>JP</i>	30,000	-	-	-	30,000	0.00%
TAM Chun Fai	30,000	-	-	-	30,000	0.00%

Notes:

- (1) The approximate percentages were calculated based on 3,183,007,713 ordinary shares in issue as at 31 December 2021.
- (2) On 30 December 2018, Plus Earn Consultants Limited ("Plus Earn"), Right Rich Consultants Limited ("Right Rich") and Peace Kind Investments Limited ("Peace Kind") entered into a shareholders' agreement (the "Shareholders' Agreement") to regulate their dealings in the shares of the Company. As such, each party to the Shareholders' Agreement was deemed to have interest in the shares and/or underlying shares held by the other parties pursuant to the Shareholders' Agreement under Section 317(1)(a) of the SFO.
- (3) Mr. KONG Jianmin is deemed to be interested in a total of 1,993,803,152 shares of the Company including (i) 1,299,046,500 shares held by Plus Earn which is wholly-owned by Mr. KONG Jianmin; (ii) 295,703,152 shares held by Hero Fine Group Limited ("Hero Fine") which is wholly-owned by Mr. KONG Jianmin; and (iii) 254,715,000 shares held by Right Rich and 144,338,500 shares held by Peace Kind pursuant to the Shareholders' Agreement.



- (4) Mr. KONG Jiantao is deemed to be interested in a total of 1,700,189,687 shares of the Company including (i) 254,715,000 shares held by Right Rich which is wholly-owned by Mr. KONG Jiantao; (ii) 1,109,587 shares held by Excel Wave Investments Limited (“Excel Wave”) which is wholly-owned by Mr. KONG Jiantao; (iii) 980,100 shares held by Wealth Express Investments Limited (“Wealth Express”) which is wholly-owned by Mr. KONG Jiantao; and (iv) 1,299,046,500 shares held by Plus Earn and 144,338,500 shares held by Peace Kind pursuant to the Shareholders’ Agreement.
- (5) Mr. KONG Jiannan is deemed to be interested in a total of 1,698,100,000 shares of the Company including (i) 144,338,500 shares held by Peace Kind which is wholly-owned by Mr. KONG Jiannan; and (ii) 1,299,046,500 shares held by Plus Earn and 254,715,000 shares held by Right Rich pursuant to the Shareholders’ Agreement.
- (6) During the year, a total of 170,500 awarded shares granted to Mr. CAI Fengjia by the Company were vested, of which 64,941 awarded shares were sold by the trustee for the purpose of covering the PRC withholding tax, pursuant to the Share Award Scheme. Further details of awarded shares are set out in the section headed “Share Award Scheme” in this report.
- (7) These shares were held by Mr. CAI Fengjia’s spouse.
- (8) These shares represented the interests in awarded shares granted to Mr. CAI Fengjia by the Company and remained unvested.

## (ii) Interests in debentures of the Company

Name of Director	Capacity/Nature of Interests	Amount of debentures interested
KONG Jiantao	Interest of a controlled corporation <sup>(1)</sup>	US\$5,000,000
	Interest of spouse <sup>(2)</sup>	US\$7,000,000
KONG Jianmin	Interest of a controlled corporation <sup>(3)</sup>	US\$5,000,000

Notes:

- (1) Excel Wave, a company wholly-owned by Mr. Kong Jiantao, held totally US\$5,000,000 senior notes including (i) US\$3,000,000 of US\$400 million 6% of senior notes of the Company due 2022 and (ii) US\$2,000,000 of US\$300 million 7.40% senior notes of the Company due 2024. Accordingly, Mr. KONG Jiantao is deemed to be interested in the aforesaid amount of the senior notes held by Excel Wave under the SFO.
- (2) The spouse of Mr. KONG Jiantao held totally US\$7,000,000 senior notes including (i) US\$4,000,000 of US\$400 million 6% of senior notes of the Company due 2022 and (ii) US\$3,000,000 of US\$300 million 7.40% senior notes of the Company due 2024. Accordingly, Mr. KONG Jiantao is deemed to be interested in the aforesaid amount of the senior notes held by his spouse under the SFO.
- (3) Hero Fine, a company wholly-owned by Mr. Jianmin, held US\$5,000,000 of US\$250 million 5.2% senior notes of the Company due 2022. Accordingly, Mr. KONG Jianmin is deemed to be interested in the said amount of senior note held by Hero Fine under the SFO.

## (iii) Long positions in securities of associated corporations

Name of Director	Associated Corporations	Number of shares held in associated corporations	Percentage of shareholding in the associated corporations
KONG Jianmin	Plus Earn	1,000	100.00%

## Report of the Directors

Save as disclosed above, as at 31 December 2021, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

### Substantial Shareholders' Interests in Shares and Underlying Shares

As at 31 December 2021, to the knowledge of the Directors, the following entities (other than a Director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

#### Long positions in shares and underlying shares of the Company:

Name substantial of shareholder	Number of Shares held			Approximate Percentage of the issued share capital <sup>(1)</sup>
	Beneficial owner	Other interests	Total	
Plus Earn <sup>(2)</sup>	1,299,046,500	399,053,500 <sup>(6)</sup>	1,698,100,000	53.35%
Hero Fine <sup>(3)</sup>	295,703,152	—	295,703,152	9.29%
Right Rich <sup>(4)</sup>	254,715,000	1,443,385,000 <sup>(6)</sup>	1,698,100,000	53.35%
Peace Kind <sup>(5)</sup>	144,338,500	1,553,761,500 <sup>(6)</sup>	1,698,100,000	53.35%

Notes:

- (1) The approximate percentages were calculated based on 3,183,007,713 ordinary shares in issue as at 31 December 2021.
- (2) Plus Earn is legally and beneficially owned as to 100% by Mr. KONG Jianmin. Pursuant to the SFO, Plus Earn is interested and deemed to be interested in a total of 1,698,100,000 shares of the Company including (i) 1,299,046,500 shares directly held by it; (ii) 254,715,000 shares held by Right Rich and 144,338,500 shares held by Peace Kind pursuant to the Shareholders' Agreement.
- (3) Hero Fine is legally and beneficially owned as to 100% by Mr. KONG Jianmin.
- (4) Right Rich is legally and beneficially owned as to 100% by Mr. KONG Jiantao. Pursuant to the SFO, Right Rich is interested and deemed to be interested in a total of 1,698,100,000 shares of the Company including (i) 254,715,000 shares directly held by it; and (ii) 1,299,046,500 shares held by Plus Earn and 144,338,500 shares held by Peace Kind pursuant to the Shareholders' Agreement.

- (5) Peace Kind is legally and beneficially owned as to 100% by Mr. KONG Jiannan. Pursuant to the SFO, Peace Kind is interested and deemed to be interested in a total of 1,698,100,000 shares of the Company including (i) 144,338,500 shares directly held by it; and (ii) 1,299,046,500 shares held by Plus Earn and 254,715,000 shares held by Right Rich pursuant to the Shareholders' Agreement.
- (6) On 30 December 2018, Plus Earn, Right Rich and Peace Kind entered into the Shareholders' Agreement to regulate their dealings in the shares of the Company. As such, each party to the Shareholders' Agreement was deemed to have interest in the shares and/or underlying shares held by the other parties pursuant to the Shareholders' Agreement under Section 317(1)(a) of the SFO.

Save as disclosed above, as at 31 December 2021, no other person (other than the Directors and chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## Share Option Scheme

Pursuant to the shareholder's resolutions of the Company passed on 9 February 2018, the Company has adopted a new Share Option Scheme for the purpose of providing incentives and rewards to eligible participants (the "Eligible Participant(s)") who will contribute and had contributed to the success of the Group's operations.

The following is a summary of the principal terms of the Share Option Scheme:

### 1. Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (2) below) had or may have made to the Group.

The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

### 2. Participants of the Share Option Scheme

The Board may, at its discretion, offer to grant an option to the Eligible Participants to subscribe for such number of new shares as the Board may determine at an exercise price as the Board may determine.

An "Eligible Participant" means:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) or any directors of the subsidiaries of the Company; and
- (iii) any advisers, consultants, suppliers, customers and agents to the Company or its subsidiaries.



### **3. Total number of shares available for issue under the Share Option Scheme**

The maximum number of shares that may be issued upon the exercise of the options that may be granted under the Share Option Scheme is 315,515,505 shares, being 10% of the total number of issued shares as at the date of the adoption of the Share Option Scheme, and 9.9% as at the date of this report.

### **4. Maximum entitlement of each participant under the Share Option Scheme**

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to and including the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a connected person) abstaining from voting.

### **5. The period within which the shares must be taken up under an option**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

### **6. The minimum period for which an option must be held before it can be exercised**

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

### **7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be repaid:**

Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant before the prescribed acceptance date (being a date not later than 30 days after the date of the offer). To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

### 8. Basis of determining the exercise price

Subject to adjustments made, the subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a share.

### 9. Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years, commencing from 13 February 2018.

A summary of the principal terms and conditions of the Share Option Scheme is set out in the Appendix to the circular of the Company dated 24 January 2018.

As at 31 December 2021, details of the options under the Share Option Scheme are as follows:

Grantees	Date of grant	Exercise period	Number of share options				As at 31 December 2021	Exercise price per share (HK\$)	Closing price per share immediately before the date of grant (HK\$)
			As at 1 January 2021	Granted during the year	Exercised during the year	Cancelled/lapsed during the year			
Employees <sup>(2)</sup>	13.02.2018	<sup>(1)</sup>	948,500	-	(191,000)	(112,500)	645,000	11.12	10.70

Notes:

- (1) (i) One-third of the respective options granted are exercisable from the first anniversary of the date of grant (i.e. 13 February 2019); (ii) one-third of the respective options granted are exercisable from the second anniversary of the date of grant (i.e. 13 February 2020); and (iii) the respective remaining options granted are exercisable from the date of the third anniversary of the date of grant (i.e. 13 February 2021).
- (2) During the year, all of the options were granted to certain employees of the Group. None of the grantees is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates (as defined in the Listing Rules).

## Report of the Directors

### Valuation of Share Options

The Company has been using the binomial option pricing model (the "Model") to value the share options granted. The fair value of the share options determined at the date of grant using the Model was approximately RMB3,282,000. The fair value of options was estimated on the date of grant using the following assumptions:

Dividend Yield	7.18%
Expected Volatility	43.35%
Risk-free Interest Rate	0.841%
Expected Life of Share Options	4 years
Weighted Average Share Price	HK\$13.05
Exercise price	HK\$11.12

For the year ended 31 December 2021, the Group has recognised approximately RMB30,000 (2020: approximately RMB338,000) in share-based payment expenses in the statement of profit or loss in respect of the share options granted.

Further details of the Share Option Scheme are set out in note 32 to the financial statements of this report.

### Share Award Scheme

The Share Award Scheme was adopted by the Board on 19 January 2018 (the "Adoption Date") in order to recognize and motivate the contributions by certain employees of the Company and/or member of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group; to attract suitable personnel for further development of the Group; and to provide certain employees with a direct economic interest in attaining a long-term relationship between the Group and certain employees. Subject to the rules of the Share Award Scheme (the "Scheme Rules"), the Board may, from time to time, at its absolute discretion select any eligible participant (other than any excluded participant as defined under the Scheme Rules) for participation in the Share Award Scheme as a selected participant (the "Selected Participant(s)"), and determine the number of shares to be granted to the Selected Participant.

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date. Pursuant to the Share Award Scheme, the trustee, Computershare Hong Kong Trustees Limited and any additional or replacement trustee, shall purchase from the open market or subscribe for the relevant number of shares awarded and shall hold such shares on trust for the Selected Participants until they are vested in the relevant Selected Participant in accordance with the provisions of the Share Award Scheme. The Board, through its authorized representative(s), shall cause to pay to the trustee the subscription or purchase price for the shares and the related expenses from the Company's resources.

The Board shall not make any further award of awarded shares which will result in the total number of shares granted under the Share Award Scheme exceeding 5% of the total number of issued shares of the Company from the date of adoption. Details of the Scheme Rules are set out in the announcement of the Company dated 19 January 2018.

Since the Adoption Date and up to 31 December 2021, a total of 8,583,000 awarded shares had been awarded under the Share Award Scheme. The vesting of the awarded shares is subject to the conditions as set out in the Share Award Scheme and the fulfillment of such conditions as specified by the Board.



During the year, details of the awarded shares under the Share Award Scheme are set out below:

Awardees	Date of grant	Vesting date	Number of awarded shares				As at 31 December 2021
			As at 1 January 2021	Awarded during the year	Vested during the year	Lapsed during the year	
CAI Fengjia (Executive Director)	19.01.2018	(1)	92,500	–	(92,500) <sup>(4)</sup>	–	–
	08.04.2019	(2)	92,000	–	(46,000) <sup>(4)</sup>	–	46,000
	14.04.2020	(3)	96,000	–	(32,000) <sup>(4)</sup>	–	64,000
Directors of certain subsidiaries of the Company	19.01.2018	(1)	538,500	–	(538,500) <sup>(5)</sup>	–	–
	08.04.2019	(2)	424,000	–	(183,000) <sup>(5)</sup>	(87,000)	154,000
	14.04.2020	(3)	415,500	–	(120,000) <sup>(5)</sup>	(102,500)	193,000
Other Selected Participant	19.01.2018	(1)	99,500	–	(99,500)	–	–
	08.04.2019	(2)	99,000	–	(49,500)	–	49,500
	14.04.2020	(3)	78,000	–	(26,000)	–	52,000
Other independent Selected Participants	19.01.2018	(1)	477,000	–	(477,000)	–	–
	& 18.10.2018						
	08.04.2019	(2)	630,000	–	(294,500)	(41,000)	294,500
	14.04.2020	(3)	1,348,500	–	(432,500)	(78,000)	838,000
Total			4,390,500	–	(2,391,000)	(308,500)	1,691,000

Notes:

- (1) The awarded shares granted on 19 January 2018 and 18 October 2018 shall be vested in three tranches with the vesting date on 19 January of each year from 2019 to 2021, or an earlier date as approved by the Board, pursuant to the Scheme Rules.
- (2) The awarded shares granted on 8 April 2019 shall be vested in three tranches with the vesting date on 8 April of each year from 2020 to 2022, or an earlier date as approved by the Board, pursuant to the Scheme Rules.
- (3) The awarded shares granted on 14 April 2020 shall be vested in three tranches with the vesting date on 14 April of each year from 2021 to 2023, or an earlier date as approved by the Board, pursuant to the Scheme Rules.
- (4) A total of 170,500 awarded shares were vested during the year, of which 26,382 awarded shares, 22,632 awarded shares and 15,927 awarded shares were sold by the trustee at an average price of HK\$10.555, HK\$11.655 and HK\$11.663 respectively, for the purpose of covering PRC withholding tax pursuant to the Scheme Rules.
- (5) A total of 841,500 awarded shares granted to directors of its certain subsidiaries and other independent selected Participants by the Company and vested during the year, of which 121,279 awarded shares, 71,061 awarded shares and 55,810 awarded shares were sold by the trustee at an average price of HK\$10.555, HK\$11.655 and HK\$11.663 respectively, for the purpose of covering PRC withholding tax pursuant to the Scheme Rules.

Further details of the Share Award Scheme are set out in note 32 of this report.

### Continuing Connected Transactions

During the year, the Group conducted the following continuing connected transactions:

#### Lease of Properties

On 1 July 2019, the Group entered into certain property lease and management agreements (the "Property Lease and Management Agreements III") with Gaungzhou Kai Chuang and its certain wholly owned subsidiaries (the "Lessees"), pursuant to which the Group agreed to lease several commercial properties located at Guangzhou and Xi'an to the Lessees for the purpose of providing its co-working spaces and serviced offices business (the "Relevant Business") with a lease term of not exceeding 3 years. The aggregate rental and management fee agreed by the Group and the Lessees was approximately RMB540,000 per month.

On 14 February 2020, 26 February 2020 and 27 March 2020, the Group entered into certain property lease and management agreements (the "Property Lease and Management Agreements IV and V") with the Lessees, pursuant to which the Group agreed to (i) renew the lease term of a commercial property located at Guangzhou under the property lease and management agreements dated 6 December 2018 (the "Property Lease and Management Agreements II") which was expired on 15 January 2020; and (ii) lease a commercial property located at Guangzhou to the Lessees for operating its Relevant Business with each of the lease term not exceeding 3 years. The aggregate rental and management fee agreed by the Group and the Lessees was approximately RMB536,000 per month.

On 31 December 2020, the Group renewed the agreements for the expired lease term of certain properties under property lease and management agreements dated 30 November 2018 and Property Lease and Management Agreements II (the "2020 Property Lease Agreements I and II") with the Lessees, pursuant to which the Group agreed to renew the lease term of relevant properties with the Lessees, with each of the lease term not exceeding 3 years. The aggregate rental agreed by the Group and the Lessees was approximately RMB1,253,300 per month.

On 19 March 2021, the Group entered into certain property lease agreements (the "2021 Property Lease Agreements I") with Guangzhou Kai Chuang, pursuant to which the Group agreed to lease two properties located at Guangzhou to Guangzhou Kai Chuang for operating its Relevant Business with a lease term of approximately 1 year. The rental fee agreed by the Group and the Lessees was RMB661,772.75 per month.

On 1 June 2021, the Group entered into a property lease agreement (the "2021 Property Lease Agreement II") with Guangzhou Kai Chuang, pursuant to which the Group agreed to lease a property located at Guangzhou to Guangzhou Kai Chuang for operating its Relevant Business with a lease term of approximately 1.5 years. The rental fee agreed by the Group and Guangzhou Kai Chuang was RMB51,699.94 per month.

Mr. KONG Jiantao, the executive director and controlling shareholder of the Company, is the ultimate beneficial owner of the Lessees, and therefore the Lessees are connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the abovementioned agreements constitute continuing connected transactions of the Company. In accordance with rule 14A.83 of the Listing Rules, as the abovementioned agreements were entered into by the Group and the Lessees, therefore, these transactions should be aggregated for calculation purposes. The annual caps for each of the years 2021, 2022 and 2023 are set out below:

	<b>For the year ended 31 December 2021 (RMB)</b>	<b>For the year ending 31 December 2022 (RMB)</b>	<b>For the year ending 31 December 2023 (RMB)</b>
Annual Caps	34,546,972	27,175,090	16,097,616

The actual transaction amount for the transactions under the Property Lease and Management Agreements III, the Property Lease and Management Agreements IV and V, 2020 Property Lease Agreements I and II, 2021 Property Lease Agreements I and 2021 Property Lease Agreement II during the year ended 31 December 2021 is approximately RMB30,270,000.

## Framework Agreements

### 1. Property Lease Framework Agreement

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a property lease framework agreement (the "Property Lease Framework Agreement") with KWG Living (for itself and on behalf of its subsidiaries), pursuant to which the Group leased the relevant properties (as office and staff quarters) and car parking lots to KWG Living and its subsidiaries ("KWG Living Group"), with the effective date commencing on 30 October 2020 (being the listing date of KWG Living) to 31 December 2022.

The annual caps for each of the years 2021 and 2022 under the Property Lease Framework Agreement (as revised by the supplemental agreement dated 29 September 2021) are set out below:

	<b>For the year ended 31 December 2021 (RMB)</b>	<b>For the year ending 31 December 2022 (RMB)</b>
Annual Caps	22,700,000	29,600,000

The actual transaction amount for the transactions under the Property Lease Framework Agreement during the year ended 31 December 2021 is approximately RMB8,130,000.



**2. Residential Property Management Services Framework Agreement**

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a residential property management services framework agreement (the “Residential Property Management Services Framework Agreement”) with KWG Living (for itself and on behalf of its subsidiaries), pursuant to which KWG Living Group shall provide residential property management services to the Group, including but not limited to residential pre-sale management services and residential property management services, with the effective date commencing on 30 October 2020 (being the listing date of KWG Living) to 31 December 2022.

The annual caps for each of the years 2021 and 2022 under the Residential Property Management Services Framework Agreement (as revised by the supplemental agreement dated 29 September 2021) are set out below:

	<b>For the year ended 31 December 2021 (RMB)</b>	<b>For the year ending 31 December 2022 (RMB)</b>
Annual Caps	360,200,000	432,300,000

The actual transaction amount for the transactions under the Residential Property Management Services Framework Agreement during the year ended 31 December 2021 is approximately RMB305,717,000.

**3. Property Agency Services Framework Agreement**

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a property agency services framework agreement (the “Property Agency Services Framework Agreement”) with KWG Living (for itself and on behalf of its subsidiaries), pursuant to which KWG Living Group shall provide property agency services to the Group for properties developed by the Group with the effective date commencing on 30 October 2020 (being the listing date of KWG Living) to 31 December 2022.

The annual caps for each of the years 2021 and 2022 under the Property Agency Services Framework Agreement (as revised by the supplemental agreement dated 29 September 2021) are set out below:

	<b>For the year ended 31 December 2021 (RMB)</b>	<b>For the year ending 31 December 2022 (RMB)</b>
Annual Caps	540,800,000	649,000,000

The actual transaction amount for the transactions under the Property Agency Services Framework Agreement during the year ended 31 December 2021 is approximately RMB356,241,000.

#### 4. *Commercial Property Management Services Framework Agreement*

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a commercial property management services framework agreement (the “Commercial Property Management Services Framework Agreement”) with KWG Living (for itself and on behalf of its subsidiaries), pursuant to which KWG Living Group shall provide commercial property management services to the Group, including but not limited to commercial pre-sale management services and commercial property management services with the effective date commencing on 30 October 2020 (being the listing date of KWG Living) to 31 December 2022.

The annual caps for each of the years 2021 and 2022 under the Commercial Property Management Services Framework Agreement (as revised by the supplemental agreement dated 29 September 2021) are set out below:

	<b>For the year ended 31 December 2021 (RMB)</b>	<b>For the year ending 31 December 2022 (RMB)</b>
Annual Caps	182,800,000	220,900,000

The actual transaction amount for the transactions under the Commercial Property Management Services Framework Agreement during the year ended 31 December 2021 is approximately RMB134,802,000.

#### 5. *Commercial Operational and Value-added Services Framework Agreement*

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a commercial operational and value-added services framework agreement (the “Commercial Operational and Value-added Services Framework Agreement”) with KWG Living (for itself and on behalf of its subsidiaries), pursuant to which KWG Living Group shall provide commercial operational services and commercial value-added services to the Group with the effective date commencing on 30 October 2020 (being the listing date of KWG Living) to 31 December 2022.

The annual caps for each of the years 2021 and 2022 under the Commercial Operational and Value-added Services Framework Agreement are set out below:

	<b>For the year ended 31 December 2021 (RMB)</b>	<b>For the year ending 31 December 2022 (RMB)</b>
Annual Caps	150,800,000	172,900,000

The actual transaction amount for the transactions under the Commercial Operational and Value-added Services Framework Agreement during the year ended 31 December 2021 is approximately RMB128,517,000.

**6. Publicity Planning Service Framework Agreement**

On 27 August 2021, the Company (for itself and on behalf of its subsidiaries) entered into the publicity planning service framework agreement (the “Old Publicity Planning Service Framework Agreement”) with KWG Living (for itself and on behalf of its subsidiaries) pursuant to which KWG Living Group shall provide publicity planning services, such as promotion design, advertisement promotion and official account marketing for the residential properties developed by the Group with the effective date commencing from 27 August 2021 to 31 December 2021. The Company is expected to carry on the transactions contemplated thereunder upon its expiry, accordingly, a new publicity planning services framework agreement dated 10 December 2021 (the “New Publicity Planning Services Framework Agreement”) has then been entered into between the Company (for itself and on behalf of its subsidiaries) and KWG Living (for itself and on behalf of its subsidiaries) with the effective date commencing from 1 January 2022 to 31 December 2022.

The annual caps for each of the years 2021 and 2022 under the Old Publicity Planning Services Framework Agreement and the New Publicity Planning Services Framework Agreement, respectively, are set out below:

	<b>For the period from 27 August 2021 to 31 December 2021 (RMB)</b>	<b>For the year ending 31 December 2022 (RMB)</b>
Annual Cap	24,000,000	32,000,000

The actual transaction amount for the transactions under the Old Publicity Planning Services Framework Agreement during the year ended 31 December 2021 is approximately RMB19,087,000.

**7. Marketing Channel Service Framework Agreement**

On 27 August 2021, the Company (for itself and on behalf of its subsidiaries) entered into the marketing channel service framework agreement (the “Old Marketing Channel Service Framework Agreement”) with KWG Living (for itself and on behalf of its subsidiaries) pursuant to which KWG Living Group shall provide marketing channel management service for the Universal Marketing Plan of properties developed by the Group with the effective date commencing from 27 August 2021 to 31 December 2021. Leveraging KWG Living Group’s experience on management of property agents, the Group will ask KWG Living Group to provide administrative management services regarding the non-employees participants of the Universal Marketing Plan including human resource management, awards settlement, tax declaration and other administrative work. The Company is expected to carry on the transactions contemplated thereunder upon its expiry, accordingly, a new marketing channel services framework agreement dated 10 December 2021 (the “New Marketing Channel Services Framework Agreement”) has then been entered into between the Company (for itself and on behalf of its subsidiaries) and KWG Living (for itself and on behalf of its subsidiaries and associates) with the effective date commencing from 1 January 2022 to 31 December 2022.



The annual caps for each of the years 2021 and 2022 are set out below:

	<b>For the period from 27 August 2021 to 31 December 2021 (RMB)</b>	<b>For the year ending 31 December 2022 (RMB)</b>
Annual Cap	8,000,000	12,000,000

The actual transaction amount for the transactions under the Old Marketing Channel Service Framework Agreement during the year ended 31 December 2021 is approximately RMB6,010,000.

As Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan, being the Directors, are the controlling shareholders of KWG Living, and therefore KWG Living is their associate. Accordingly, the transactions contemplated under the abovementioned framework agreements constitute continuing connected transactions of the Company.

In accordance with rule 14A.55 of the Listing Rules, the continuing connected transaction as set out above during the year have been reviewed by the independent non-executive Directors who have confirmed that the transactions have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has been engaged to report on the above continuing connected transactions in accordance with the 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 Board has received an unqualified letter from the auditor of the Company in accordance with Rule 14A.56 of the Listing Rules, stating that the auditor has not noticed that any of these continuing connected transactions:

- have not been approved by the Board;
- for transactions involving the provision of goods or services by the Group were not in accordance with the pricing policies of the Group in all material aspects;
- were not entered into in accordance with the relevant agreements governing such transactions in all material aspects; and
- have exceeded the annual cap as set by the Company for the year ended 31 December 2021.

### Related party transactions

The Group conducted several related party transactions during the year (see note 42 to the financial statements of this report). Save as the connected transactions and continuing connected transactions disclosed above, other transactions are not deemed as connected transaction or continuing connected transactions under the Chapter 14A of the Listing Rules or being exempted from the requirements of notification, announcement and shareholders' approval in accordance with the Listing Rules.

### Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year.

### Permitted Indemnity Provision

Pursuant to the Articles of Association, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duty or otherwise in relation thereto, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. The Company has arranged and maintained appropriate directors' and officers' liability insurance coverage for the Directors during the year.

### Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the year and up to the date of this report.

### Independent Auditor

The financial statements for the year were audited by Ernst & Young, who will retire at the forthcoming annual general meeting. The Company will propose a resolution at the forthcoming annual general meeting to re-appoint Ernst & Young as the Company's auditor for the coming year.

There has been no change in the auditor of the Company during the past three years.

It is the auditor's responsibility to form an independent opinion, based on their audit, on these financial statements and to report their opinion solely to the Company and for no other purpose. They do not assume responsibility towards or accept legal liability to any other person for the contents of the Independent Auditor's Report. The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 78 to 84.

### Loan Facilities with Covenants Relating to Specific Performance of the Controlling Shareholder

#### (1) Facility Agreement dated 5 June 2018

On 5 June 2018, the Company, as the borrower, and certain of the subsidiaries of the Company, as the original guarantors, entered into a facility agreement (the "Facility Agreement II") with, among others, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank (Hong Kong) Limited as original lenders, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank (Hong Kong) Limited as mandated lead arrangers and bookrunners and Standard Chartered Bank (Hong Kong) Limited as agent in relation to a transferrable HKD and USD dual currency term loan facility (with a greenshoe option) of up to US\$500 million to the Company for a term of 48 months commencing from the date of the Facility Agreement II.

Pursuant to the terms of the Facility Agreement II, among others, the Company has undertaken to procure that Mr. KONG Jianmin, being the controlling shareholder of the Company, at all times: (i) beneficially owns not less than 35% of the entire issued share capital, voting rights and control of the Company; (ii) is the single largest shareholder of the Company; and (iii) is the chairman of the board of directors of the Company. Failure to comply with any of the above undertakings will constitute as an event of default under the Facility Agreement II. Further details of the transaction are disclosed in the announcement of the Company dated 5 June 2018.

## **(2) Facility Agreement dated 23 December 2020**

On 23 December 2020, the Company, as the borrower, and certain of the subsidiaries of the Company, as the original guarantors, entered into a facility agreement (the "Facility Agreement III") with, among others, The Bank of East Asia, Limited, China CITIC Bank International Limited, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Nanyang Commercial Bank (China), Limited Guangzhou Branch and Standard Chartered Bank (Hong Kong) Limited as the original lenders (the "Original Lenders"), The Bank of East Asia, Limited, China CITIC Bank International Limited, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Nanyang Commercial Bank (China), Limited Guangzhou Branch and Standard Chartered Bank (Hong Kong) Limited as mandated lead arrangers and bookrunners and Standard Chartered Bank (Hong Kong) Limited, as the agent, in relation to the granting of transferrable HKD and USD dual currency term loan facility (with a greenshoe option) of up to US\$400 million to the Company for a term of 48 months commencing from the date of the Facility Agreement III.

Pursuant to the terms of the Facility Agreement III, the Company has undertaken to procure that Mr. KONG Jianmin, being the controlling shareholder of the Company, at all times: (i) beneficially owns not less than 35% of the entire issued share capital, voting rights and control of the Company; (ii) is the single largest shareholder of the Company; and (iii) is the chairman of the board of directors of the Company. Failure to comply with any of the above undertakings will constitute an event of default under the Facility Agreement III. Further details of the transaction are disclosed in the announcement of the Company dated 24 December 2020.

As of the date of this report, the circumstances giving rise to the relevant disclosure obligations under Rules 13.18 of the Listing Rules continued to exist.

On Behalf of the Board

**KONG Jianmin**  
*Chairman*

Hong Kong  
15 April 2022



# Independent Auditor's Report



**To the shareholders of KWG Group Holdings Limited**  
(Incorporated in the Cayman Islands with limited liability)

## Opinion

We have audited the consolidated financial statements of KWG Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 85 to 202, 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 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 ("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 ("HKSA") 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.

## Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements, which indicates that as of 31 December 2021, the Group's current portion of interest-bearing bank and other borrowings amounted to RMB20,334 million, while its cash and cash equivalents amounted to RMB7,715 million. This condition, along with the current situation as set forth in note 2.1, which indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



**To the shareholders of KWG Group Holdings Limited**  
(Incorporated in the Cayman Islands with limited liability)

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Revaluation of investment properties</i></p> <p>Investment properties of the Group are stated at fair value at the end of each reporting period, and comprise completed investment properties, investment properties under construction and right-of-use assets. Changes in fair values of investment properties are recorded in profit or loss for the year in which they arise. As at 31 December 2021, the carrying amount of investment properties of the Group was approximately RMB29,954,477,000.</p> <p>The Group's investment properties are revalued individually at the end of each reporting period by independent professional valuers. The revaluation involves significant estimations and assumptions, including market rent and capitalisation rates, and the fair values of the investment properties are sensitive to these management's estimates and assumptions.</p> <p>Relevant disclosures are included in notes 2.4, 3 and 15 to the consolidated financial statements.</p>	<p>The audit procedures we performed on the revaluation of investment properties included, among others, the following:</p> <ul style="list-style-type: none"> <li>• we obtained an understanding of the work of the independent professional valuers engaged by the Company, and considered the objectivity, independence and expertise of the valuers;</li> <li>• we involved our valuation specialists to evaluate the valuation techniques used and tested the underlying key estimations and assumptions for selected samples through enquiry with management and by reference to the historical information and open market information; and</li> <li>• we assessed the adequacy of the disclosures in relation to the revaluation of investment properties, including the fair value hierarchy and the valuation techniques used and the key inputs to the valuation of investment properties.</li> </ul>



To the shareholders of KWG Group Holdings Limited  
(Incorporated in the Cayman Islands with limited liability)

### Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
<p><i>Recognition of revenue from the sale of properties over time</i></p> <p>Revenue from the sale of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for the performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2021, revenue of the Group from the sale of properties was approximately RMB22,191,746,000, out of which approximately RMB4,018,549,000 was recognised over time.</p> <p>For the revenue from the sale of properties recognised over time, the Group considers whether it has the enforceable right to payment, which depends on the terms of the sales contracts and the interpretation of the applicable laws governing the sales contracts. Significant judgements were involved in determining whether the Group has the right to payment for the performance completed to date or not.</p> <p>In addition, the Group recognises revenue from the sale of properties by measuring the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs. Significant judgements and estimations are required in determining the accuracy of the estimated total costs and the contract costs incurred up to the end of the reporting period and the progress towards complete satisfaction of the performance obligation at the reporting date.</p>	<p>We performed the following audit procedures, among others, on the recognition of revenue from the sale of properties over time:</p> <ul style="list-style-type: none"><li>• we reviewed, on a sampling basis, the key terms of the sales contracts to assess the Group's rights to payment;</li><li>• we checked, on a sampling basis, the revenue from the sale of properties recognised over time during the year to the supporting documents including sales contracts and proceeds received;</li><li>• we evaluated management's basis for cost allocation by checking to the underlying contracts and saleable floor areas;</li><li>• we checked the estimated total contract costs by comparing the estimated total contract costs to the budget approved by management;</li></ul>





**To the shareholders of KWG Group Holdings Limited**  
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## Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
<i>Recognition of revenue from sale of properties over time (continued)</i>	
<p>Given the involvement of significant judgements and estimations, recognition of revenue from the sale of properties over time is considered a key audit matter.</p> <p>Relevant disclosures are included in notes 2.4, 3 and 5 to the consolidated financial statements.</p>	<ul style="list-style-type: none"> <li>• we checked the accuracy of the contract costs incurred up to the end of the reporting period by tracing, on a sampling basis, the costs incurred to the supporting documents;</li> <li>• we checked the mathematical accuracy of the computation of cost allocation and progress of completion of the properties; and</li> <li>• we assessed the adequacy of the disclosures in relation to the accounting policies and significant accounting judgements and estimates on the recognition of revenue from the sale of properties over time in the notes to the consolidated financial statements.</li> </ul>

## Other information included in the Annual Report

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

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

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



**To the shareholders of KWG Group Holdings Limited**  
(Incorporated in the Cayman Islands with limited liability)

### **Responsibilities of the directors for the consolidated financial statements**

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

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

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

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, 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 HKSAAs 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.

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

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



**To the shareholders of KWG Group Holdings Limited**  
(Incorporated in the Cayman Islands with limited liability)

## **Auditor's responsibilities for the audit of the consolidated financial statements** *(continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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





**To the shareholders of KWG Group Holdings Limited**

(Incorporated in the Cayman Islands with limited liability)

### **Auditor's responsibilities for the audit of the consolidated financial statements** *(continued)*

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Kwok Yin.

#### **Ernst & Young**

*Certified Public Accountants*

27/F, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

15 April 2022

# Consolidated Statement of Profit or Loss

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	5	<b>23,844,720</b>	29,742,063
Cost of sales		<b>(18,799,204)</b>	(20,383,239)
Gross profit		<b>5,045,516</b>	9,358,824
Other income and gains, net	5	<b>1,787,868</b>	1,628,096
Selling and marketing expenses		<b>(1,807,998)</b>	(1,222,410)
Administrative expenses		<b>(1,839,467)</b>	(1,560,784)
Other operating expenses, net	6	<b>(405,443)</b>	(2,981)
Fair value (losses)/gains on investment properties, net	15	<b>(662,246)</b>	415,157
Finance costs	7	<b>(303,033)</b>	(1,034,243)
Share of profits and losses of:			
Associates		<b>100,503</b>	354,669
Joint ventures		<b>2,165,366</b>	2,126,580
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>	6	<b>4,081,066</b>	10,062,908
Income tax expenses	10	<b>(1,518,128)</b>	(3,397,779)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>2,562,938</b>	6,665,129
<b>DISCONTINUED OPERATION</b>			
Profit for the year from a discontinued operation	11	-	236,180
<b>Profit for the year</b>		<b>2,562,938</b>	6,901,309
Attributable to:			
Owners of the Company		<b>2,421,351</b>	6,676,592
Non-controlling interests		<b>141,587</b>	224,717
		<b>2,562,938</b>	6,901,309
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
	13		
Basic			
– For profit for the year		<b>RMB76 cents</b>	RMB210 cents
– For profit from continuing operations		<b>RMB76 cents</b>	RMB203 cents
Diluted			
– For profit for the year		<b>RMB76 cents</b>	RMB210 cents
– For profit from continuing operations		<b>RMB76 cents</b>	RMB203 cents

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
<b>PROFIT FOR THE YEAR</b>	<b>2,562,938</b>	6,901,309
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	<b>557,457</b>	1,329,793
Share of exchange differences on translation of joint ventures	<b>563,776</b>	579,194
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<b>1,121,233</b>	1,908,987
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	<b>377,334</b>	728,917
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<b>377,334</b>	728,917
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>1,498,567</b>	2,637,904
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>4,061,505</b>	9,539,213
Attributable to:		
Owners of the Company	<b>3,919,918</b>	9,314,496
Non-controlling interests	<b>141,587</b>	224,717
	<b>4,061,505</b>	9,539,213



# Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	9,173,322	7,780,054
Investment properties	15	29,954,477	29,320,849
Land use rights	16	4,054,109	2,651,855
Interests in associates	18	13,699,293	5,338,823
Interests in joint ventures	19	48,563,454	46,872,043
Deferred tax assets	29	3,093,513	2,432,853
Total non-current assets		108,538,168	94,396,477
<b>CURRENT ASSETS</b>			
Properties under development	20	60,242,088	65,613,320
Completed properties held for sale	21	15,938,413	15,000,367
Trade receivables	22	1,368,764	1,914,579
Prepayments, other receivables and other assets	23	15,628,725	9,814,732
Due from a joint venture	19	22,525	30,004
Tax recoverables	24(a)	1,062,880	848,419
Cash and bank balances	25	29,447,488	44,580,481
Total current assets		123,710,883	137,801,902
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	26	13,348,056	13,165,515
Lease liabilities	17(b)	215,163	209,341
Other payables and accruals	27	39,924,767	31,746,296
Due to joint ventures	19	21,692,348	35,207,964
Due to associates	18	3,585,519	3,244,654
Interest-bearing bank and other borrowings	28	20,333,853	25,255,339
Tax payables	24(b)	13,066,634	12,284,787
Total current liabilities		112,166,340	121,113,896
<b>NET CURRENT ASSETS</b>		11,544,543	16,688,006
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		120,082,711	111,084,483
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	17(b)	1,221,935	1,567,291
Interest-bearing bank and other borrowings	28	56,384,576	52,605,276
Deferred tax liabilities	29	2,772,225	2,993,183
Deferred revenue	30	2,042	2,042
Total non-current liabilities		60,380,778	57,167,792
<b>NET ASSETS</b>		59,701,933	53,916,691

## Consolidated Statement of Financial Position

31 December 2021

	Note	2021 RMB'000	2020 RMB'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	31	304,680	304,474
Treasury shares	31	(3,038)	(1,723)
Reserves		44,018,894	43,232,126
		<b>44,320,536</b>	43,534,877
<b>Non-controlling interests</b>		<b>15,381,397</b>	10,381,814
<b>TOTAL EQUITY</b>		<b>59,701,933</b>	53,916,691

**KONG Jianmin**  
Director

**KONG Jiantao**  
Director

# Consolidated Statement of Changes in Equity

Year ended 31 December 2021

Notes	Attributable to owners of the Company											Non-controlling interests	Total equity
	Issued capital	Treasury shares	Share premium account	Reserve funds	Exchange fluctuation reserve	Employee share-based compensation reserve	Asset revaluation reserve <sup>a</sup>	Capital reserve	Retained profits	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
At 1 January 2020	304,148	(176)	1,670,178	1,986,233	(2,153,100)	34,575	92,578	(343,409)	34,203,731	35,794,758	2,447,833	38,242,591	
Profit for the year	-	-	-	-	-	-	-	-	6,676,592	6,676,592	224,717	6,901,309	
Other comprehensive income for the year:													
Exchange differences on translation into presentation currency	-	-	-	-	2,058,710	-	-	-	-	2,058,710	-	2,058,710	
Share of exchange differences on translation of joint ventures	-	-	-	-	579,194	-	-	-	-	579,194	-	579,194	
Total comprehensive income for the year	-	-	-	-	2,637,904	-	-	-	6,676,592	9,314,496	224,717	9,539,213	
Share options exercised	31	35	-	4,724	-	-	(807)	-	-	3,952	-	3,952	
Share-based compensation expenses	-	-	-	-	-	-	19,487	-	-	19,487	-	19,487	
Contribution from the non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	3,096,329	3,096,329	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	1,200,244	1,200,244	
Issue of treasury shares	31	207	(207)	-	-	-	-	-	-	-	-	-	
Vested awarded shares transferred to employees	31	-	174	19,251	-	-	(19,425)	-	-	-	-	-	
Transfer to reserves	-	-	-	-	815,593	-	-	-	(815,593)	-	-	-	
Shares issued as scrip dividend during the year	31	84	-	11,817	-	-	-	-	-	11,901	-	11,901	
2019 final dividend declared	31	-	-	(1,334,360)	-	-	-	-	-	(1,334,360)	-	(1,334,360)	
2020 interim dividend	31	-	-	(371,610)	-	-	-	-	(899,610)	(1,271,220)	-	(1,271,220)	
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(14,392)	-	(14,392)	(43,716)	(58,108)	
Changes in equity interests in subsidiaries without change of control	-	-	-	-	-	-	-	1,386,795	-	1,386,795	3,672,017	5,058,812	
Distribution in specie	11	-	-	-	-	-	-	-	(375,026)	(375,026)	(14,050)	(389,076)	
Share repurchase	31	-	(1,514)	-	-	-	-	-	-	(1,514)	-	(1,514)	
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(201,560)	(201,560)	
At 31 December 2020	304,474	(1,723)	-	2,801,826	484,804	33,830	92,578	1,028,994	38,790,094	43,534,877	10,381,814	53,916,691	



## Consolidated Statement of Changes in Equity

Year ended 31 December 2021

Notes	Attributable to owners of the Company												
	Issued capital	Treasury shares	Share premium account	Reserve funds	Exchange fluctuation reserve	Employee share-based compensation reserve	Asset revaluation reserve <sup>#</sup>	Capital reserve	Retained profits	Total	Non-controlling interests	Total equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2021	304,474	(1,723)	—	2,801,826	484,804	33,830	92,578	1,028,994	38,790,094	43,534,877	10,381,814	53,916,691	
Profit for the year	—	—	—	—	—	—	—	—	2,421,351	2,421,351	141,587	2,562,938	
Other comprehensive income for the year:													
Exchange differences on translation into presentation currency	—	—	—	—	934,791	—	—	—	—	934,791	—	934,791	
Share of exchange differences on translation of joint ventures	—	—	—	—	563,776	—	—	—	—	563,776	—	563,776	
Total comprehensive income for the year	—	—	—	—	1,498,567	—	—	—	2,421,351	3,919,918	141,587	4,061,505	
Share options exercised	31	16	—	2,166	—	(400)	—	—	—	1,782	—	1,782	
Share-based compensation expenses	32	—	—	—	—	8,633	—	—	—	8,633	—	8,633	
Contribution from the non-controlling shareholders of subsidiaries		—	—	—	—	—	—	—	—	—	5,689,120	5,689,120	
Acquisition of subsidiaries	35	—	—	—	—	—	—	—	—	—	929,511	929,511	
Vested awarded shares transferred to employees	31	—	202	22,702	—	(22,904)	—	—	—	—	—	—	
Transfer to reserves		—	—	478,242	—	—	—	—	(478,242)	—	—	—	
Shares issued as scrip dividend during the year	31	205	—	21,041	—	—	—	—	—	21,246	—	21,246	
2020 final dividend declared		—	—	—	—	—	—	—	(1,685,677)	(1,685,677)	—	(1,685,677)	
2021 interim dividend		—	—	—	—	—	—	—	(1,177,713)	(1,177,713)	—	(1,177,713)	
Acquisition of non-controlling interests		—	—	—	—	—	—	(304,920)	—	(304,920)	(2,926,255)	(3,231,175)	
Changes in equity interests in subsidiaries without change of control		—	—	—	—	—	—	5,421	—	5,421	1,244,300	1,249,721	
Share repurchase	31	—	(3,031)	—	—	—	—	—	—	(3,031)	—	(3,031)	
Cancellation of shares	31	(15)	1,514	(1,499)	—	—	—	—	—	—	—	—	
Dividend declared to non-controlling interests		—	—	—	—	—	—	—	—	—	(64,052)	(64,052)	
Disposal of subsidiaries		—	—	—	—	—	—	—	—	—	(14,628)	(14,628)	
At 31 December 2021		304,680	(3,038)	44,410*	3,280,068*	1,983,371*	19,159*	92,578*	729,495*	37,869,813*	44,320,536	15,381,397	59,701,933

<sup>#</sup> The asset revaluation reserve arose from the gains on properties revaluation as a result of the change in use from owner-occupied properties to investment properties.

<sup>\*</sup> These reserve accounts comprise the consolidated reserves of approximately RMB44,018,894,000 (2020: approximately RMB 43,232,126,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax:			
From continuing operations		<b>4,081,066</b>	10,062,908
From a discontinued operation	11	-	327,547
Adjustments for:			
Finance costs		<b>303,033</b>	1,034,495
Foreign exchange losses		<b>40,504</b>	311,642
Share of profits and losses of associates		<b>(100,503)</b>	(356,175)
Share of profits and losses of joint ventures		<b>(2,165,366)</b>	(2,126,580)
Interest income		<b>(891,148)</b>	(712,399)
Share-based compensation expenses		<b>8,633</b>	19,487
Loss on disposal of items of property, plant and equipment		<b>9,215</b>	16,667
Depreciation		<b>333,400</b>	280,681
Amortisation of land use rights	6	<b>32,244</b>	11,197
Fair value losses/(gains) on investment properties, net	15	<b>662,246</b>	(415,157)
Impairment losses recognised for completed properties held for sale	6	<b>405,443</b>	-
Rent concessions	17	<b>(109,991)</b>	-
Losses on disposal of subsidiaries		<b>64,589</b>	-
Gains on derecognition of subsidiaries		-	(454,765)
Gain on disposal of a joint venture		<b>(33,911)</b>	-
Loss/(gains) on acquisition of subsidiaries		<b>21,833</b>	(326,054)
Gain on disposal of an associate		<b>(213)</b>	-
		<b>2,661,074</b>	7,673,494
Increase in properties under development		<b>(11,370,854)</b>	(19,488,730)
Decrease in completed properties held for sale		<b>16,937,778</b>	15,964,309
Decrease/(increase) in trade receivables		<b>519,264</b>	(4,757)
(Increase)/decrease in prepayments, other receivables and other assets		<b>(4,091,004)</b>	16,328,216
Decrease in an amount due from a joint venture		<b>7,479</b>	58
(Increase)/decrease in restricted cash		<b>(5,949,777)</b>	1,410,782
Increase in trade and bills payables		<b>927,504</b>	136,489
Increase/(decrease) in other payables and accruals		<b>1,131,760</b>	(19,991,040)
		<b>773,224</b>	2,028,821
Cash generated from operations		<b>773,224</b>	2,028,821
Interest received		<b>891,148</b>	712,399
Corporate income tax paid		<b>(694,865)</b>	(953,116)
Land appreciation tax paid		<b>(991,324)</b>	(657,304)
		<b>(21,817)</b>	1,130,800
Net cash flows (used in)/from operating activities		<b>(21,817)</b>	1,130,800

## Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Net cash flows (used in)/from operating activities		(21,817)	1,130,800
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(1,376,150)	(1,179,557)
Purchases of land use rights		(535,363)	(888,653)
Purchases of investment properties		(646,459)	(1,307,918)
Acquisitions of subsidiaries		48,193	1,157,752
Investments in joint ventures		(107,593)	(222,500)
Investments in associates		(8,949,850)	(1,134,900)
Derecognition of subsidiaries		8	(45,934)
Disposals of subsidiaries		(73,404)	-
Disposal of joint ventures		79,700	333,884
Disposal of an associate		12,721	-
Proceeds from disposal of property, plant and equipment		22,985	1,737
Repayments from associates		1,040,298	2,177,569
Advances to joint ventures		(13,206,707)	(3,924,425)
Increase in restricted cash		(10,755,605)	-
Dividends received from joint ventures		344,264	1,288,166
Dividend received from an associate		15,000	-
Net cash flows used in investing activities		(34,087,962)	(3,744,779)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of senior notes and domestic corporate bonds		7,015,231	10,608,818
Proceeds from sale of senior notes and domestic corporate bonds		10,677,627	3,829,563
Senior notes and domestic corporate bonds repurchased		(12,091,615)	(5,735,256)
Repayment/redemption of senior notes and domestic corporate bonds		(16,255,430)	(10,917,285)
New bank loans		23,664,472	17,742,525
Repayments of bank loans		(13,122,703)	(21,596,140)
Repayments of lease liabilities		(238,208)	(265,061)
Acquisitions of non-controlling interests	17	(3,086,658)	(58,108)
Changes in equity interests in subsidiaries without change of control		1,249,720	5,058,812
Contribution from non-controlling shareholders of subsidiaries		5,689,120	2,373,635
Dividend paid		(2,999,703)	(2,538,768)
Interest paid		(5,150,249)	(5,652,984)
Increase in restricted cash		(1,082,000)	-
Increase in other payables		6,958,000	-
Share options exercised		1,782	3,952
Shares repurchased	31	(3,031)	(1,514)
Net cash distributed in respect of distribution in specie	11	-	(661,036)
Net cash flows from/(used in) financing activities		1,226,355	(7,808,847)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		40,635,765	51,377,864
Effect of foreign exchange rate changes, net		(36,951)	(319,273)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>			
		7,715,390	40,635,765
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		7,715,390	21,359,698
Non-pledged time deposits with original maturity of less than three months when acquired	25	-	19,276,067
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows	25	7,715,390	40,635,765



## 1. Corporate and Group Information

KWG Group Holdings Limited (the “Company”) was a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were involved in the following principal activities from continuing operations:

- Property development
- Property investment
- Hotel operation

The discontinued operation of the Group was involved in the provision of property management services through KWG Living Group Holdings Limited (“KWG Living”), which was spun off by the Group for separate listing on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 October 2020.

In the opinion of the directors, the immediate and ultimate holding company of the Company is Plus Earn Consultants Limited, which was incorporated in the British Virgin Islands.

### Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Happy Clear Consultants Limited	British Virgin Islands/ Hong Kong	US\$1,000	100	–	Investment holding
Reach Luck Consultants Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Boom Faith International Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Rising Wave Enterprises Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Good Excel Enterprises Limited	British Virgin Islands/ Hong Kong	US\$100	–	100	Investment holding
Prime Way Enterprises Limited	British Virgin Islands/ Hong Kong	US\$1	100	–	Investment holding
Hugeluck Investments Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Guangzhou Hejing Holdings Limited (“Guangzhou Hejing”)*#	PRC/Mainland China	RMB2,000,000,000	–	100	Property development
Guangzhou Hejing Meifu Real Estate Development Limited^#	PRC/Mainland China	US\$12,930,000	–	100	Property development

## 1. Corporate and Group Information *(continued)*

### Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Hejing Yingfu Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB35,000,000	–	100	Property development
Guangzhou Xinhengchang Enterprise Development Limited <sup>#</sup>	PRC/Mainland China	RMB1,616,327,000	–	100	Property investment
Guangzhou Zhongtianying Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	US\$404,082,000	–	100	Property development
Guangzhou Tianjian Real Estate Development Limited ("Guangzhou Tianjian") <sup>#</sup>	PRC/Mainland China	RMB3,300,000,000	–	100	Property development
Guangzhou Junzhao Property Operation Limited <sup>#</sup>	PRC/Mainland China	RMB279,592,000	–	100	Property investment
Chengdu Zhongtianying Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB550,000,000	–	100	Property development
Guangzhou Liangyu Investment Limited <sup>#</sup>	PRC/Mainland China	RMB30,000,000	–	100	Property development
Hainan New World Real Estate Property (HK) Limited <sup>#</sup>	PRC/Mainland China	HK\$1,575,510,000	–	100	Property development
Suzhou Hejing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB1,290,000,000	–	100	Property development
Guangzhou Conghua Hejing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	US\$202,041,000	–	100	Property development
Beijing Hejing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB70,000,000	–	100	Property development
Chengdu Zhaojing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	HK\$1,565,306,000	–	100	Property development
Kunshan Baicheng Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	US\$61,020,000	–	100	Property development
Guangzhou Hejing Chuangzhan Hotel Limited <sup>#</sup>	PRC/Mainland China	RMB30,000,000	–	100	Hotel operation
Guangzhou Wanhui Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB330,000,000	–	100	Property development
Guangzhou Lihe Property Development Limited <sup>#</sup>	PRC/Mainland China	RMB640,000,000	–	100	Property development
Chengdu Kaiyu Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB100,000,000	–	100	Property development
Hainan Hejing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB300,000,000	–	100	Property development
Shanghai Hejing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB100,000,000	–	100	Property development

## 1. Corporate and Group Information *(continued)*

### Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Deyu Real Estate Development Limited ("Shanghai Deyu") <sup>#</sup>	PRC/Mainland China	RMB196,080,000	–	51	Property development
Shanghai Jinyi Property Limited <sup>#</sup>	PRC/Mainland China	RMB30,000,000	–	51	Property development
Shanghai Hongyu Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB100,000,000	–	100	Property development
Beijing Hong'en Real Estate Development Limited Liability Company <sup>#</sup>	PRC/Mainland China	RMB100,000,000	–	100	Property development
Shanghai Zhaojing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB196,080,000	–	51	Property development
Guangzhou Chuangjing Real Estate Development Limited**	PRC/Mainland China	US\$41,500,000	–	100	Property development
Suzhou Junjing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB185,000,000	–	100	Property development
Shanghai Langhe Real Estate Development Limited* <sup>#</sup>	PRC/Mainland China	RMB1,739,220,000	–	51	Property development
Shanghai Jingdong Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB1,350,000,000	–	75.5	Property development
Guangzhou Hejing Fengjingyuan Hotel Limited <sup>#</sup>	PRC/Mainland China	RMB200,000,000	–	100	Hotel operation
Guangzhou Hejing Lingfengyuan Hotel Management Limited <sup>#</sup>	PRC/Mainland China	RMB30,000,000	–	100	Hotel operation
Suzhou Shengjing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB120,000,000	–	80	Property development
Suzhou Kaiwei Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB50,000,000	–	100	Property development
Guangzhou Weiyu Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB60,000,000	–	100	Property development
Suzhou Kaifu Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB170,000,000	–	100	Property development
Guangzhou Hongda Property Limited <sup>#</sup>	PRC/Mainland China	RMB1,300,000,000	–	100	Property development
Beijing Fuyu Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB20,000,000	–	100	Property development
Hangzhou Zhaojing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB120,000,000	–	51	Property development
Beijing Hongtai Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB100,000,000	–	100	Property development



## 1. Corporate and Group Information *(continued)*

### Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Hengcheng Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB100,000,000	–	100	Property development
Hangzhou Hejing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB120,000,000	–	51	Property development
Hangzhou Hongjun Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB120,000,000	–	100	Property development
Sichuan Longyuan Property Limited <sup>#</sup>	PRC/Mainland China	RMB325,016,300	–	55	Property development
Hangzhou Tianjing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB240,000,000	–	100	Property development
Suzhou Yujing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB100,000,000	–	100	Property development
Hefei Rongze Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB450,000,000	–	100	Property development
Linhai Jinxuan Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB850,000,000	–	100	Property development
Suzhou Kaijun Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB430,000,000	–	100	Property development
Suzhou Dongshanshu Real Estate Development Limited <sup>#*</sup>	PRC/Mainland China	US\$24,490,000	–	100	Property development
Taicang Hongtao Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB750,000,000	–	100	Property development
Guangxi Kairui Property Limited <sup>#</sup>	PRC/Mainland China	RMB350,000,000	–	100	Property development
Hangzhou Hongsheng Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB950,000,000	–	100	Property development
Jiangmen Zhan'gao Property Development Limited <sup>#</sup>	PRC/Mainland China	RMB50,000,000	–	100	Property development
Hangzhou Jinxuan Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB50,000,000	–	60	Property development
Qidong Tianhui Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB500,000,000	–	70	Property development
Longmen Dongjun Huafu Education Industry Development Limited <sup>#</sup>	PRC/Mainland China	RMB30,000,000	–	100	Property development
Meishan Zhaojing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB380,000,000	–	100	Property development
Guangzhou Yufa Plastic Limited <sup>#</sup>	PRC/Mainland China	RMB5,000,000	–	65	Property development

## 1. Corporate and Group Information *(continued)*

### Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Linhai Zhaojing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB50,000,000	–	100	Property development
Jiangmen Tianjing Property Development Limited <sup>#</sup>	PRC/Mainland China	RMB50,000,000	–	100	Property development
Jiashan Xujing Property Development Limited <sup>#</sup>	PRC/Mainland China	RMB10,000,000	–	100	Property development
Suzhou Kaiyu Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB400,000,000	–	100	Property development
Beijing Yujing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB10,000,000	–	100	Property development
Guangzhou Hongtao Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB50,000,000	–	100	Property development
Guangzhou Xiangjing Property Development Limited <sup>#</sup>	PRC/Mainland China	RMB60,000,000	–	60	Property development
Hangzhou Hongli Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB300,000,000	–	100	Property development
Linhai Hejing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB273,600,000	–	100	Property development
Tianjin Guangying Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB30,000,000	–	100	Property development
Wuzhou Qidi Hongxing Hejing Investment Limited <sup>#</sup>	PRC/Mainland China	RMB10,000,000	–	75	Property development
Xian Junjing Property Development Limited <sup>#</sup>	PRC/Mainland China	RMB20,000,000	–	100	Property development
Beijing Yijing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB10,000,000	–	100	Property development
Guangzhou Guanda Property Development Limited <sup>#</sup>	PRC/Mainland China	RMB316,000,000	–	60	Property development
Guangzhou Zhangao Property Development Limited <sup>#</sup>	PRC/Mainland China	RMB700,000,000	–	100	Property development
Huanan Yigu Technological Development (Guangzhou) Limited <sup>#</sup>	PRC/Mainland China	RMB200,000,000	–	80	Property development
Shanghai Yaojing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB50,000,000	–	90	Property development
Guangxi Hejing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB50,000,000	–	100	Property development
Guangxi Hejing Hengfu Investment Limited <sup>#</sup>	PRC/Mainland China	RMB100,000,000	–	100	Property development
Guangxi Hejing Shengyu Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB100,000,000	–	100	Property development

## 1. Corporate and Group Information *(continued)*

### Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hefei Hongtao Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB50,000,000	–	100	Property development
Hangzhou Huixuan Limited <sup>^</sup>	PRC/Mainland China	RMB100,000,000	–	100	Property development
Suzhou Zhuoyu Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB795,000,000	–	51	Property development
Guangzhou Zhuoyu Property Limited <sup>#</sup>	PRC/Mainland China	RMB50,000,000	–	100	Property development
Chengdu Ruijing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB200,000,000	–	100	Property development
Guangzhou Jingzhi Property Development Limited <sup>#</sup>	PRC/Mainland China	RMB50,000,000	–	100	Property development
Jiaxing Hejing Hongyu Enterprise Management Limited <sup>#</sup>	PRC/Mainland China	RMB50,000,000	–	100	Property development
Jiangsu Junda Real Estate Development Limited <sup>*#</sup>	PRC/Mainland China	RMB684,000,000	–	100	Property development
Nantong Chuangying Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB700,000,000	–	70	Property development
Tianjing Yunjing Real Estate Development Limited <sup>#</sup>	PRC/Mainland China	RMB30,000,000	–	100	Property development

\* These entities are registered as wholly-foreign-owned enterprises under PRC law.

^ These entities are registered as Chinese-foreign joint ventures under PRC law.

# The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of those companies, as no English names have been registered.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.



## 2.1 Basis of Preparation *(continued)*

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the dates on which the Group obtains control, and continue to be consolidated until the dates that such control ceases.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in OCI is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The Company has set up a trust (the "Trust") for the purpose of purchasing, administering and holding the Company's shares for the share award scheme (the "Share Award Scheme") adopted on 19 January 2018. The Group has the power to govern the financial and operating policies of the Trust and derive benefits from the services of the employees who have been awarded the awarded shares through their continued employment with the Group. The assets and liabilities of the Trust are included in the consolidated statement of financial position and the shares held by the Trust are presented as a deduction in equity as shares held for the Share Award Scheme.

### 2.1 Basis of Preparation *(continued)*

#### Going concern basis

As of 31 December 2021, the Group recorded net current assets of RMB11,545 million, and the Group's current portion of interest-bearing bank and other borrowings amounted to RMB20,334 million, while its cash and cash equivalents amounted to RMB7,715 million. In view of the prevailing slow-down of the property market, coupled with the limited source of financing from the capital market, the Group may take longer time than expected to realise cash from the sale of its properties and/or have the cash from external financing to meet its loan repayment obligations.

In view of aforesaid mentioned, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) The Group is actively negotiating with several existing financial institutions on the renewal of certain borrowings. Subsequent to 31 December 2021, the Group has also negotiated with various banks and financial institutions to secure new sources of financing.
- (ii) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables.
- (iii) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.

The directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2021. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2021. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- (i) the successful obtaining of additional new sources of financing as and when needed; and
- (ii) the successful and timely implementation of the plans to accelerate the pre-sales and sales of properties under development and completed properties, speed up the collection of outstanding sales proceeds and other receivables, and control costs and capital expenditure so as to generate adequate net cash inflows.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

## 2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have significant impact on the financial position and performance of the Group.
- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of RMB109,991,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.



## 2.3 Issued but not yet Effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>2</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>2, 5</sup>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information</i> <sup>2</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>2, 4</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>2</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>2</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>2</sup>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> <sup>1</sup>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> <sup>1</sup>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> No mandatory effective date yet determined but available for adoption

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

<sup>5</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 2.4 Summary of Significant Accounting Policies

### Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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 type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and OCI of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated OCI, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

## **2.4 Summary of Significant Accounting Policies** *(continued)*

### **Interests in joint operations**

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

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

### **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.



## 2.4 Summary of Significant Accounting Policies *(continued)*

### **Business combinations and goodwill** *(continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

### **Fair value measurement**

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

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

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

## 2.4 Summary of Significant Accounting Policies *(continued)*

### **Fair value measurement** *(continued)*

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

### **Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development, completed properties held for sale, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

## 2.4 Summary of Significant Accounting Policies *(continued)*

### Related parties

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### Property, plant and equipment and depreciation

Property, plant and equipment, other than assets under construction, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.



## 2.4 Summary of Significant Accounting Policies *(continued)*

### **Property, plant and equipment and depreciation** *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings (excluding the right-of-use assets)	3% to 5%
Leasehold improvements	Over the shorter of the lease term and 20%
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	10% to 20%
Vehicles (excluding the right-of-use assets)	7% to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Assets under construction represent properties under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction, amortised land use rights and capitalised borrowing costs on related borrowed funds during the period of construction. Assets under construction are reclassified to appropriate category of property, plant and equipment when completed and ready for use.

### **Investment properties**

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of each reporting period.

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

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as an asset revaluation reserve. For a transfer from properties under development or completed properties held for sale to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

## 2.4 Summary of Significant Accounting Policies *(continued)*

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Property management contracts acquired in business combinations are recognised at fair value at the acquisition date. The property management contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of the contracts.

### Leases

The Group assesses at contract inception whether a contract is, or contains, 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.

### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

#### (a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets (relate to the land use rights and property, plant and equipment) are measured at cost, less any accumulated depreciation and amortisation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated and amortised on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	17 to 40 years
Buildings	2 to 19 years
Vehicle	15 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

## 2.4 Summary of Significant Accounting Policies *(continued)*

### Leases *(continued)*

#### **Group as a lessee** *(continued)*

##### *(a) Right-of-use assets (continued)*

When the right-of-use assets relate to interests in leasehold land held as properties under development and completed properties held for sale, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "property under development" and "completed properties held for sale". When a right-of-use asset meets the definition of investment property (e.g., long-term rental apartments), it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

##### *(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

##### *(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.



## 2.4 Summary of Significant Accounting Policies *(continued)*

### Leases *(continued)*

#### **Group as a lessor**

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

#### **Properties under development**

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

#### **Completed properties held for sale**

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

## **2.4 Summary of Significant Accounting Policies** *(continued)*

### **Investments and other financial assets**

#### ***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

## 2.4 Summary of Significant Accounting Policies *(continued)*

### Investments and other financial assets *(continued)*

#### **Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

#### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

#### *Financial assets at fair value through OCI (debt instruments)*

For debt investments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to the statement of profit or loss.

#### *Financial assets designated at fair value through OCI (equity investments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through OCI when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in OCI. Equity investments designated at fair value through OCI are not subject to impairment assessment.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.



### 2.4 Summary of Significant Accounting Policies *(continued)*

#### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### **Impairment of financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### **General approach**

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

## 2.4 Summary of Significant Accounting Policies *(continued)*

### Impairment of financial assets *(continued)*

#### **General approach** *(continued)*

In certain cases, the Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

#### **Simplified approach**

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### Financial liabilities

#### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, lease liabilities, other payables and accruals, amounts due to joint ventures, amounts due to associates and interest-bearing bank and other borrowings.

## 2.4 Summary of Significant Accounting Policies *(continued)*

### **Financial liabilities** *(continued)*

#### **Subsequent measurement**

The subsequent measurement of financial liabilities depends on their classification as follows:

#### **Financial liabilities at amortised cost**

After initial recognition, lease liabilities and interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

#### **Financial guarantee contracts**

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

#### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

#### **Offsetting of financial instruments**

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

#### **Treasury shares**

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

## 2.4 Summary of Significant Accounting Policies *(continued)*

### Cash and bank balances

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in OCI or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with interests in subsidiaries, joint ventures and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



## **2.4 Summary of Significant Accounting Policies** *(continued)*

### **Income tax** *(continued)*

Deferred tax assets are recognised for all deductible temporary differences and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset or over the benefits received by the Group related to such assets.

## 2.4 Summary of Significant Accounting Policies *(continued)*

### Revenue recognition

#### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

#### *(a) Sale of properties*

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- 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.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for each contract.

For a property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

#### *(b) Operation of hotels*

Hotel revenue from room rentals, food and beverage sales and other ancillary services is recognised when the services are rendered.

## 2.4 Summary of Significant Accounting Policies *(continued)*

### Revenue recognition *(continued)*

#### Revenue from contracts with customers *(continued)*

(c) *Property management services*

Property management service income derived from the provision of property maintenance and management services is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

#### Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

#### Other income

Project management fee income is recognised when the related management services have been provided.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

#### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

#### Contract costs

Other than the costs which are capitalised as properties under development, completed properties held for sale, investment properties, property, plant and equipment and land use rights, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

## 2.4 Summary of Significant Accounting Policies *(continued)*

### Share-based payments

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value was determined by an external valuer using the binomial option pricing model (the "Model"), further details of which are given in note 32 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award, and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.



## **2.4 Summary of Significant Accounting Policies** *(continued)*

### **Other employee benefits**

#### ***Pension schemes***

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the 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 the statement of 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.

The employees of the Group’s subsidiaries which operate in Mainland China 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 their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate has been applied to the expenditure on the individual assets.

#### **Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 12 to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## 2.4 Summary of Significant Accounting Policies *(continued)*

### Foreign currencies

The Company's functional currency is the Hong Kong dollar while the presentation currency of these financial statements is RMB. In the opinion of the directors, as the Group's operations are mainly in Mainland China, the use of RMB as the presentation currency is more appropriate for the presentation of the Group's results and financial position. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in OCI or profit or loss is also recognised in OCI or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and joint ventures not operating in Mainland China are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities and the Company are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in OCI and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the statement of profit or loss.

## **2.4 Summary of Significant Accounting Policies** *(continued)*

### **Foreign currencies** *(continued)*

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and its overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and its overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

## **3. Significant Accounting Judgements and Estimates**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### **Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### ***Revenue from contracts with customers***

Revenue from the sale of properties is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of the sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements, based on legal counsel opinion, to classify sales contracts into those with the right to payment and those without the right.

### 3. Significant Accounting Judgements and Estimates *(continued)*

#### **Judgements** *(continued)*

##### ***Transfer from properties under development, completed properties held for sale, property, plant and equipment and land use rights to investment properties***

Properties under development, completed properties held for sale, property, plant and equipment and land use rights are transferred to investment properties when there is a change in use with sufficient evidence. The Group determines whether a change in use has occurred based on assessment of all relevant facts and circumstances, which include but are not limited to: (a) a business plan that reflects the future rental income generated by the property; (b) the resources to hold and manage an investment property; (c) legal permissibility for the change in use; and (d) the commencement of development if the property requires further development for the change in use. Any excess of fair value over the original carrying amount of such properties at the date of transfer was recognised immediately in the consolidated statement of profit or loss or the consolidated statement of financial position. During the year ended 31 December 2021, completed properties held for sale with a total carrying amount of approximately RMB2,357,992,000 (2020: approximately RMB313,191,000) were transferred to investment properties due to a change in use, giving rise to a net fair value loss of approximately RMB513,492,000 (2020: a net fair value gain of approximately RMB138,186,000) in the consolidated statement of profit or loss. During the years ended 31 December 2021 and 2020, no property, plant and equipment and land use rights were transferred to investment properties due to a change in use.

##### ***Deferred taxation on investment properties***

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the management of the Group has reviewed the Group's investment properties and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted.

Accordingly, the Group recognises deferred tax in respect of the changes in fair value of the investment properties based on management's best estimate assuming future tax consequences through usage of such properties for rental purposes, rather than through sale. The final tax outcome could be different from the deferred tax liabilities recognised in the consolidated financial statements should the investment properties be subsequently disposed of by the Group, rather than all of the economic benefits embodied in the investment properties are consumed substantially by leasing over time. In the event that the investment properties are disposed of, the Group may be liable to higher tax upon disposal considering the impact of corporate income tax ("CIT") and land appreciation tax ("LAT").



### 3. Significant Accounting Judgements and Estimates *(continued)*

#### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### **Revenue recognition**

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for the property unit in the contract. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future periods can affect the Group's revenue recognised.

#### **Revaluation of investment properties**

Investment properties including completed investment properties, investment properties under construction and right-of-use assets are revalued at the end of each reporting period based on the market value provided by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information about market rent and capitalisation rates is considered and assumptions that are mainly based on market conditions existing at the end of each reporting period are used. The carrying amount of the Group's investment properties at 31 December 2021 was approximately RMB29,954,477,000 (31 December 2020: approximately RMB29,320,849,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

#### **Estimation of net realisable value of properties under development and completed properties held for sale**

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The net realisable value is determined by the Group with reference to the prevailing market conditions and prices existing at the end of each reporting period. As at 31 December 2021, the carrying amounts of properties under development and completed properties held for sale were approximately RMB60,242,088,000 (2020: approximately RMB65,613,320,000) and approximately RMB15,938,413,000 (2020: approximately RMB15,000,367,000), respectively.

### 3. Significant Accounting Judgements and Estimates *(continued)*

#### Estimation uncertainty *(continued)*

##### **CIT**

The Group is subject to CIT in the PRC. As certain matters relating to the CIT have not been confirmed by the local tax bureau, objective estimates and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for CIT. Where the final tax outcomes of these matters are different from the amounts originally recorded, the differences will impact on the CIT and tax provision in the period in which the differences realise.

##### **Provision for ECLs on trade receivables**

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by service type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the property development sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 22 to the financial statements.

##### **PRC LAT**

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to its understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculations and payments with the tax authorities for certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact the LAT expenses and the related provision in the period in which the differences realise.

##### **Deferred tax assets**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2021 was approximately RMB884,327,000 (2020: approximately RMB593,126,000). The amount of unrecognised tax losses at 31 December 2021 was approximately RMB1,254,076,000 (31 December 2020: approximately RMB1,115,700,000). Further details are contained in note 29 to the financial statements.

### 3. Significant Accounting Judgements and Estimates *(continued)*

#### Estimation uncertainty *(continued)*

##### ***Impairment of non-financial assets***

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

##### ***Recognition and allocation of construction costs on properties under development***

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. Apportionment of these costs will be recognised in the statement of profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

#### 4. Operating Segment Information

For management purposes, the Group is organised into three reportable operating segments as follows:

- (a) Property development: Sale of properties
- (b) Property investment: Leasing of properties
- (c) Hotel operation: Operation of hotels

Upon the spin-off of KWG Living on 30 October 2020, which was previously the reportable operating segment of property management, the Group has the remaining three reportable segments of property development, property investment and hotel operation.

The property development projects undertaken by the Group and its joint ventures and associates during the year were mainly located in Mainland China and Hong Kong.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverables, cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted in accordance with the terms and conditions mutually agreed by the parties involved.

Other than the segment information disclosed above, the directors considered that other segment information is not reportable segment information used by the chief operating decision makers of the Group.

The Group's revenue from external customers is derived solely from its operations in Mainland China. As the Group's major operations and customers are located in Mainland China, no further geographical information is provided.

During 2021 and 2020, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.



#### 4. Operating Segment Information *(continued)*

Year ended 31 December 2021

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Total RMB'000
<b>Segment revenue:</b>				
Sales to external customers from continuing operations	22,191,746	957,391	695,583	23,844,720
<b>Segment results</b>	4,255,245	78,435	136,672	4,470,352
<i>Reconciliation:</i>				
Interest income and unallocated income				1,787,868
Unallocated expenses				(1,874,121)
Finance costs				(303,033)
Profit before tax				4,081,066
Income tax expenses				(1,518,128)
Profit for the year from continuing operations				2,562,938
<b>Assets and liabilities:</b>				
Segment assets	144,607,343	30,137,524	11,631,781	186,376,648
<i>Reconciliation:</i>				
Corporate and other unallocated assets				45,872,403
Total assets				232,249,051
Segment liabilities	133,967,122	68,674	28,493	134,064,289
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				38,482,829
Total liabilities				172,547,118
<b>Other segment information:</b>				
Depreciation and amortisation	125,757	11,230	228,657	365,644
Fair value losses on investment properties, net	-	(662,246)	-	(662,246)
Share of profits and losses of:				
Associates	100,503	-	-	100,503
Joint ventures	2,165,366	-	-	2,165,366
Impairment losses recognised for completed properties held for sale	405,443	-	-	405,443
Interests in associates	13,699,293	-	-	13,699,293
Interests in joint ventures	48,563,454	-	-	48,563,454

## 4. Operating Segment Information *(continued)*

### Year ended 31 December 2020

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Total RMB'000
<b>Segment revenue:</b>				
Sales to external customers from continuing operations	28,486,724	801,073	454,266	29,742,063
<b>Segment results</b>				
	9,799,253	1,011,601	88,011	10,898,865
<i>Reconciliation:</i>				
Interest income and unallocated income				1,628,096
Unallocated expenses				(1,429,810)
Finance costs				(1,034,243)
Profit before tax				10,062,908
Income tax expenses				(3,397,779)
Profit for the year from continuing operations				6,665,129
<b>Assets and liabilities:</b>				
Segment assets	137,693,897	29,439,790	9,578,657	176,712,344
<i>Reconciliation:</i>				
Corporate and other unallocated assets				55,486,035
Total assets				232,198,379
Segment liabilities	132,995,633	68,844	41,440	133,105,917
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				45,175,771
Total liabilities				178,281,688
<b>Other segment information:</b>				
Depreciation and amortisation	95,558	33,876	156,909	286,343
Fair value gains on investment properties, net	–	415,157	–	415,157
Share of profits and losses of:				
Associates	354,669	–	–	354,669
Joint ventures	2,126,580	–	–	2,126,580
Interests in associates	5,338,823	–	–	5,338,823
Interests in joint ventures	46,872,043	–	–	46,872,043

## Notes to Financial Statements

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### 5. Revenue, Other Income and Gains, Net

An analysis of revenue, other income and gains, net, is as follows:

	Note	2021 RMB'000	2020 RMB'000
<b>Revenue:</b>			
Revenue from contracts with customers			
Sale of properties		22,191,746	28,486,724
Hotel operation income		695,583	454,266
Revenue from other sources			
Gross rental income	17	957,391	801,073
		<b>23,844,720</b>	29,742,063
<b>Other income and gains, net:</b>			
Interest income		891,148	711,830
Project management fee income		550,608	420,140
Others		346,112	496,126
		<b>1,787,868</b>	1,628,096

## 5. Revenue, Other Income and Gains, Net *(continued)*

### Revenue from contracts with customers

#### (i) *Disaggregated revenue information*

For the year ended 31 December 2021

	Property development RMB'000	Hotel operation RMB'000	Total continuing operations RMB'000
<i>Type of revenue recognition:</i>			
Sale of properties	22,191,746	-	22,191,746
Provision of services	-	695,583	695,583
Total revenue from contracts with customers	22,191,746	695,583	22,887,329
<i>Timing of revenue recognition:</i>			
Recognised at a point in time	18,173,197	-	18,173,197
Recognised over time	4,018,549	695,583	4,714,132
Total revenue from contracts with customers	22,191,746	695,583	22,887,329

For the year ended 31 December 2020

	Property development RMB'000	Hotel operation RMB'000	Total continuing operations RMB'000
<i>Type of revenue recognition:</i>			
Sale of properties	28,486,724	-	28,486,724
Provision of services	-	454,266	454,266
Total revenue from contracts with customers	28,486,724	454,266	28,940,990
<i>Timing of revenue recognition:</i>			
Recognised at a point in time	25,680,443	-	25,680,443
Recognised over time	2,806,281	454,266	3,260,547
Total revenue from contracts with customers	28,486,724	454,266	28,940,990



**5. Revenue, Other Income and Gains, Net** *(continued)***Revenue from contracts with customers** *(continued)***(i) Disaggregated revenue information** *(continued)*

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	<b>8,026,003</b>	13,537,720

**(ii) Performance obligations**

Information about the Group's performance obligations is summarised below:

*Sale of properties*

The performance obligation is satisfied upon delivery of the properties and payment in advance is normally required; or over time if 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.

*Hotel operation services*

The performance obligation is satisfied over time as services are rendered where payment is generally due upon completion of hotel operation services and customer acceptance.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and 31 December 2020 are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	<b>18,169,276</b>	10,621,376
More than one year	<b>5,068,611</b>	8,068,666
	<b>23,237,887</b>	18,690,042

The amounts of transaction prices allocated to the remaining performance obligations expected to be recognised in more than one year relate to sale of properties, of which the performance obligations are to be satisfied within 18 months. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

## 6. Profit Before Tax

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Notes	2021 RMB'000	2020 RMB'000
Cost of properties sold		<b>18,349,188</b>	20,040,512
Less: Government grant released*	27(a)	<b>(363)</b>	(45)
		<b>18,348,825</b>	20,040,467
Cost of services provided		<b>450,379</b>	342,772
Depreciation		<b>333,400</b>	275,146
Amortisation of land use rights	16	<b>78,716</b>	63,966
Less: Amount capitalised in assets under construction		<b>(46,472)</b>	(52,769)
		<b>32,244</b>	11,197
Lease payments not included in the measurement of lease liabilities	17	<b>8,037</b>	5,048
Auditor's remuneration		<b>5,800</b>	5,400
Employee benefit expenses** (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		<b>1,334,618</b>	1,255,626
Share-based compensation expenses		<b>8,105</b>	18,317
Pension scheme contributions (defined benefit plans)		<b>71,243</b>	21,763
		<b>1,413,966</b>	1,295,706
Less: Amounts capitalised in assets under construction, properties under development and investment properties under development		<b>(542,145)</b>	(477,275)
		<b>871,821</b>	818,431
Foreign exchange differences, net		<b>40,504</b>	311,642
Loss on disposal of items of property, plant and equipment***		<b>9,215</b>	16,557
Direct operating expenses (including repairs and maintenance arising on rent-earning investment properties)		<b>49,234</b>	49,588
Impairment losses recognised for completed properties held for sale****		<b>405,443</b>	–

\* There are no unfulfilled conditions or contingencies relating to this government grant.

\*\* Employee benefit expenses which had not been capitalised are included in "Selling and marketing expenses" and "Administrative expenses" in the consolidated statement of profit or loss.

\*\*\* The item is included in "Administrative expenses" in the consolidated statement of profit or loss.

\*\*\*\* The item is included in "Other operating expenses, net" in the consolidated statement of profit or loss.

## 7. Finance Costs

An analysis of the Group's finance costs from continuing operations is as follows:

	Note	2021 RMB'000	2020 RMB'000
Interest on bank and other borrowings		5,026,978	5,815,543
Interest on lease liabilities	17(c)	91,437	123,896
Less: Interest capitalised		(4,815,382)	(4,905,196)
		<b>303,033</b>	1,034,243

## 8. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 RMB'000	2020 RMB'000
Fees	5,280	5,437
Other emoluments:		
Salaries, allowances and benefits in kind	11,425	11,670
Share-based compensation expenses	528	1,170
Pension scheme contributions	220	91
	<b>12,173</b>	12,931
	<b>17,453</b>	18,368

There was no director and chief executive being granted share options during the year (2020: Nil).

A director was granted awarded shares, in respect of his services to the Group, under the Share Award Scheme of the Company, further details of which are set out in note 32(b) to the financial statements. The fair value of such awarded shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

**8. Directors' and Chief Executive's Remuneration** *(continued)***(a) Independent non-executive directors**

	Fees RMB'000
<b>2021</b>	
Independent non-executive directors:	
Mr. Lee Ka Sze, Carmelo	425
Mr. Tam Chun Fai	425
Mr. Li Bin Hai	425
	<b>1,275</b>
<b>2020</b>	
Independent non-executive directors:	
Mr. Lee Ka Sze, Carmelo	438
Mr. Tam Chun Fai	438
Mr. Li Bin Hai	438
	<b>1,314</b>

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).



**8. Directors' and Chief Executive's Remuneration** (continued)**(b) Executive directors and chief executive**

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based compensation expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
<b>2021</b>					
Executive directors:					
Mr. Kong Jianmin	1,226	3,500	-	55	4,781
Mr. Kong Jiantao (note (i))	1,226	3,500	-	55	4,781
Mr. Kong Jiannan	1,226	3,724	-	55	5,005
Mr. Cai Fengjia	327	701	528	55	1,611
	<b>4,005</b>	<b>11,425</b>	<b>528</b>	<b>220</b>	<b>16,178</b>
<b>2020</b>					
Executive directors:					
Mr. Kong Jianmin	1,262	3,500	-	23	4,785
Mr. Kong Jiantao (note (i))	1,262	3,500	-	23	4,785
Mr. Kong Jiannan	1,262	3,718	-	23	5,003
Mr. Cai Fengjia	337	952	1,170	22	2,481
	<b>4,123</b>	<b>11,670</b>	<b>1,170</b>	<b>91</b>	<b>17,054</b>

Note:

(i) Mr. Kong Jiantao is also the chief executive officer of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

## 9. Five Highest Paid Employees

The five highest paid employees for the year ended 31 December 2021 included three (2020: three) directors and the chief executive, details of whose remuneration are set out in note 8.

Details of the remuneration for the year ended 31 December 2021 of the remaining two (2020: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	9,039	7,850
Share-based compensation expenses	753	3,132
Pension scheme contributions	85	55
	<b>9,877</b>	11,037

The number of non-director and non-chief executive highest paid employees whose emoluments fell within the following bands are as follows:

	Number of employees	
	2021	2020
HKD5,000,001 to HKD5,500,000	1	1
HKD6,500,001 to HKD7,000,000	1	–
HKD8,000,001 to HKD8,500,000	–	1

During the year, awarded shares were granted to two non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. The fair value of such awarded shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

There were no non-director and non-chief executive highest paid employees being granted share options during the year (2020: Nil).

## Notes to Financial Statements

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### 10. Income Tax Expenses

	Note	2021 RMB'000	2020 RMB'000
Current – PRC			
CIT		1,347,541	2,139,296
LAT		1,084,114	1,752,468
Deferred		2,431,655 (913,527)	3,891,764 (493,985)
Total tax charge for the year from continuing operations		1,518,128	3,397,779
Total tax charge for the year from a discontinued operation	11	-	91,367
		1,518,128	3,489,146

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax charge for the year is as follows:

	Note	2021 RMB'000	2020 RMB'000
Profit before tax from continuing operations		4,081,066	10,062,908
Profit before tax from a discontinued operation	11	-	327,547
		4,081,066	10,390,455
Tax at the statutory tax rate of 25.0% (2020: 25.0%)		1,020,267	2,597,614
Income not subject to tax		(66,923)	(19,618)
Expenses not deductible for tax		135,308	227,002
Tax losses not recognised		127,772	18,018
Profits and losses attributable to associates		(25,126)	(89,044)
Profits and losses attributable to joint ventures		(541,342)	(531,645)
LAT		1,084,114	1,752,468
Effect of LAT		(271,029)	(438,117)
Tax effect of verification collection		6,008	(11,037)
Others		49,079	(16,495)
Tax charge for the year at the Group's effective rate		1,518,128	3,489,146
Tax charge for the year from continuing operations		1,518,128	3,397,779
Tax charge for the year from a discontinued operation		-	91,367

## 10. Income Tax Expenses *(continued)*

For the year ended 31 December 2021, the share of CIT expenses and LAT expenses attributable to the joint ventures amounting to approximately RMB671,016,000 (2020: approximately RMB788,643,000) and approximately RMB616,996,000 (2020: approximately RMB689,070,000), respectively, is included in “Share of profits and losses of joint ventures” in the consolidated statement of profit or loss.

For the year ended 31 December 2021, the share of CIT expenses and LAT expenses attributable to the associates amounting to approximately RMB32,274,000 (2020: approximately RMB119,358,000) and approximately RMB24,644,000 (2020: approximately RMB10,894,000), respectively, is included in “Share of profits and losses of associates” in the consolidated statement of profit or loss.

### Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2021 and 2020.

### PRC CIT

PRC CIT in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2021 and 2020, based on existing legislation, interpretations and practices in respect thereof.

### PRC LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

## 11. Discontinued Operation

On 7 October 2020, the Company announced the decision of its board of directors in relation to the conditional special dividend to be satisfied by way of a distribution in specie (the “Distribution”) of an aggregate of 1,589,025,505 shares of KWG Living, the Company’s then non-wholly-owned subsidiary, to the Company’s shareholders (the “Qualifying KWG Shareholders”), subject to the completion of the spin-off and separate listing of KWG Living on the Main Board of the Stock Exchange. On 30 October 2020 (the “Distribution Date”), in connection with the listing of KWG Living, all the issued share capital of KWG Living held by the Company was distributed to the Qualifying KWG Shareholders. Since then, the Company did not retain any interest in the issued share capital of KWG Living and KWG Living became a fellow subsidiary of the Company.



## 11. Discontinued Operation *(continued)*

KWG Living and its subsidiaries (collectively KWG Living Group) are engaged in providing property management services. In accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the operating results of KWG Living Group before the spin-off had been presented as a discontinued operation in the consolidated statement of profit or loss for the year ended 31 December 2020 since it represented a separate major line of business.

The net assets of KWG Living Group at the Distribution Date were as follows:

	Notes	RMB'000
Property, plant and equipment	14	11,240
Investment in an associate		7,549
Deferred tax assets		19,194
Other non-current assets		205,017
Trade receivables		455,127
Prepayments, other receivables and other assets		224,223
Cash and bank balances		661,679
Trade and bills payables		(174,634)
Other payables and accruals		(911,768)
Lease liabilities	17	(6,684)
Tax payables		(84,442)
Deferred tax liabilities		(17,425)
<b>Net assets directly associated with KWG Living Group</b>		<b>389,076</b>
Non-controlling interests		(14,050)
Carrying value of net assets attributable to owners of the Company		375,026
Represented by:		
Distribution to the Qualifying KWG Shareholders		375,026
<b>An analysis of the net outflow of cash and cash equivalents in respect of the Distribution is as follows:</b>		
Cash proceeds on the Distribution		–
Cash and cash equivalents of KWG Living Group as at the Distribution Date		(661,036)
<b>Net outflow of cash and cash equivalents in respect of the Distribution</b>		<b>(661,036)</b>

## 11. Discontinued Operation *(continued)*

The results of KWG Living Group in 2020, which are only from transactions with counterparties external to the Group and do not necessarily represent the activities of the operation as individual entities, are presented below:

	Note	2020* RMB'000
Revenue		732,921
Expenses		(405,122)
Finance costs		(252)
Profit before tax from the discontinued operation	10	327,547
Income tax expenses	10	(91,367)
Profit for the year from the discontinued operation		236,180

\* These amounts represent the activities of KWG Living Group contributed to the Group in the year ended 31 December 2020 prior to the Distribution Date.

The net cash flows incurred by KWG Living Group are as follows:

	2020* RMB'000
Operating activities	214,947
Investing activities	304,593
Financing activities	(275,269)
Net cash inflow	244,271

### Earnings per share:

Basic, from the discontinued operation	RMB7 cents
Diluted, from the discontinued operation	RMB7 cents

\* These amounts represent the activities of KWG Living Group contributed to the Group in the year ended 31 December 2020 prior to the Distribution Date.

## 11. Discontinued Operation *(continued)*

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	2020
Profit attributable to owners of the Company from the discontinued operation	RMB230,972,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (note 13)	3,177,056,096
Weighted average number of ordinary shares used in the diluted earnings per share calculation (note 13)	3,181,197,036

## 12. Dividends

### (a) Dividends

	Notes	2021 RMB'000	2020 RMB'000
Proposed final dividend – Nil (2020: final dividend (with scrip option) of RMB53 cents per ordinary share)	(i), (ii)	-	1,685,668
Interim dividend declared – RMB37 cents (2020: RMB40 cents) per ordinary share	38(b)	<b>1,177,713</b>	1,271,220
		<b>1,177,713</b>	2,956,888

Notes:

- (i) The Board has resolved not to declare any final dividend in respect of the year ended 31 December 2021 (2020: RMB53 cents per ordinary share).
- (ii) The actual amount of the 2020 final dividend finally paid was RMB1,685,677,000, based on the number of shares of the Company then outstanding immediately before the ex-dividend date.

### (b) Distribution in specie

On 30 October 2020, in connection with the listing of KWG Living, a distribution in specie of all the issued share capital of KWG Living held by the Company, being 1,589,025,505 shares of KWG Living, was made to the Qualifying KWG Shareholders on a pro-rata basis to their shareholdings in the Company on a basis of one share of KWG Living for every two shares held by the Qualifying KWG Shareholders.

### 13. Earnings Per Share Attributable to Owners of the Company

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 3,181,075,719 (2020: 3,177,056,096) in issue during the year.

For the year ended 31 December 2021, the calculation of the diluted earnings per share amount was based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share amounts are based on:

	2021 RMB'000	2020 RMB'000
<b>Earnings</b>		
Profit attributable to owners of the Company		
From continuing operations	2,421,351	6,445,620
From a discontinued operation	-	230,972
	<b>2,421,351</b>	<b>6,676,592</b>
<b>Number of shares</b>		
	2021	2020
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation (note 11)	3,181,075,719	3,177,056,096
Effect of dilution – awarded shares	2,175,921	4,140,940
Weighted average number of ordinary shares during the year used in diluted earnings per share calculation (note 11)	<b>3,183,251,640</b>	<b>3,181,197,036</b>



## Notes to Financial Statements

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### 14. Property, Plant and Equipment

							Right-of-use assets		Total RMB'000
	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Vehicles RMB'000	Assets under construction RMB'000	Buildings RMB'000	Vehicle RMB'000	
<b>31 December 2021</b>									
At 1 January 2021:									
Cost	4,322,333	205,588	3,188	559,121	134,663	2,886,752	651,655	481,967	9,245,267
Accumulated depreciation	(722,217)	(87,058)	(3,173)	(367,277)	(106,250)	-	(110,557)	(68,681)	(1,465,213)
Net carrying amount	3,600,116	118,530	15	191,844	28,413	2,886,752	541,098	413,286	7,780,054
At 1 January 2021, net of accumulated depreciation	3,600,116	118,530	15	191,844	28,413	2,886,752	541,098	413,286	7,780,054
Additions	850,823	41,087	-	126,649	5,665	759,864	51,760	-	1,835,848
Disposals	-	(26,598)	-	(653)	(141)	-	-	-	(27,392)
Modification	-	-	-	-	-	-	(81,681)	-	(81,681)
Acquisition of subsidiaries	-	-	-	174	-	-	-	-	174
Derecognition of subsidiaries	-	-	-	(279)	(2)	-	-	-	(281)
Depreciation provided during the year	(168,053)	(28,915)	-	(34,149)	(9,728)	-	(62,030)	(30,525)	(333,400)
At 31 December 2021, net of accumulated depreciation	4,282,886	104,104	15	283,586	24,207	3,646,616	449,147	382,761	9,173,322
At 31 December 2021									
Cost	5,173,156	220,017	3,188	680,937	137,679	3,646,616	621,735	481,967	10,965,295
Accumulated depreciation	(890,270)	(115,913)	(3,173)	(397,351)	(113,472)	-	(172,588)	(99,206)	(1,791,973)
Net carrying amount	4,282,886	104,104	15	283,586	24,207	3,646,616	449,147	382,761	9,173,322

## 14. Property, Plant and Equipment (continued)

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Vehicles RMB'000	Assets under construction RMB'000	Right-of-use assets		Total RMB'000
							Buildings RMB'000	Vehicle RMB'000	
<b>31 December 2020</b>									
At 1 January 2020:									
Cost	3,258,159	146,849	3,188	473,489	136,790	2,554,687	569,520	481,967	7,624,649
Accumulated depreciation	(617,495)	(61,964)	(3,173)	(331,060)	(102,898)	-	(58,752)	(38,156)	(1,213,498)
Net carrying amount	2,640,664	84,885	15	142,429	33,892	2,554,687	510,768	443,811	6,411,151
At 1 January 2020, net of accumulated depreciation									
depreciation	2,640,664	84,885	15	142,429	33,892	2,554,687	510,768	443,811	6,411,151
Additions	1,076,944	75,474	1,342	96,227	2,599	332,065	93,793	-	1,678,444
Disposals	(4,845)	(11,200)	-	(903)	(1,456)	-	-	-	(18,404)
Acquisition of subsidiaries	-	-	-	546	306	-	-	-	852
Assets included in the discontinued operation (note 11)	(464)	-	(455)	(2,954)	(872)	-	(6,495)	-	(11,240)
Derecognition of subsidiaries	-	-	-	(68)	-	-	-	-	(68)
Depreciation provided during the year	(112,183)	(30,629)	(887)	(43,433)	(6,056)	-	(56,968)	(30,525)	(280,681)
At 31 December 2020, net of accumulated depreciation									
	3,600,116	118,530	15	191,844	28,413	2,886,752	541,098	413,286	7,780,054
At 31 December 2020:									
Cost	4,322,333	205,588	3,188	559,121	134,663	2,886,752	651,655	481,967	9,245,267
Accumulated depreciation	(722,217)	(87,058)	(3,173)	(367,277)	(106,250)	-	(110,557)	(68,681)	(1,465,213)
Net carrying amount	3,600,116	118,530	15	191,844	28,413	2,886,752	541,098	413,286	7,780,054

At 31 December 2021, the Group's certain property, plant and equipment with an aggregate net carrying amount of approximately RMB5,095,202,000 (2020: approximately RMB3,031,614,000) were pledged to secure general banking facilities granted to the Group (note 40(a)).

## 15. Investment Properties

	2021				2020			
	Completed investment properties RMB'000	Investment properties under construction RMB'000	Right-of-use assets RMB'000	Total RMB'000	Completed investment properties RMB'000	Investment properties under construction RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January	23,693,200	4,618,319	1,009,330	29,320,849	16,298,329	9,519,000	1,446,000	27,263,329
Transfers from properties under development (note 20)	-	-	-	-	-	315,717	-	315,717
Transfers from completed properties held for sale (note 21)	2,357,992	-	-	2,357,992	313,191	-	-	313,191
Additions	-	646,459	-	646,459	-	1,307,918	-	1,307,918
Transfers	305,670	(305,670)	-	-	7,158,846	(7,158,846)	-	-
Termination of leases	-	-	(49,548)	(49,548)	-	-	(289,960)	(289,960)
Disposals	(1,659,029)	-	-	(1,659,029)	(4,503)	-	-	(4,503)
Net (loss)/gain from a fair value adjustment	(718,855)	110,891	(54,282)	(662,246)	(72,663)	634,530	(146,710)	415,157
Carrying amount at 31 December	23,978,978	5,069,999	905,500	29,954,477	23,693,200	4,618,319	1,009,330	29,320,849

The Group's investment properties consist of commercial properties and right-of-use assets in Mainland China. The directors of the Company have determined that the investment properties consist of two classes of assets, commercial properties and right-of-use assets, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2021 based on valuations performed by Savills Valuation and Professional Services Limited and Cushman & Wakefield Limited, independent professionally qualified valuers, at approximately RMB29,954,477,000 (2020: approximately RMB29,320,849,000). Each year, the management of the Group decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management of the Group has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 17 to the financial statements.

At 31 December 2021, certain items of the Group's investment properties with an aggregate carrying amount of approximately RMB8,980,952,000 (2020: approximately RMB7,291,926,000) were pledged to secure general banking facilities granted to the Group (note 40(a)).

At 31 December 2021, the Group has not yet obtained the real estate ownership certificates of investment properties with a net carrying amount of approximately RMB5,715,251,000 (2020: approximately RMB7,370,960,000) from the relevant government authorities.

Further particulars of the Group's major investment properties are included on page 203 of the annual report.

## 15. Investment Properties *(continued)*

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	-	-	29,048,977	29,048,977
Right-of-use assets	-	-	905,500	905,500
	-	-	29,954,477	29,954,477

	Fair value measurement as at 31 December 2020 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	-	-	28,311,519	28,311,519
Right-of-use assets	-	-	1,009,330	1,009,330
	-	-	29,320,849	29,320,849

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			2021	2020
Commercial properties	Investment approach and direct comparison approach	Market rent (per sq.m. per month)	RMB20 to RMB980	RMB29 to RMB980
		Capitalisation rates	3.00% to 5.50%	3.00% to 5.50%
Right-of-use assets	Investment approach	Capitalisation rates	3.00% to 4.75%	3.00% to 4.75%



## 15. Investment Properties *(continued)*

### Fair value hierarchy *(continued)*

All the properties are valued by the investment approach taking into account the rental income derived from the existing tenancies with due allowance for the reversionary income potential of the tenancies, which are then capitalised into the value at appropriate rates.

The commercial properties are also valued by the direct comparison approach on the assumption that each property can be sold in their existing state subject to existing tenancies or otherwise by referring to comparable sales transactions as available in the relevant markets. Comparison is based on prices realised on actual transactions or asking prices of comparable properties. Comparable properties with similar sizes, characters and locations are analysed, and carefully weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value. The two approaches are reconciled, if applicable.

A significant increase (decrease) in the capitalisation rates in isolation would result in a significant decrease (increase) in the fair value of the investment properties. A significant increase (decrease) in the market rent in isolation would result in a significant increase (decrease) in the fair value of the investment properties.

## 16. Land Use Rights

	Note	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January		2,651,855	1,152,384
Additions		1,480,970	1,563,437
Amortisation recognised during the year	6	(78,716)	(63,966)
Carrying amount at 31 December		4,054,109	2,651,855
Non-current portion		4,054,109	2,651,855

At 31 December 2021, certain items of the Group's land use rights with an aggregate net carrying amount of approximately RMB745,749,000 (2020: approximately RMB741,252,000) were pledged to banks to secure general banking facilities granted to the Group (note 40(a)).

At 31 December 2021, the Group has not yet obtained the land use right certificates of certain lands with an aggregate net carrying amount of approximately RMB1,081,536,000 (2020: approximately RMB718,451,000) from the relevant government authorities.

## 17. Leases

### The Group as a lessee

The Group has lease contracts for various items of lands, buildings and vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 70 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 and 20 years, while vehicles generally have lease terms of 12 years.

#### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are included in notes 14, 15 and 16.

#### (b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Note	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January		1,776,632	2,125,771
New leases		48,457	92,867
Termination of leases		(49,548)	(294,409)
Modification		(81,681)	–
Rent concessions		(109,991)	–
Liabilities included in the discontinued operation	11	–	(6,684)
Accretion of interest recognised during the year		91,437	124,148
Payments		(238,208)	(265,061)
Carrying amount at 31 December		1,437,098	1,776,632
Analysed into:			
Current portion		215,163	209,341
Non-current portion		1,221,935	1,567,291

The maturity analysis of lease liabilities is disclosed in note 45 to the financial statements.

(c) The amounts recognised in profit or loss from continuing operations in relation to leases are as follows:

	Notes	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	7	91,437	123,896
Depreciation charge of right-of-use assets		92,555	83,682
Expense relating to low-value assets and short-term leases (included in cost of sales and administrative expenses)	6	8,037	5,048
Decrease in fair value	15	54,282	146,710
Rent concessions		(109,991)	–
Total amount recognised in profit or loss		136,320	359,336

## 17. Leases (continued)

### The Group as a lessor

The Group leases its investment properties consisting of several commercial properties in Mainland China under operating lease arrangements, with leases negotiated for terms ranging from 1 to 16 years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was approximately RMB957,391,000 (2020: RMB801,073,000), details of which are included in note 5 to the financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	598,207	587,224
After one year but within two years	377,177	427,057
After two years but within three years	223,278	257,305
After three years but within four years	148,479	133,722
After four years but within five years	75,558	87,053
After five years	181,820	170,120
	<b>1,604,519</b>	1,662,481

## 18. Interests in Associates

	2021 RMB'000	2020 RMB'000
Share of net assets	12,960,022	3,929,773
Advances to associates	739,271	1,409,050
	<b>13,699,293</b>	5,338,823

As at 31 December 2021, except for an aggregate amount of approximately RMB28,516,000 (2020: approximately RMB582,103,000), which bore interest at 4.4% to 9.0% (2020: 4.4% to 11.0%) per annum, the advances to associates as shown above were unsecured, interest-free and not repayable within 12 months. In the opinion of the directors, these advances were considered as part of the Group's net investments in the associates.

As at 31 December 2021, the amounts due to associates included in the Group's current liabilities of approximately RMB3,585,519,000 (2020: approximately RMB3,244,654,000) were unsecured, interest-free and had no fixed term of repayment.

## 18. Interests in Associates *(continued)*

The Group's shareholdings in the associates all comprise equity shares held by the wholly-owned subsidiaries of the Company.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2021 RMB'000	2020 RMB'000
Share of the associates' profit for the year	100,503	354,669
Share of the associates' total comprehensive income	100,503	354,669
Aggregate carrying amount of the Group's investments in the associates	13,699,293	5,338,823

## 19. Interests in Joint Ventures

	2021 RMB'000	2020 RMB'000
Share of net assets	26,038,586	24,761,811
Advances to joint ventures	22,524,868	22,110,232
	48,563,454	46,872,043

As at 31 December 2021, except for an aggregate amount of approximately RMB2,349,895,000 (2020: approximately RMB4,371,565,000), which bore interest at 6.0% to 16.0% (2020: 6.0% to 15.0%) per annum, the advances to joint ventures as shown above were unsecured, interest-free and not repayable within 12 months. In the opinion of the directors, these advances were considered as part of the Group's net investments in the joint ventures.

As at 31 December 2021, an amount due from a joint venture included in the Group's current assets of approximately RMB22,525,000 (2020: approximately RMB30,004,000) was unsecured, interest-free and had no fixed terms of repayment.

As at 31 December 2021, the amounts due to joint ventures included in the Group's current liabilities of approximately RMB21,692,348,000 (2020: approximately RMB35,207,964,000) were unsecured, interest-free and had no fixed terms of repayment.



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### 19. Interests in Joint Ventures *(continued)*

Particulars of the Group's material joint ventures as at the end of the reporting period are as follows:

Name	Particular of registered capital	Place of registration and business	2021			Principal activities
			Percentage of			
			Ownership interest	Voting power	Profit sharing	
Foshan Xinfeng Real Estate Development Limited ("Foshan Xinfeng") <sup>#</sup>	US\$194,000,000	PRC/Mainland China	50	50	50	Property development
Foshan Xinhao Real Estate Development Limited ("Foshan Xinhao") <sup>#</sup>	US\$98,000,000	PRC/Mainland China	50	50	50	Property development
Unicorn Bay Limited ("Unicorn Bay")	US\$50,000	British Virgin Island/Hong Kong	50	50	50	Property development
Great Smart International Limited ("Great Smart")	US\$50,000	British Virgin Island/Hong Kong	50	50	50	Property development
Tianjin Jinnan newcity Real Estate Development Limited ("Tianjin Jinnan") <sup>#</sup>	RMB3,667,300,000	PRC/Mainland China	25	25	25	Property development

Name	Particulars of registered capital	Place of registration and business	2020			Principal activities
			Percentage of			
			Ownership interest	Voting power	Profit sharing	
Chengdu Hongyu Real Estate Development Limited ("Chengdu Hongyu") <sup>#</sup>	US\$699,980,000	PRC/Mainland China	50	50	50	Property development
Nantong Nanjing Property Development Limited ("Nantong Nanjing") <sup>##</sup>	US\$185,189,000	PRC/Mainland China	51	51	51	Property development
Foshan Xinjin Real Estate Development Limited ("Foshan Xinjin") <sup>#</sup>	US\$70,000,000	PRC/Mainland China	50	50	50	Property development
Unicorn Bay	US\$50,000	British Virgin Islands/Hong Kong	50	50	50	Property development
Great Smart	US\$50,000	British Virgin Islands/Hong Kong	50	50	50	Property development

\* Nantong Nanjing is accounted for as a joint venture of the Group as all significant operating and financial activities need to be decided by all the joint venture partners.

<sup>#</sup> The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of those entities, as no English names have been registered.

The above investments are indirectly held through wholly-owned subsidiaries of the Company.

As at 31 December 2021, Foshan Xinfeng, Foshan Xinhao, Unicorn Bay, Great Smart and Tianjin Jinnan, which are considered the material joint ventures of the Group, engaged in the property development business in Mainland China and Hong Kong and have been accounted for using the equity method.

## 19. Interests in Joint Ventures *(continued)*

The following table illustrates the summarised financial information in respect of the Group's material joint ventures adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	Foshan Xinfeng RMB'000	Foshan Xinhao RMB'000	2021 Unicorn Bay RMB'000	Great Smart RMB'000	Tianjin Jinnan RMB'000
Current assets	4,406,062	3,376,033	19,800,821	5,309,511	12,797,374
Non current assets	177,676	128,534	232	11,686	76,578
<b>Total assets</b>	<b>4,583,738</b>	<b>3,504,567</b>	<b>19,801,053</b>	<b>5,321,197</b>	<b>12,873,952</b>
Current liabilities	(2,676,942)	(1,739,540)	(341,434)	(2,262,323)	(3,301,049)
Non current liabilities	-	(616,000)	(7,369,274)	-	(2,904,750)
<b>Total liabilities</b>	<b>(2,676,942)</b>	<b>(2,355,540)</b>	<b>(7,710,708)</b>	<b>(2,262,323)</b>	<b>(6,205,799)</b>
Revenue	1,373,458	1,673,617	-	7,056,338	5,598,340
Profit/(loss) for the year	385,696	479,223	(15,757)	1,160,363	1,209,228
Other comprehensive income	-	-	1,791	1,618	-
<b>Total comprehensive income/(loss) for the year</b>	<b>385,696</b>	<b>479,223</b>	<b>(13,966)</b>	<b>1,161,981</b>	<b>1,209,228</b>
	Chengdu Hongyu RMB'000	Nantong Nanjing RMB'000	2020 Foshan Xinjin RMB'000	Unicorn Bay RMB'000	Great Smart RMB'000
Current assets	9,464,892	2,420,393	2,798,727	18,761,444	9,507,965
Non-current assets	480,222	44,234	76,761	10,507	40,462
Total assets	9,945,114	2,464,627	2,875,488	18,771,951	9,548,427
Current liabilities	(1,260,988)	(469,142)	(1,424,541)	(664,026)	(5,472,937)
Non-current liabilities	(523,760)	(383,900)	(527,658)	(6,809,208)	(5,628)
Total liabilities	(1,784,748)	(853,042)	(1,952,199)	(7,473,234)	(5,478,565)
Revenue	220,928	1,768,987	1,743,819	-	-
Profit/(loss) for the year	191,595	368,289	366,014	(21,012)	(11,709)
Other comprehensive income	-	-	-	2,682	2,890
Total comprehensive income/(loss) for the year	191,595	368,289	366,014	(18,330)	(8,819)

## 19. Interests in Joint Ventures *(continued)*

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2021 RMB'000	2020 RMB'000
Share of the joint ventures' profit for the year	858,296	1,676,309
Share of the joint ventures' other comprehensive income	562,071	576,408
Share of the joint ventures' total comprehensive income	1,420,367	2,252,717
Aggregate carrying amount of the Group's investments in the joint ventures	37,793,895	33,824,018

Fair value gains in respect of properties owned by the Group's joint ventures are included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

## 20. Properties under Development

	2021 RMB'000	2020 RMB'000
Properties under development expected to be recovered:		
Within one year	40,608,301	31,220,651
More than one year	19,633,787	34,392,669
	60,242,088	65,613,320

The Group's properties under development were mainly located in Mainland China and are stated at cost.

During the year ended 31 December 2020, the Group's properties under development with an aggregate net carrying amount of approximately RMB315,717,000 were transferred to investment properties (note 15).

As at 31 December 2021, certain items of the Group's properties under development with an aggregate carrying amount of approximately RMB19,473,346,000 (2020: approximately RMB13,741,498,000) were pledged to secure general banking facilities granted to the Group (note 40(a)).

Included in the Group's properties under development as at 31 December 2021 were land costs with an aggregate net carrying amount of approximately RMB3,492,853,000 (2020: approximately RMB11,726,266,000) for which the Group has not yet obtained land use right certificates from the relevant government authorities. The Group has not fully settled the purchase consideration in accordance with the terms of certain relevant land use right grant contracts. The directors of the Company consider that the relevant land use right certificates will be obtained upon the full payment of the purchase considerations.

Further particulars of the Group's major properties under development are set out on page 203 of the annual report.

## 21. Completed Properties Held for Sale

The Group's completed properties held for sale are located in Mainland China. All completed properties held for sale are stated at the lower of cost and net realisable value.

During the year ended 31 December 2021, the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB2,357,992,000 (2020: approximately RMB313,191,000) were transferred to investment properties (note 15).

As at 31 December 2021, certain items of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB5,876,143,000 (2020: approximately RMB3,031,956,000) were pledged to secure general banking facilities granted to the Group (note 40(a)).

Further particulars of the Group's major completed properties held for sale are set out on page 203 of the annual report.

## 22. Trade Receivables

Trade receivables mainly consist of receivables from the sale of properties, rentals under operating leases and hotel operation. The payment terms of the sale of properties are stipulated in the relevant sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of rental and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally within 12 months for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
Within 3 months	793,464	1,139,192
7 to 12 months	355,777	433,279
Over 1 year	219,523	342,108
	<b>1,368,764</b>	1,914,579

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. For the sale of properties, rentals under operating leases and hotel operation businesses of the Group, management has assessed that the expected credit loss rate for trade receivables was minimal as at 31 December 2021 and 31 December 2020. In the opinion of the directors of the Company, the Group's trade receivables relate to a large number of diversified customers with no recent history of default and the balances are considered fully recoverable considering the historical records and forward-looking information.



## 23. Prepayments, Other Receivables and Other Assets

	2021 RMB'000	2020 RMB'000
Prepayments	2,588,843	1,765,682
Contract costs	1,012,460	613,946
Prepaid other taxes	3,105,602	2,280,966
Deposits and other receivables	8,921,820	5,154,138
	<b>15,628,725</b>	9,814,732

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 24. Tax Recoverables/Tax Payables

### (a) Tax recoverables

	2021 RMB'000	2020 RMB'000
Prepaid CIT	260,189	236,341
Prepaid LAT	802,691	612,078
	<b>1,062,880</b>	848,419

### (b) Tax payables

	2021 RMB'000	2020 RMB'000
CIT payable	6,198,269	5,699,825
LAT payable	6,868,365	6,584,962
	<b>13,066,634</b>	12,284,787

## 25. Cash and Bank Balances

	Notes	2021 RMB'000	2020 RMB'000
Cash and bank balances		<b>14,328,044</b>	25,304,414
Time deposits		<b>15,119,444</b>	19,276,067
		<b>29,447,488</b>	44,580,481
Less: Restricted cash	(a)	<b>(21,732,098)</b>	(3,944,716)
Cash and cash equivalents		<b>7,715,390</b>	40,635,765
		<b>28,818,736</b>	43,286,810
Denominated in RMB	(b)	<b>628,752</b>	1,293,671
Denominated in other currencies			
		<b>29,447,488</b>	44,580,481

### Notes:

- (a) Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sale proceeds received at designated bank accounts as guarantee deposits for the construction of the relevant properties.

Certain items of the Group's cash and bank balances and time deposits were restricted to be used in designated purposes. Besides, as at 31 December 2021, time deposits and other bank balances of approximately RMB15,092,013,000 and RMB3,195,592,000, respectively, were pledged to secure general banking facilities granted to the Group, joint ventures and third parties (note 40(a)).

- (b) The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

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### 26. Trade and Bills Payables

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 RMB'000	2020 RMB'000
Within one year	13,348,056	13,165,515

The trade and bills payables are non-interest-bearing and are normally settled on demand.

### 27. Other Payables and Accruals

	Notes	2021 RMB'000	2020 RMB'000
Contract liabilities		22,038,031	15,615,816
Other payables and accruals		16,907,741	15,448,894
Other tax payables		966,356	651,303
Deferred income	6, (a)	12,639	13,002
Payroll payables		-	17,281
		39,924,767	31,746,296

Note:

- (a) The deferred income is related to a government grant of RMB203,700,000 received in 2009 for a project in an economic and technological development zone in Guangzhou, Guangdong Province, the PRC. During the year, approximately RMB363,000 (2020: approximately RMB45,000) has been credited to the cost of sales.

Other payables are non-interest-bearing and are normally settled on demand.

## 28. Interest-bearing Bank and Other Borrowings

	2021			2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans						
– secured	4.75-8.00	2022	1,401,416	4.75-11.00	2021	1,805,244
– unsecured	4.35-8.50	2022	115,576	4.35-7.50	2021	1,127,000
– denominated in HK\$, secured	HIBOR+3.66	2022	620,844	HIBOR+2.4-HIBOR+3.51	2021	1,468,060
– denominated in US\$, secured	0.85-LIBOR+3.66	2022	1,313,123	LIBOR+3.51	2021	913,076
– denominated in US\$, unsecured	LIBOR+3.00	2022	633,692	–	–	–
Current portion of long-term bank loans						
– secured	4.00-8.50	2022	2,469,728	4.75-8.50	2021	1,584,843
– unsecured	4.75-6.65	2022	994,844	4.75-8.50	2021	364,904
– denominated in HK\$, secured	–	–	–	HIBOR+3.66	2021	181,341
– denominated in US\$, secured	LIBOR+2.75	2022	31,935	LIBOR+3.66	2021	87,038
Senior notes						
– denominated in US\$, secured (note (a))	5.45-7.63	2022	7,550,725	8.27	2021	2,277,680
Domestic corporate bonds – unsecured (note (b))	5.82-7.01	2022	5,201,970	4.88-7.31	2021	15,446,153
			<u>20,333,853</u>			<u>25,255,339</u>
<b>Non-current</b>						
Bank loans						
– secured	4.00-8.50	2023-2045	29,408,064	3.90-8.50	2022-2045	20,761,855
– unsecured	4.75-6.65	2023-2028	2,175,640	4.75-8.50	2022-2035	1,749,376
– denominated in HK\$, secured	HIBOR+4.10	2024	1,708,630	HIBOR+3.66	2022	639,226
– denominated in US\$, secured	LIBOR+2.75-LIBOR+4.10	2023-2024	983,598	LIBOR+3.66	2022	308,198
– denominated in US\$, unsecured	–	–	–	LIBOR+3.00	2022	652,270
Senior notes						
– denominated in US\$, secured (note (a))	5.99-7.81	2023-2027	19,904,379	5.45-7.81	2022-2027	23,795,517
Domestic corporate bonds – unsecured (note (b))	6.43-7.11	2023	2,204,265	5.82-7.01	2022-2023	4,698,834
			<u>56,384,576</u>			<u>52,605,276</u>
			<u>76,718,429</u>			<u>77,860,615</u>



**28. Interest-bearing Bank and Other Borrowings** *(continued)*

	<b>2021</b> RMB'000	2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	<b>7,581,158</b>	7,531,506
In the second year	<b>11,847,763</b>	8,675,083
In the third to fifth years, inclusive	<b>11,506,495</b>	7,915,144
Beyond five years	<b>10,921,674</b>	7,520,698
	<b>41,857,090</b>	31,642,431
Senior notes repayable:		
Within one year	<b>7,550,725</b>	2,277,680
In the second year	<b>4,440,047</b>	7,478,837
In the third to fifth years, inclusive	<b>13,572,671</b>	11,762,593
Beyond five years	<b>1,891,661</b>	4,554,087
	<b>27,455,104</b>	26,073,197
Domestic corporate bonds repayable:		
Within one year	<b>5,201,970</b>	15,446,153
In the second year	<b>2,204,265</b>	4,134,465
In the third to fifth years, inclusive	-	564,369
	<b>7,406,235</b>	20,144,987
	<b>76,718,429</b>	77,860,615

Certain items of the Group's borrowings are secured by the Group's assets, details of which are disclosed in note 40.

Except for the above-mentioned borrowings denominated in HK\$ and US\$, all borrowings were denominated in RMB as at the end of the reporting period.

## 28. Interest-bearing Bank and Other Borrowings *(continued)*

Notes:

- (a) On 11 January 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US\$250,000,000 (equivalent to approximately RMB1,733,113,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 11 January 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 11 January and 11 July of each year, commencing on 11 July 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 29 December 2016, 30 December 2016 and 11 January 2017.

On 15 March 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US\$400,000,000 (equivalent to approximately RMB2,772,980,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year, commencing on 15 September 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 9 March 2017, 10 March 2017 and 16 March 2017.

On 29 March 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US\$100,000,000 (equivalent to approximately RMB672,638,000) (to be consolidated and form a single series with the US\$400,000,000 6.00% senior notes due 2022 issued on 15 March 2017). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year commencing on 15 September 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 27 March 2017 and 29 March 2017.

On 21 September 2017, the Company issued 5.20% senior notes with an aggregate principal amount of US\$250,000,000 (equivalent to approximately RMB1,646,675,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 21 September 2022. The senior notes carry interest at a rate of 5.20% per annum, which is payable semi-annually in arrears on 21 March and 21 September of each year, commencing on 21 March 2018. For further details on the senior notes, please refer to the related announcements of the Company dated 18 September 2017, 19 September 2017 and 22 September 2017.

On 10 November 2017, the Company issued 5.875% senior notes with an aggregate principal amount of US\$400,000,000 (equivalent to approximately RMB2,651,280,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 10 November 2024. The senior notes carry interest at a rate of 5.875% per annum, which is payable semi-annually in arrears on 10 May and 10 November of each year commencing on 10 May 2018. For further details on the senior notes, please refer to the related announcements of the Company dated 7 November 2017, 8 November 2017 and 10 November 2017.

On 7 December 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US\$150,000,000 (equivalent to approximately RMB992,925,000) (to be consolidated and form a single series with the US\$400,000,000 6.00% senior notes due 2022 issued on 15 March 2017, and the US\$100,000,000 6.00% senior notes due 2022 issued on 29 March 2017). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year commencing on 15 March 2018. For further details on the senior notes, please refer to the related announcements of the Company dated 27 March 2017, 29 March 2017, 1 December 2017 and 7 December 2017.

On 9 August 2018, the Company issued 7.875% senior notes with an aggregate principal amount of US\$350,000,000 (equivalent to approximately RMB2,391,095,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 9 August 2021. The senior notes carry interest at a rate of 7.875% per annum, which is payable semi-annually in arrears on 9 February and 9 August of each year commencing on 9 February 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 31 July 2018, 1 August 2018 and 9 August 2018. On 9 August 2021, the Company repaid these senior notes.

### 28. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

(a) *(continued)*

On 1 March 2019, the Company issued 7.875% senior notes with an aggregate principal amount of US\$350,000,000 (equivalent to approximately RMB2,343,495,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 1 September 2023. The senior notes carry interest at a rate of 7.875% per annum, which is payable semi-annually in arrears on 1 March and 1 September of each year commencing on 1 September 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 21 February 2019, 22 February 2019 and 1 March 2019.

On 22 March 2019, the Company issued 7.875% senior notes with an aggregate principal amount of US\$350,000,000 (equivalent to approximately RMB2,343,040,000) (to be consolidated and form a single series with the US\$350,000,000 7.875% senior notes due 2023 issued on 1 March 2019). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 1 September 2023. The senior notes carry interest at a rate of 7.875% per annum, which is payable semi-annually in arrears on 1 March and 1 September of each year commencing on 1 September 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 20 March 2019 and 22 March 2019.

On 3 July 2019, the Company issued 5.875% senior notes with an aggregate principal amount of US\$225,000,000 (equivalent to approximately RMB1,544,400,000) (to be consolidated and form a single series with the US\$400,000,000 5.875% senior notes due 2024 issued on 10 November 2017). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 10 November 2024. The senior notes carry interest at a rate of 5.875% per annum, which is payable semi-annually in arrears on 10 May and 10 November of each year commencing on 10 November 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 25 June 2019 and 3 July 2019.

On 29 July 2019, the Company issued 7.40% senior notes with an aggregate principal amount of US\$300,000,000 (equivalent to approximately RMB2,064,630,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 5 March 2024. The senior notes carry interest at a rate of 7.4% per annum, which is payable semi-annually in arrears on 5 March and 5 September of each year commencing on 5 September 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 22 July 2019, 23 July 2019 and 29 July 2019.

On 13 January 2020, the Company issued 7.40% senior notes with an aggregate principal amount of US\$300,000,000 (equivalent to approximately RMB2,077,890,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 13 January 2027. The senior notes carry interest at a rate of 7.4% per annum, which is payable semi-annually in arrears on 13 January and 13 July of each year commencing on 13 July 2020. For further details on the senior notes, please refer to the related announcements of the Company dated 7 January 2020 and 13 January 2020.

On 10 August 2020, the Company issued 5.95% senior notes with an aggregate principal amount of US\$200,000,000 (equivalent to approximately RMB1,392,980,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 10 August 2025. The senior notes carry interest at a rate of 5.95% per annum, which is payable semi-annually in arrears on 10 February and 10 August of each year commencing on 10 February 2021. For further details on the senior notes, please refer to the related announcements of the Company dated 4 August 2020 and 10 August 2020.

On 13 November 2020, the Company issued 6.30% senior notes with an aggregate principal amount of US\$400,000,000 (equivalent to approximately RMB2,651,400,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 13 February 2026. The senior notes carry interest at a rate of 6.3% per annum, which is payable semi-annually in arrears on 13 February and 13 August of each year commencing on 13 February 2021. For further details on the senior notes, please refer to the related announcements of the Company dated 8 November 2020, 13 November 2020 and 16 November 2020.

## 28. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

(a) *(continued)*

On 14 May 2021, the Company issued 6.00% green senior notes with an aggregate principal amount of US\$378,000,000 (equivalent to approximately RMB2,439,045,000). The green senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 14 August 2026. The green senior notes carry interest at a rate of 6% per annum, which is payable semi-annually in arrears on 14 February and 14 August of each year commencing on 14 August 2021. For further details on the green senior notes, please refer to the related announcements of the Company dated 11 May 2021, 14 May 2021 and 17 May 2021.

On 10 September 2021, the Company issued 5.95% senior notes with an aggregate principal amount of US\$100,000,000 (equivalent to approximately RMB645,660,000) (to be consolidated and form a single series with the US\$200,000,000 5.95% senior notes due 2025 issued on 10 August 2020). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 10 August 2025. The senior notes carry interest at a rate of 5.95% per annum, which is payable semi-annually in arrears on 10 February and 10 August of each year commencing on 10 February 2022. For further details on the senior notes, please refer to the related announcements of the Company dated 7 September 2021, 10 September 2021 and 13 September 2021.

On 17 September 2021, the Company issued 7.40% senior notes with an aggregate principal amount of US\$158,000,000 (equivalent to approximately RMB1,019,527,000) (to be consolidated and form a single series with the US\$300,000,000 7.4% senior notes due 2024 issued on 29 July 2019). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 5 March 2024. The senior notes carry interest at a rate of 7.4% per annum, which is payable semi-annually in arrears on 5 March and 5 September of each year commencing on 5 March 2022. For further details on the senior notes, please refer to the related announcements of the Company dated 17 September 2021 and 20 September 2021.

(b)(i) On 17 December 2015, Guangzhou Hejing, a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB3,300,000,000. The domestic corporate bonds consist of two types. The first type has a term of six years and bears a coupon rate at 4.94% per annum which was adjusted to 7.00% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 1 Bonds"). The second type has a term of seven years and bears a coupon rate at 6.15% per annum with the issuer's option to raise the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 2 Bonds").

The aggregate principal amount for the Type 1 Bonds issued was RMB2,500,000,000 and the aggregate principal amount for the Type 2 Bonds issued was RMB800,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 15 December 2015 and 16 December 2015.

On 17 December 2021, Guangzhou Hejing repaid the Type 1 Bonds.



### 28. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

- (b)(ii) On 28 March 2016, Guangzhou Tianjian, a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB2,200,000,000.

The domestic corporate bonds consist of two types. The first type has a term of six years and bears a coupon rate at 3.90% per annum which was adjusted to 7.0% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 3 Bonds"). The second type has a term of ten years and bears a coupon rate at 4.80% per annum with the issuer's option to raise the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 4 Bonds"), and the coupon rate was adjusted to 6.60% per annum during the year ended 31 December 2021.

The aggregate principal amount for the Type 3 Bonds issued was RMB600,000,000 and the aggregate principal amount for the Type 4 Bonds issued was RMB1,600,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 24 March 2016 and 28 March 2016.

- (b)(iii) On 26 April 2016, Guangzhou Tianjian issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB6,500,000,000.

The domestic corporate bonds consist of two types. The first type has a term of seven years and bears a coupon rate at 5.60% per annum with the issuer's option to raise the coupon rate after the end of the fourth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 5 Bonds"). The second type has a term of seven years and bears a coupon rate at 5.80% per annum with the issuer's option to raise the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 6 Bonds").

The aggregate principal amount for the Type 5 Bonds issued was RMB1,000,000,000 and the aggregate principal amount for the Type 6 Bonds issued was RMB5,500,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 7 April 2016 and 26 April 2016.

On 22 April 2020, Guangzhou Tianjian redeemed the Type 5 Bonds. On 28 April 2021, Guangzhou Tianjian redeemed the Type 6 Bonds.

- (b)(iv) On 21 July 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB2,000,000,000.

The domestic corporate bonds have a term of five years and bear a coupon rate at 4.85% per annum which was adjusted to 6.85% per annum with the issuer's option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors can exercise a retractable option.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 21 July 2016.

On 25 July 2021, the Company repaid these domestic corporate bonds.

- (b)(v) On 28 July 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB1,300,000,000.

The domestic corporate bonds have a term of five years and bear a coupon rate at 4.95% per annum which was adjusted to 6.95% per annum with the issuer's option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investor can exercise a retractable option.

## 28. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 28 July 2016.

On 29 July 2021, the Company repaid these domestic corporate bonds.

- (b)(vi) On 30 September 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB8,000,000,000.

The domestic corporate bonds consist of three types. The first type has a term of seven years and bears a coupon rate at 5.6% per annum which was adjusted to 7.10% per annum with the issuer's option to adjust the coupon rate after the end of the fourth year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 7 Bonds"). The second type has a term of seven years and bears a coupon rate at 5.7% per annum with the issuer's option to adjust the coupon rate after the end of the fourth and a half year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 8 Bonds"), and the coupon rate was adjusted to 6.50% per annum during the year ended 31 December 2021. The third type has a term of seven years and bears a coupon rate at 5.8% per annum with the issuer's option to adjust the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 9 Bonds").

The aggregate principal amount for the Type 7 Bonds issued was RMB2,500,000,000; the aggregate principal amount for Type 8 Bonds issued was RMB2,500,000,000 and the aggregate principal amount for Type 9 Bonds issued was RMB3,000,000,000.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 30 September 2016.

On 14 October 2020, the Company redeemed part of the Type 7 Bonds with the amount of principal redeemed of RMB830,000,000.

On 14 October 2021, the Company redeemed the Type 9 Bonds.

- (b)(vii) On 17 March 2020, Guangzhou Hejing issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB1,000,000,000.

The domestic corporate bonds have a term of three years and bear a coupon rate at 5.75% per annum with the issuer's option to adjust the coupon rate after the end of the second year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer.

- (b)(viii) On 24 August 2020, Guangzhou Hejing issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB1,800,000,000.

The domestic corporate bonds have a term of three years and bear a coupon rate at 5.60% per annum with the issuer's option to adjust the coupon rate after the end of the second year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer.

## Notes to Financial Statements

31 December 2021

### 28. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

- (b)(ix) On 12 October 2020, Guangzhou Hejing issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB1,000,000,000.

The domestic corporate bonds have a term of five years and bear a coupon rate at 6.00% per annum with the issuer's option to adjust the coupon rate after the end of the second year or the fourth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer.

- (b)(x) On 10 November 2020, Guangzhou Hejing issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB700,000,000.

The domestic corporate bonds have a term of five years and bear a coupon rate at 6.19% per annum with the issuer's option to adjust the coupon rate after the end of the second year or the fourth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer.

- (b)(xi) On 2 August 2021, Guangzhou Hejing issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB2,000,000,000.

The domestic corporate bonds have a term of three years and bear a coupon rate at 6.20% per annum with the issuer's option to adjust the coupon rate after the end of the second year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer.

- (c) The Group has established a contemplated strategy to repurchase, redeem or sell its own domestic corporate bonds and senior notes (collectively the "Bonds"), from time to time, in the open market, for the purposes of managing its overall leverage and reducing the Group's overall borrowing costs. During year ended 31 December 2021, the Group repurchased, redeemed and sold the Bonds with the aggregate principal amounts of approximately RMB12,091,615,000, RMB8,500,000,000 and RMB10,677,627,000 respectively.

### 29. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

#### Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Revaluation of properties RMB'000	Withholding taxes RMB'000	Recognition of revenue over time RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	98,777	615,619	3,129,955	215,753	140,711	379,567	25,465	4,605,847
Deferred tax charged/(credited) to the statement of profit or loss during the year	6,889	(87,042)	(359,990)	58,905	107,629	(50,371)	1,212	(322,768)
Disposal of a subsidiary	-	-	-	-	-	(53)	-	(53)
Gross deferred tax liabilities at 31 December 2021	105,666	528,577	2,769,965	274,658	248,340	329,143	26,677	4,283,026

## 29. Deferred Tax (continued)

### Deferred tax assets

	Depreciation allowance in excess of related depreciation RMB'000	Provision for LAT RMB'000	Losses available for offset against future taxable profits RMB'000	Accruals RMB'000	Government grant RMB'000	Lease liabilities RMB'000	Impairment losses recognised for completed properties held for sale RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	3,221	2,498,156	593,126	495,867	3,251	397,469	50,000	4,427	4,045,517
Deferred tax credited/(charged) to the statement of profit or loss during the year	237	271,029	305,123	(23,107)	(91)	(66,984)	101,360	3,192	590,759
Acquisition of subsidiaries	-	3,301	67	-	-	-	-	-	3,368
Disposal of subsidiaries	-	(20,316)	(13,989)	(1,025)	-	-	-	-	(35,330)
Gross deferred tax assets at 31 December 2021	3,458	2,752,170	884,327	471,735	3,160	330,485	151,360	7,619	4,604,314
Net deferred tax assets at 31 December 2021									321,288

### Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Revaluation of properties RMB'000	Withholding taxes RMB'000	Recognition of revenue over time RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	92,188	339,277	2,989,488	139,720	195,145	469,538	19,000	4,244,356
Deferred tax charged/(credited) to the statement of profit or loss during the year	6,589	(46,195)	140,467	76,033	(54,434)	(89,971)	6,611	39,100
Acquisition of subsidiaries	-	343,956	-	-	-	-	-	343,956
Derecognition of subsidiaries	-	(21,419)	-	-	-	-	(146)	(21,565)
Gross deferred tax liabilities at 31 December 2020	98,777	615,619	3,129,955	215,753	140,711	379,567	25,465	4,605,847

### Deferred tax assets

	Depreciation allowance in excess of related depreciation RMB'000	Provision for LAT RMB'000	Losses available for offset against future taxable profits RMB'000	Accruals RMB'000	Government grant RMB'000	Lease liabilities RMB'000	Impairment losses recognised for completed properties held for sale RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	2,960	2,020,098	361,932	574,075	3,262	467,823	25,000	-	3,455,150
Deferred tax credited/(charged) to the statement of profit or loss during the year	261	438,117	213,824	(77,767)	(11)	(70,354)	25,000	4,015	533,085
Acquisition of subsidiaries	-	39,941	17,370	-	-	-	-	412	57,723
Derecognition of a subsidiary	-	-	-	(441)	-	-	-	-	(441)
Gross deferred tax assets at 31 December 2020	3,221	2,498,156	593,126	495,867	3,251	397,469	50,000	4,427	4,045,517
Net deferred tax liabilities at 31 December 2020									(560,330)



**29. Deferred Tax** *(continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	<b>3,093,513</b>	2,432,853
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>(2,772,225)</b>	(2,993,183)
Net deferred tax assets/(liabilities)	<b>321,288</b>	(560,330)

The Group has unutilised tax losses arising in Mainland China of approximately RMB4,791,384,000 (2020: approximately RMB3,488,204,000) that will expire in one to five years for offsetting against future taxable profits of the entities in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses amounting to approximately RMB1,254,076,000 (2020: approximately RMB1,115,700,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC CIT Law, a 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. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 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. As at 31 December 2021, unremitted earnings that are subject to withholding taxes of the Company's subsidiaries, joint ventures and associates established in Mainland China of approximately RMB29,138,633,000 (2020: approximately RMB26,200,886,000) have not been recognised for withholding taxes.

Taking into account the Group's dividend policy and the working capital demand for business operation in Mainland China, the directors of the Company are of the opinion that it is the best interest of the Company to distribute its final dividend in the foreseeable future out of the share premium account of the Company, which is permissible by the Companies Law of the Cayman Islands and is also permissible by the Company's articles of association upon the approval of the Company's shareholders at the annual general meeting.

## 29. Deferred Tax *(continued)*

During the year, considering the future dividend plan, the Group provided additional deferred tax of approximately RMB58,905,000 (2020: approximately RMB76,033,000) related to the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## 30. Deferred Revenue

The Group entered into an agreement with a vendor (the "Vendor") on 7 July 2011, pursuant to which the Group should pay a cash consideration of RMB43,400,000, and transfer certain apartments and car parking spaces (collectively, the "Transfer Properties") of RMB11,000,000 to the Vendor, in exchange for the 10% equity interest in Shanghai Deyu. The exchange of the Transfer Properties is accounted for as a transaction which generates revenue. During the year ended 31 December 2014, the Group entered into a supplemental agreement with the Vendor, pursuant to which the Group paid a cash consideration of RMB8,958,000 to the Vendor in place of transferring partial apartments and car parking spaces to the Vendor. As at 31 December 2021, the remaining apartments and car parking spaces had not been transferred to the Vendor. Accordingly, the above revenue is deferred and will be recognised upon the delivery of the remaining parts of the Transfer Properties.

## 31. Share Capital

### Shares

	2021		2020	
	No. of shares	RMB'000	No. of shares	RMB'000
Authorised:				
Ordinary shares of HK\$0.10 each	8,000,000,000	786,113	8,000,000,000	786,113
Issued and fully paid:				
Ordinary shares of HK\$0.10 each	3,183,007,713	304,680	3,180,505,853	304,474

## Notes to Financial Statements

31 December 2021

### 31. Share Capital (continued)

#### Shares (continued)

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital RMB'000	Treasury shares RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2020	3,176,749,463	304,148	(176)	1,670,178	1,974,150
Issue of treasury shares (note (a))	2,454,842	207	(207)	-	-
Vested awarded shares transferred to employees	-	-	174	19,251	19,425
Share options exercised (note (b))	392,000	35	-	4,724	4,759
Share repurchase	-	-	(1,514)	-	(1,514)
2019 final dividend declared	-	-	-	(1,334,360)	(1,334,360)
Shares issued as scrip dividend during the year	909,548	84	-	11,817	11,901
2020 interim dividend	-	-	-	(371,610)	(371,610)
At 31 December 2020 and 1 January 2021	3,180,505,853	304,474	(1,723)	-	302,751
Shares issued as scrip dividend during the year	<b>2,484,860</b>	<b>205</b>	<b>-</b>	<b>21,041</b>	<b>21,246</b>
Vested awarded shares transferred to employees	-	-	<b>202</b>	<b>22,702</b>	<b>22,904</b>
Share options exercised (note (b))	<b>191,000</b>	<b>16</b>	<b>-</b>	<b>2,166</b>	<b>2,182</b>
Share repurchase (note (c))	-	-	<b>(3,031)</b>	-	<b>(3,031)</b>
Cancellation of shares (note (c))	<b>(174,000)</b>	<b>(15)</b>	<b>1,514</b>	<b>(1,499)</b>	<b>-</b>
At 31 December 2021	<b>3,183,007,713</b>	<b>304,680</b>	<b>(3,038)</b>	<b>44,410</b>	<b>346,052</b>

Notes:

- (a) During the years ended 31 December 2019 and 2020, 1,954,000 and 2,454,842 new shares of HK\$0.10 each were issued to the trustee for the purpose of the Share Award Scheme as further disclosed in note 32 to the financial statements. These shares issued are held by the trustee and were recorded in treasury shares upon the issue of new shares. As at 31 December 2021, 84,342 shares (31 December 2020: 2,475,342 shares) are held by the trustee and would be granted in the future.
- (b) The subscription rights attaching to 191,000 (2020: 392,000) share options were exercised at the subscription price of HK\$11.12 per share (note 32), resulting in the issue of 191,000 (2020: 392,000) shares for a total cash consideration, before expenses, of RMB1,782,000 (2020: RMB3,952,000). An amount of RMB400,000 (2020: RMB807,000) was transferred from the employee share-based compensation reserve to issued capital and share premium account upon the exercise of the share options.
- (c) The Company repurchased 594,500 (2020: 174,000) ordinary shares of the Company on the Stock Exchange at a total cash consideration of RMB3,031,000 (2020: RMB1,514,000). 174,000 (2020: Nil) repurchased shares were cancelled during the year.

## 32. Employee Share Schemes

### (a) Share option scheme

Pursuant to the shareholder's resolutions of the Company passed on 9 February 2018, the Company has adopted the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants (the "Eligible Participants") who will contribute and has contributed to the success of the Group's operations. Eligible participants of the Share Option Scheme include any directors, full-time or part-time employees, executives or officers, advisers, consultants, suppliers, customers and agents of the Company or any of its subsidiaries. Upon becoming effective, the Share Option Scheme will remain in force for 10 years from that date.

The maximum number of shares that may be issued upon the exercise of the options that may be granted under the Share Option Scheme is 10% of the total number of issued shares as at the date of the adoption of the Share Option Scheme. The aggregate number of shares which may be issued upon the exercise of all options that may be granted under the Share Option Scheme has not exceeded 30% of the shares in issue as at the latest practicable date. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the issue of a circular by the Company and the shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5,000,000 or such other sum as may be from time to time provided under the Listing Rules, within any 12-month period, are subject to the issue of a circular by the Company and the shareholders' approval in advance in a general meeting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the board of directors of the Company in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the Stock Exchange average closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 9 February 2018, the Group granted 1,719,000 share options with an exercise price of HK\$12.024 per share upon the acceptance of the grantees (the "Grantees") of the Group. None of the Grantees is a director, the chief executive or a substantial shareholder of the Company.



## 32. Employee Share Schemes *(continued)*

### (a) Share option scheme *(continued)*

On 12 February 2018, as approved by the board of directors of the Company, and consented by each of the Grantees, share options granted on 9 February 2018 had been cancelled.

On 13 February 2018, the Group granted 1,719,000 share options with an exercise price of HK\$11.12 per share upon the acceptance of the Grantees of the Group. None of the Grantees is a director, the chief executive or a substantial shareholder of the Company.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2021		2020	
	Weighted average exercise price (HK\$ per share)	Number of options	Weighted average exercise price (HK\$ per share)	Number of options
At 1 January	11.12	948,500	11.12	1,494,000
Forfeited	11.12	(112,500)	11.12	(153,500)
Exercised	11.12	(191,000)	11.12	(392,000)
At 31 December	11.12	645,000	11.12	948,500

The weighted average share price at the date of exercise for share options exercised during the year was HK\$13.05 per share (2020: HK\$11.27 per share).

The share options granted to the employees of the Group are exercisable during the following periods:

#### **Share options granted on 13 February 2018**

- (i) Each grantee may exercise not more than one-third of his respective options granted from the first anniversary of the date of grant (i.e. 13 February 2019);
- (ii) Each grantee may exercise not more than one-third of his respective options granted from the second anniversary of the date of grant (i.e. 13 February 2020); and
- (iii) Each grantee may exercise all his respective remaining options granted from the date of the third anniversary of the date of grant (i.e. 13 February 2021).

And, in each case, not later than 12 February 2022.

HK\$1.00 is payable for acceptance of grant of share options by each grantee.

The fair value of the share options granted on 13 February 2018 determined at the date of grant using the Model was approximately HK\$4,058,000. Approximately HK\$37,000 (equivalent to approximately RMB30,000) was charged to the statement of profit or loss during the year ended 31 December 2021 (2020: approximately HK\$402,000 (equivalent to approximately RMB338,000)).

## 32. Employee Share Schemes *(continued)*

### (a) Share option scheme *(continued)*

The following inputs were used to calculate the fair values of the share options granted:

	Options granted on 13 February 2018
Exercise price	HK\$11.12
Expected life of option	4 years
Expected volatility	43.35%
Expected dividend yield	7.18%
Risk-free interest rate	0.84%

At 31 December 2021, the Company had 645,000 (31 December 2020: 948,500) share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 645,000 (31 December 2020: 948,500) additional ordinary shares of the Company, additional share capital of HK\$64,500 (equivalent to approximately RMB52,700) (31 December 2020: HK\$94,850 (equivalent to approximately RMB79,800)) and share premium of approximately HK\$7,108,000 (equivalent to approximately RMB5,812,000) (31 December 2020: HK\$10,452,000 (equivalent to approximately RMB8,797,000)) (before issue expenses).

### (b) Share award scheme

The Share Award Scheme was adopted by the Board on 19 January 2018 in order to recognise the contributions by certain employees including certain executive directors of the Company and/or members of the Group (the "Eligible Participant"). Subject to the rules of the Share Award Scheme (the "Scheme Rules"), the Board may, from time to time, at its absolute discretion select any Eligible Participant (other than any excluded participant as defined under the Scheme Rules) for participation in the Share Award Scheme as a selected participant (the "Selected Participant"), and determine the number of shares to be granted to the Selected Participant.

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the date of adoption. Pursuant to the Share Award Scheme, the trustee, Computershare Hong Kong Trustees Limited and any additional or replacement trustee, shall purchase from the open market or subscribe for the relevant number of shares awarded and shall hold such shares on trust for the Selected Participants until they are vested in the relevant Selected Participant in accordance with the provisions of the Share Award Scheme. The Board, through its authorised representative(s), shall cause to pay to the trustee the subscription or purchase price for the shares and the related expenses from the Company's resources.

The Board shall not make any further award of awarded shares which will result in the total number of shares granted under the Share Award Scheme exceeding 5% of the total number of issued Shares of the Company from the date of adoption. If the relevant subscription or purchase would result in the trustee holding in aggregate, more than 5% of the total number of issued shares of the Company as of the adoption date, the trustee shall not subscribe or purchase any further shares.

## 32. Employee Share Schemes *(continued)*

### (b) Share award scheme *(continued)*

On 19 January 2018, the Board resolved to grant an aggregate of 4,393,500 awarded shares to 28 eligible participants and on 18 October 2018, the Board resolved to grant 192,000 awarded shares to an eligible participant under the Share Award Scheme. The awarded shares shall be vested in three tranches in accordance with the following dates: (i) one-third shall be vested on the first anniversary of the date of grant, i.e. 19 January 2019; (ii) one-third shall be vested on the second anniversary of the date of grant, i.e. 19 January 2020; and (iii) the remaining one-third shall be vested on the third anniversary of the date of grant, i.e. 19 January 2021, or an earlier date as approved by the Board.

On 8 April 2019, the Board resolved to grant a total of 2,059,500 awarded shares to 27 eligible participants under the Share Award Scheme. The awarded shares shall be vested in three tranches in accordance with the following dates: (i) one-third shall be vested on the first anniversary of the date of grant, i.e. 8 April 2020; (ii) one-third shall be vested on the second anniversary of the date of grant, i.e. 8 April 2021; and (iii) the remaining one-third shall be vested on the third anniversary of the date of grant, i.e. 8 April 2022, or an earlier date as approved by the Board.

On 14 April 2020, the Board resolved to grant a total of 1,938,000 awarded shares to 36 eligible participants under the Share Award Scheme. The awarded shares shall be vested in three tranches in accordance with the following dates: (i) one-third shall be vested on the first anniversary of the date of grant, i.e. 14 April 2021; (ii) one-third shall be vested on the second anniversary of the date of grant, i.e. 14 April 2022; and (iii) the remaining one-third shall be vested on the third anniversary of the date of grant, i.e. 14 April 2023, or an earlier date as approved by the Board.

The fair value of these awarded shares at the grant date approximated to the market value of the shares which is calculated based on the closing price of the shares as at the date of grant of the awarded shares.

Movements in the number of awarded shares are as follows:

	<b>2021</b> Number of shares awarded	2020 Number of shares awarded
At 1 January	<b>4,390,500</b>	4,571,500
Granted	-	1,938,000
Forfeited	<b>(308,500)</b>	(185,500)
Vested	<b>(2,391,000)</b>	(1,933,500)
At 31 December	<b>1,691,000</b>	4,390,500

Under the Share Award Scheme, the Group recognised share-based compensation expenses of approximately RMB8,603,000 (2020: approximately RMB18,405,000) during the year ended 31 December 2021.

## 32. Employee Share Schemes *(continued)*

### (c) Other employee share-based payments

On 24 June 2020, the Company, the then sole shareholder of Happy Harmony International Limited ("Happy Harmony"), which in turn holds one ordinary share of KWG Living, (i) transferred the entire issued share capital of Happy Harmony (the "Transferred Share") to an employee of the Company (the Employee) for a cash consideration of US\$6,075,000 (the "Consideration") and (ii) subscribed 35 shares of KWG Living. The Consideration was fully settled on 24 June 2020 and has been funded by an interest-free loan from Mr. Kong Jianmin (the "Loan"), the Company's controlling shareholder. Upon completion of the aforesaid share transfer and immediately after the subscription of 35 shares of KWG Living by the Company at par on 24 June 2020, the Company and the Employee through Happy Harmony held 97.22% and 2.78% equity interests in KWG Living, respectively. The share transferred to the Employee constitutes a share-based payment arrangement under HKFRS 2 *Share-based Payment* and the share-based payment expense which represents the difference of RMB320,000 between (i) the fair value of the Transferred Share and (ii) the Consideration of US\$6,075,000 was charged to profit or loss as an expense in full immediately upon the completion of the share transfer with a corresponding increase in capital reserve of approximately RMB320,000 during the year. The deemed interest expense of the Loan to the Employee, calculated based on the outstanding loan principal and a general market interest rate that the Employee could possibly obtain from financial institutions in Hong Kong on an arm's length basis as of the date of the loan agreement entered into between Mr. Kong Jianmin and the Employee, was charged to profit or loss with a corresponding increase in employee share-based compensation reserve of approximately RMB424,000 during the year ended 31 December 2020 to reflect the contribution to the Company from Mr. Kong Jianmin.

## 33. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries which are registered in the PRC shall appropriate a certain percent of profit for the year (after offsetting any prior years' losses) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds which are restricted as to use.

## 34. Investments in Joint Operations

The Group has entered into three (2020: three) joint venture arrangements in the form of joint operations with certain parties to jointly undertake three (2020: three) property development projects located in Guangzhou, Guangdong Province, the PRC. As at 31 December 2021, the aggregate amounts of assets and liabilities recognised in respect of these joint operations were as follows:

	2021 RMB'000	2020 RMB'000
Assets	4,190,589	4,281,554
Liabilities	(66,979)	(121,337)



## 35. Business Combinations

### Acquisition of Subsidiaries

- (i) Before 14 January 2021, the Group held 49% equity interests in Hangzhou Taixin Enterprise Management Limited ("Hangzhou Taixin")<sup>#</sup> and accounted for Hangzhou Taixin as a joint venture of the Group. Hangzhou Taixin is principally engaged in property development. On 14 January 2021, the shareholders agreed to amend the articles of association and cooperation agreement, pursuant to which (a) the main resolutions of the board of shareholders were irrevocably authorised to the board of directors unless both shareholders agree to change or terminate such authorisation through written document; and (b) there were four seats in the board of directors. The number of directors of Hangzhou Taixin assigned by the Group was changed from one to three and the resolutions of the board of directors should be approved by not less than three-fourths of the directors of Hangzhou Taixin. The Group obtained control over Hangzhou Taixin through three of four seats in the board of directors of Hangzhou Taixin and accounted for Hangzhou Taixin as a subsidiary of the Group since then.

The fair values of the identifiable assets and liabilities of Hangzhou Taixin as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Deferred tax assets	29	3,368
Property, plant and equipment	14	174
Completed properties held for sale		19,000
Prepayments, other receivables and other assets		1,884,996
Tax recoverables		94,782
Cash and bank balances		48,193
Other payables and accruals		(160,635)
Trade payables		(67,308)
Total identifiable net assets at fair value		1,822,570
Non-controlling interests		(929,511)
Loss on remeasurement of the pre-existing interest in joint ventures recognised in other income and gains in the consolidated statement of profit or loss		21,833
		914,892
Satisfied by Equity interest in Hangzhou Taixin held by the Group prior to the acquisition		914,892

An analysis of the net cash inflow in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash and cash equivalents acquired	48,193
Net inflow of cash and cash equivalents included in cash flows from investing activities	48,193

Since the acquisition, Hangzhou Taixin contributed no revenue but caused a loss of approximately RMB13,243,000 to the Group.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year ended 2021 would have been approximately RMB23,844,720,000 and RMB2,562,938,000, respectively.

<sup>#</sup> The English name of this company referred to in the financial statements represents management's best effort to translate the Chinese name of the company, as no English name has been registered.

### 35. Business Combination *(continued)*

#### Acquisition of Subsidiaries *(continued)*

- (ii) Before 1 November 2020, the Group held 30% equity interests in Suzhou Fujing Real Estate Development Limited (“Suzhou Fujing”)<sup>#</sup> and accounted for Suzhou Fujing as an associate of the Group. Suzhou Fujing is principally engaged in property development. On 1 November 2020, the Group entered into an agreement with a third party shareholder, which has 20% equity interests in Suzhou Fujing. Pursuant to the agreement, the shareholder agreed to act in concert with the Group for all resolutions of the board of shareholders and the board of directors of Suzhou Fujing. The board of directors of Suzhou Fujing has the rights to decide all significant matters of Suzhou Fujing and all significant resolutions of Suzhou Fujing shall be approved by over two-thirds of the directors of Suzhou Fujing. The Group controls seven of nine seats in the board of directors of Suzhou Fujing through the aforesaid arrangement. Accordingly, the Group has obtained control over Suzhou Fujing and accounted for Suzhou Fujing as a subsidiary of the Group since then.

The fair values of the identifiable assets and liabilities of Suzhou Fujing as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Deferred tax assets	6,858
Property, plant and equipment	235
Property under development	3,095,000
Tax recoverables	116,449
Prepayments, other receivables and other assets	82,282
Cash and bank balances	527,913
Trade payables	(56,544)
Other payables and accruals	(2,551,699)
Deferred tax liabilities	(6,539)
Interest-bearing bank loans	(1,050,000)
Total identifiable net assets at fair value	163,955
Non-controlling interests	(114,769)
Gain on remeasurement of the pre-existing interest in an associate recognised in other income and gains in the consolidated statement of profit or loss	(5,885)
	43,301
Satisfied by Equity interest in Suzhou Fujing held by the Group prior to the acquisition	43,301

An analysis of the net cash inflow in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash and cash equivalents acquired	527,913
Net inflow of cash and cash equivalents included in cash flows from investing activities	527,913

Since the acquisition, Suzhou Fujing contributed revenue and profit of approximately RMB259,262,000 and RMB42,679,000, respectively to the Group.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year ended 2020 would have been approximately RMB29,818,295,000 and RMB6,666,095,000, respectively.

<sup>#</sup> The English name of the company referred to in the financial statements represents management's best effort to translate the Chinese name of the company, as no English name has been registered.

### 35. Business Combination *(continued)*

#### Acquisition of Subsidiaries *(continued)*

- (iii) Before 3 October 2020, the Group held 50% equity interests in Hangzhou Zhiyan Investment Limited (“Hangzhou Zhiyan”)<sup>#</sup> and accounted for it as a joint venture of the Group. Hangzhou Zhiyan is principally engaged in property development. On 3 October 2020, the shareholders agreed to amend the articles of association, pursuant to which, the resolutions of the board of directors should be approved by not less than two-thirds of the directors of Hangzhou Zhiyan. The Group obtained control over Hangzhou Zhiyan through two of three seats in the board of directors of Hangzhou Zhiyan and accounted for Hangzhou Zhiyan as a subsidiary of the Group since then.

The fair values of the identifiable assets and liabilities of Hangzhou Zhiyan as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Deferred tax assets	4,299
Property, plant and equipment	420
Property under development	4,265,000
Prepayments, other receivables and other assets	32,440
Cash and bank balances	10,131
Other payables and accruals	(1,163,789)
Trade payables	(246,310)
Deferred tax liabilities	(114,897)
Interest-bearing bank loans	(2,290,000)
Total identifiable net assets at fair value	497,294
Non-controlling interests	(248,647)
Gain on remeasurement of the pre-existing interest in joint ventures recognised in other income and gains in the consolidated statement of profit or loss	(72,346)
	176,301
Satisfied by	
Equity interest in Hangzhou Zhiyan held by the Group prior to the acquisition	176,301

An analysis of the net cash inflow in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash and cash equivalents acquired	10,131
Net inflow of cash and cash equivalents included in cash flows from investing activities	10,131

Since the acquisition, Hangzhou Zhiyan contributed revenue and profit of approximately RMB390,538,000 and RMB11,065,000, respectively to the Group.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year ended 2020 would have been approximately RMB29,742,063,000 and RMB6,654,896,000, respectively.

<sup>#</sup> The English name of the company referred to in the financial statements represents management's best effort to translate the Chinese name of the company, as no English name has been registered.

### 35. Business Combination *(continued)*

#### Acquisition of Subsidiaries *(continued)*

- (iv) Before 18 December 2020, the Group held 51% equity interests in Foshan Hongsheng Real Estate Development Limited ("Foshan Hongsheng")<sup>#</sup> and accounted for as a joint venture of the Group as all significant operating and financial activities need to be decided by all the joint venture partners. Foshan Hongsheng is principally engaged in property development. On 18 December 2020, the shareholders amended articles of association, pursuant to which, the resolutions of the board of shareholders of Foshan Hongsheng should be approved by not less than 50% shareholders, the Group obtained control over Foshan Hongsheng and accounted for Foshan Hongsheng as a subsidiary of the Group since then.

The fair values of the identifiable assets and liabilities of Foshan Hongsheng as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Deferred tax assets	46,339
Property, plant and equipment	154
Property under development	4,145,367
Prepayments, other receivables and other assets	234,236
Trade receivables	55,154
Cash and bank balances	318,275
Other payables and accruals	(1,591,482)
Trade payables	(144,685)
Tax payables	(19,722)
Deferred tax liabilities	(138,412)
Interest-bearing bank loans	(1,450,000)
Total identifiable net assets at fair value	1,455,224
Non-controlling interests	(713,060)
Gain on remeasurement of the pre-existing interest in a joint venture recognised in other income and gains in the consolidated statement of profit or loss	(119,138)
	623,026
Satisfied by	
Equity interest in Foshan Hongsheng held by the Group prior to the acquisition	623,026

An analysis of the net cash inflow in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash and cash equivalents acquired	318,275
Net inflow of cash and cash equivalents included in cash flows from investing activities	318,275

Since the acquisition, Foshan Hongsheng contributed revenue and profit of approximately RMB1,253,970,000 and RMB106,142,000, respectively to the Group.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year ended 2020 would have been approximately RMB29,840,445,000 and RMB6,613,469,000, respectively.

<sup>#</sup> The English name of the company referred to in the financial statements represents management's best effort to translate the Chinese name of the company, as no English name has been registered.



**35. Business Combination** (continued)**Acquisition of Subsidiaries** (continued)

- (v) Before 30 December 2020, the Group held 51% equity interests in Zhaotong Jingbang Trading Limited ("Zhaotong Jingbang")# and accounted for Zhaotong Jingbang as a joint venture of the Group. Zhaotong Jingbang is principally engaged in property development. The resolutions of the board of shareholders and board of directors of Zhaotong Jingbang should be approved by all shareholders and directors of Zhaotong Jingbang. On 30 December 2020, the Group entered into an agreement with the third party shareholder, which has 49% equity interests in Zhaotong Jingbang. Pursuant to the agreement, the shareholder agreed to act in concert with the Group for all resolutions of the board of shareholders and the board of directors of Zhaotong Jiangbang. Accordingly, the Group has obtained control over Zhaotong Jingbang and accounted for Zhaotong Jingbang as a subsidiary of the Group since then.

The fair values of the identifiable assets and liabilities of Zhaotong Jingbang as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Deferred tax assets	3,672
Property, plant and equipment	43
Property under development	1,103,000
Tax recoverable	3,013
Cash and bank balances	309,433
Trade payables	(26,977)
Other payables and accruals	(673,490)
Deferred tax liabilities	(84,108)
Interest-bearing bank loans	(382,000)
<b>Total identifiable net assets at fair value</b>	<b>252,586</b>
Non-controlling interests	(123,768)
Gain on remeasurement of the pre-existing interest in joint ventures recognised in other income and gains in the consolidated statement of profit or loss	(128,685)
	133
Satisfied by	
Equity interest in Zhaotong Jingbang held by the Group prior to the acquisition	133

An analysis of the net cash inflow in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash and cash equivalents acquired	309,433
Net inflow of cash and cash equivalents included in cash flows from investing activities	309,433

Since the acquisition, Zhaotong Jingbang did not contribute revenue and profit to the Group.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year ended 2020 would have been approximately RMB29,761,349,000 and RMB6,655,520,000, respectively.

# The English name of the company referred to in the financial statements represents management's best effort to translate the Chinese name of the company, as no English name has been registered.

### 36. Disposal of a Subsidiary

On 20 August 2021, the Group entered into a share transfer agreement for the disposal of its entire equity interest in a 60% owned subsidiary to a third party for a consideration of RMB30,000,000.

Details of the assets disposed of as at the date of disposal and the financial impacts are summarised below:

	Note	RMB'000
Net assets disposed of:		
Property, plant and equipment		220
Trade receivables		26,551
Deferred tax assets		31,126
Property under development		75,822
Cash and bank balances		61,972
Prepayments, other receivables and other assets		183,559
Trade payables		(26,401)
Tax payables		(83,221)
Other payables and accruals		(145,138)
Deferred tax liabilities	29	(53)
Non-controlling interests		(16,600)
		107,837
Loss on disposal of a subsidiary		(77,837)
Satisfied by:		
Cash consideration		30,000

An analysis of the net cash outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration	30,000
Cash and cash equivalents disposed	(61,972)
Net cash outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(31,972)

### 37. Derecognition of Subsidiaries

- (i) During the year ended 31 December 2020, the Group entered into an agreement with Guangzhou Qinzhi Investment Development Limited (“Guangzhou Qinzhi”)<sup>#</sup>, pursuant to which the Group transferred its 20% equity interest in Guangzhou Hejing Hengyu Zhiye Development Limited (“Guangzhou Hejing Hengyu”)<sup>#</sup> to Guangzhou Qinzhi for a cash consideration of RMB10,000,000. According to the agreement, all significant resolutions of Guangzhou Hejing Hengyu, a wholly-owned subsidiary of the Company before entering into the agreement, should be approved by the Group and Guangzhou Qinzhi unanimously, and hence the Group lost control over Guangzhou Hejing Hengyu, and Guangzhou Hejing Hengyu has been accounted for as a joint venture of the Group since then.

The carrying values of the assets and liabilities on the date of derecognition of the subsidiary were as follows:

	RMB'000
Net assets derecognised of:	
Deferred tax assets	45
Property under development	4,336,772
Prepayments, other receivables and other assets	1,456,299
Cash and bank balances	1,223
Trade payables	(12,763)
Other payables and accruals	(2,983,784)
Tax payables	(1,611)
Interest-bearing bank loans	(2,800,000)
Net asset value derecognised	(3,819)
Gain on derecognition of Guangzhou Hejing Hengyu	324,700
Investment in joint ventures	310,881
Satisfied by cash	10,000

An analysis of the net cash inflow of cash and cash equivalents in respect of the derecognition of Guangzhou Hejing Hengyu is as follows:

	RMB'000
Cash consideration	10,000
Cash and cash equivalents derecognised	(1,223)
Net inflow of cash and cash equivalents in respect of the derecognition of Guangzhou Hejing Hengyu	8,777

<sup>#</sup> The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of those companies, as no English names have been registered.

**37. Derecognition of Subsidiaries** *(continued)*

- (ii) During the year ended 31 December 2020, the Group entered into an agreement with Guangzhou Fangyuan Leqin Industrial Investment Limited (“Guangzhou Fangyuan Leqin”)<sup>#</sup>, pursuant to which, Guangzhou Fangyuan Leqin injected registered capital in cash of RMB62,000,000 to obtain 20% of a fully diluted equity interest in Suzhou Jiajing Real Estate Development Limited (“Suzhou Jiajing”)<sup>#</sup>, a wholly-owned subsidiary of the Company before the capital injection. Subsequent to the capital injection by Guangzhou Fangyuan Leqin, all significant resolutions of Suzhou Jiajing shall be approved by the Group and Guangzhou Fangyuan Leqin unanimously, and hence the Group has lost control over Suzhou Jiajing, and accordingly, Suzhou Jiajing has been accounted for as a joint venture of the Group since then.

The carrying values of the assets and liabilities on the date of derecognition of the subsidiary were as follows:

	RMB'000
Net assets derecognised:	
Deferred tax assets	725
Property, plant and equipment	68
Interest in a joint venture	75,126
Property under development	902,881
Prepayments, other receivables and other assets	4,474,777
Tax recoverables	26,025
Trade receivables	10,026
Cash and bank balances	54,711
Trade payables	(193,531)
Other payables and accruals	(3,183,729)
Deferred tax liabilities	(149)
Interest-bearing bank loans	(2,106,530)
Net asset value derecognised	60,400
Gain on derecognition of Suzhou Jiajing	130,065
Investment in joint ventures	190,465

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Suzhou Jiajing is as follows:

	RMB'000
Cash consideration	–
Cash and cash equivalents derecognised	(54,711)
Net outflow of cash and cash equivalents in respect of the derecognition of Suzhou Jiajing	(54,711)

<sup>#</sup> The English names of these companies referred to in these financial statements represent management’s best effort to translate the Chinese names of the company, as no English names have been registered.



### 38. Notes to the Consolidated Statement of Cash Flows

#### (a) Major non-cash transactions

During the year, the Group had non-cash reductions of right-of-use assets and lease liabilities of approximately RMB79,469,000 and approximately RMB192,763,000, respectively, in respect of lease arrangements for buildings included in property, plant and equipment and investment properties (2020: approximately RMB202,662,000 and approximately RMB208,226,000, respectively).

#### (b) Changes in liabilities arising from financing activities

	Notes	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Other payables and accruals RMB'000
At 1 January 2021		77,860,615	1,776,632	2,462,164
Changes from financing cash flows		(1,194,418)	(238,208)	(1,191,952)
New leases, termination of a lease, modification and rent concessions	17	-	(192,763)	-
2020 final dividends payable		-	-	1,685,677
2021 interim dividends payable	12	-	-	1,177,713
Shares issued as scrip dividend	31	-	-	(21,246)
Interest expense		15,689	91,437	5,011,289
Foreign exchange movement		(864,321)	-	-
Disposal of subsidiaries		(181,136)	-	-
Increase in restricted cash		1,082,000	-	-
Dividend to non-controlling interests		-	-	64,052
At 31 December 2021		76,718,429	1,437,098	9,187,697
	Notes	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Other payables and accruals RMB'000
At 1 January 2020		85,577,550	2,125,771	2,311,323
Changes from financing cash flows		(6,067,775)	(265,061)	(8,191,752)
New leases and termination of leases	17	-	(201,542)	-
2019 final dividends payable	31	-	-	1,334,360
2020 interim dividends payable	12	-	-	1,271,220
Shares issued as scrip dividend	31	-	-	(11,901)
Interest expense		66,629	124,148	5,748,914
Foreign exchange movement		(1,981,259)	-	-
Acquisition of subsidiaries		5,172,000	-	-
Derecognition of subsidiaries		(4,906,530)	-	-
Liabilities included in the discontinued operation	11	-	(6,684)	-
At 31 December 2020		77,860,615	1,776,632	2,462,164

**38. Notes to the Consolidated Statement of Cash Flows** *(continued)***(c) Total cash outflow for leases**

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 RMB'000	2020 RMB'000
Within operating activities	11,340	5,974
Within financing activities	238,208	265,061
	<b>249,548</b>	271,035

**39. Financial Guarantees**

At the end of the reporting period, the Group has provided the following guarantees to related parties and third parties:

- (a) As at 31 December 2021, the Group provided guarantees amounting to approximately RMB21,016,362,000 (2020: RMB20,271,662,000) to certain banks in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled to, among others, take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the board of directors of the Company considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the years ended 31 December 2021 and 2020 for the guarantees.

- (b) As at 31 December 2021, the banking loans guaranteed by the Group to joint ventures and associates were utilised to the extent of approximately RMB20,227,307,000 (2020: approximately RMB32,939,744,000).
- (c) As at 31 December 2021, certain bank acceptance bills issued by third parties were guaranteed by the Group to the extent of RMB6,450,000,000.
- (d) As at 31 December 2021, the domestic corporate bonds issued by certain subsidiaries of approximately RMB5,799,094,000 (2020: approximately RMB12,568,748,000) were guaranteed by the Company.

## Notes to Financial Statements

31 December 2021

### 40. Pledge of Assets

- (a) At the end of the reporting period, the Group's assets pledged to certain banks to secure the general banking and other borrowing facilities granted to the Group, joint ventures and third parties are included in notes 14, 15, 16, 20, 21 and 25, respectively, to the financial statements.
- (b) As at 31 December 2021 and 2020, the equity interests in certain subsidiaries of the Group were pledged to certain banks for the loans granted to the Group.
- (c) As at 31 December 2021 and 2020, the senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their equity interests.

### 41. Commitments

The Group had the following capital commitments at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	561,903	724,360
Properties being developed by the Group for sale	6,829,344	8,303,602
Investment properties	294,859	464,421
	<b>7,686,106</b>	9,492,383

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for	<b>3,138,267</b>	5,816,841

## 42. Related Party Transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

- (a) During the year ended 31 December 2021, the Group provided project management services to certain joint ventures and associates of the Group for a total cash consideration of approximately RMB550,608,000 (2020: approximately RMB420,140,000), which was recognised as other income of the Group. The management fee income was determined at rates mutually agreed between the Group and the joint ventures and associates.
- (b) During the year ended 31 December 2021, the Group provided advances to certain joint ventures and associates at the interest rates of 4.4% to 16.0% (2020: 4.4% to 15.0%) per annum. The interest income of approximately RMB204,569,000 (2020: approximately RMB311,913,000), which was recognised as other income of the Group, was determined at rates mutually agreed between the Group and the joint ventures and associates.
- (c) During the year ended 31 December 2021, the Group leased some properties to related parties, of which an executive director of the Company is the ultimate beneficial owner, for a total cash consideration of approximately RMB30,270,000 (2020: approximately RMB29,579,000), which was recognised as rental income of the Group. The income was determined at rates mutually agreed between the Group and this executive director.



**42. Related Party Transactions** (continued)**(d) Transactions with KWG Living Group**

	2021 RMB'000	2020 RMB'000
<b>Rental income from KWG Living Group</b>		
Property Lease:		
Properties	2,830	7
Car parking lots	5,300	430
	<b>8,130</b>	437
Information technology income	2,000	2,000
<b>Service fees to KWG Living Group</b>		
Residential Property Management Services:		
Residential pre-sale management services	229,304	17,723
Residential property management services	76,413	21,619
	<b>305,717</b>	39,342
Property Agency Services	356,241	64,778
Commercial Property Management Services:		
Commercial pre-sale management services	14,670	4,113
Commercial property management services	120,132	6,399
	<b>134,802</b>	10,512
Commercial Operational and Value-added Services:		
Commercial operational services	114,658	10,238
Commercial value-added services	13,859	5,706
	<b>128,517</b>	15,944
Publicity Planning Service	19,087	–
Marketing Channel Management Service	6,010	–

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

## 42. Related Party Transactions *(continued)*

### (e) Other transactions with related parties

Details of guarantees given by the Group to banks in connection with bank loans granted to joint ventures and associates are included in note 39 to the financial statements.

### (f) Outstanding balances with related parties

Details of the Group's balances with its associates and joint ventures are included in notes 18 and 19 respectively to the financial statements.

### (g) Compensation of key management personnel of the Group

	2021 RMB'000	2020 RMB'000
Short term employee benefits	26,936	28,285
Post-employment benefits	580	229
Share-based compensation	2,335	5,198
Total compensation paid to key management personnel	29,851	33,712

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

The related party transactions in respect of items (c) and (d) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

### 43. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

#### Financial assets - Financial assets at amortised cost

	2021 RMB'000	2020 RMB'000
Trade receivables	1,368,764	1,914,579
Financial assets included in prepayments, other receivables and other assets	8,921,820	5,154,138
Due from a joint venture	22,525	30,004
Cash and bank balances	29,447,488	44,580,481
	<b>39,760,597</b>	51,679,202

#### Financial liabilities - Financial liabilities at amortised cost

	2021 RMB'000	2020 RMB'000
Trade and bills payables	13,348,056	13,165,515
Lease liabilities	1,437,098	1,776,632
Financial liabilities included in other payables and accruals	16,907,741	15,448,894
Due to joint ventures	21,692,348	35,207,964
Due to associates	3,585,519	3,244,654
Interest-bearing bank and other borrowings	76,718,429	77,860,615
	<b>133,689,191</b>	146,704,274

#### 44. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Financial liabilities:				
Interest-bearing bank and other borrowings	<b>76,718,429</b>	77,860,615	<b>70,096,237</b>	78,879,979

Management has assessed that the fair values of cash and bank balances, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, lease liabilities, financial liabilities included in other payables and accruals, amounts due from/to joint ventures and due to associates approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the management of the Group. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management of the Group. The valuation process and results are discussed with the management of the Group twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following method and assumption were used to estimate the fair values:

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2021 was assessed to be insignificant.

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2021 and 2020.

During the years ended 31 December 2021 and 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.



## 44. Fair Value and Fair Value Hierarchy of Financial Instruments

(continued)

### Liabilities for which fair values are disclosed:

As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings	-	70,096,237	-	70,096,237

As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings	-	78,879,979	-	78,879,979

## 45. Financial Risk Management Objectives and Policies

The financial assets of the Group mainly include cash and bank balances, trade receivables, other receivables and other assets, and amounts due from a joint venture. The financial liabilities of the Group mainly include trade and bills payables, lease liabilities, other payables and accruals, interest-bearing bank and other borrowings, amounts due to joint ventures and amounts due to associates.

The main risks arising from the Group's financial instruments are business risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces conservative strategies on its risk management and focuses on minimising potential adverse effects of these risks with material impact on the Group's financial performance. The Group's exposure to these risks is kept to a minimum. Management closely monitors the risk exposure and will consider using derivatives and other instruments to hedge significant risk exposure should the need arise. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below:

### Business risk

The Group conducts its operations in Mainland China and Hong Kong, and accordingly, it is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, the influence of national authorities over pricing and the financing regulations in the property development industry.

**45. Financial Risk Management Objectives and Policies** *(continued)***Interest rate risk**

The Group has no significant interest-bearing assets. The Group's exposure to changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
<b>2021</b>		
RMB	200	(508,392)
Hong Kong dollar	200	(40,647)
United States dollar	200	(30,271)
RMB	(200)	508,392
Hong Kong dollar	(200)	40,647
United States dollar	(200)	30,271
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
<b>2020</b>		
RMB	200	(410,003)
Hong Kong dollar	200	(21,757)
United States dollar	200	(22,052)
RMB	(200)	410,003
Hong Kong dollar	(200)	21,757
United States dollar	(200)	22,052

## 45. Financial Risk Management Objectives and Policies *(continued)*

### Foreign currency risk

The Group's most businesses are mainly located in Mainland China and the transactions are mainly conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group's foreign currency exposures mainly arise from interest-bearing bank and other borrowings and bank balances denominated in currencies other than the units' functional currencies as at 31 December 2021 and 31 December 2020. The Group considers the foreign currency risk between Hong Kong dollar and United States dollar is not material as the exchange rate between these two currencies is pegged.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in HK\$ rate %	Increase/ (decrease) in US\$ rate %	Increase/ (decrease) in profit before tax RMB'000
<b>2021</b>			
If RMB weakens against Hong Kong dollar	(5)	N/A	9,442
If RMB strengthens against Hong Kong dollar	5	N/A	(9,442)
If RMB weakens against United States dollar	N/A	(5)	1,634
If RMB strengthens against United States dollar	N/A	5	(1,634)
	Increase/ (decrease) in HK\$ rate %	Increase/ (decrease) in US\$ rate %	Increase/ (decrease) in profit before tax RMB'000
<b>2020</b>			
If RMB weakens against Hong Kong dollar	(5)	N/A	365,265
If RMB strengthens against Hong Kong dollar	5	N/A	(365,265)
If RMB weakens against United States dollar	N/A	(5)	9,520
If RMB strengthens against United States dollar	N/A	5	(9,520)

## 45. Financial Risk Management Objectives and Policies *(continued)*

### Credit risk

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021 and 31 December 2020. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
<b>2021</b>					
Trade receivables	-	-	-	1,368,764	1,368,764
Financial assets included in prepayments, other receivables and other assets					
– Normal*	8,921,820	-	-	-	8,921,820
Due from a joint venture	22,525	-	-	-	22,525
Cash and bank balances					
– Not yet past due	29,447,488	-	-	-	29,447,488
Guarantees given to banks in connection with mortgages granted to certain purchasers of the Group's properties					
– Not yet past due	21,016,362	-	-	-	21,016,362
Guarantees given to banks in connection with bank loans granted to joint ventures and associates					
– Not yet past due	20,227,307	-	-	-	20,227,307
	<b>79,635,502</b>	<b>-</b>	<b>-</b>	<b>1,368,764</b>	<b>81,004,266</b>



**45. Financial Risk Management Objectives and Policies** *(continued)***Credit risk** *(continued)*

2020	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
Trade receivables	-	-	-	-	1,914,579	1,914,579
Financial assets included in prepayments, other receivables and other assets						
– Normal*	5,154,138	-	-	-	-	5,154,138
Due from a joint venture	30,004	-	-	-	-	30,004
Cash and bank balances						
– Not yet past due	44,580,481	-	-	-	-	44,580,481
Guarantees given to banks in connection with mortgages granted to certain purchasers of the Group's properties						
– Not yet past due	20,271,662	-	-	-	-	20,271,662
Guarantees given to banks in connection with bank loans granted to joint ventures and associates						
– Not yet past due	32,939,744	-	-	-	-	32,939,744
	102,976,029	-	-	-	1,914,579	104,890,608

\* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

**Liquidity risk**

The management of the Group aims to maintain sufficient cash and bank balances through the sales proceeds generated from the sale of the properties and having available funding through an adequate amount of credit facilities to meet the Group's construction commitments. The board of directors of the Company expects that the Group's net cash flows from operating activities and additional bank and other borrowings will be available to finance the Group's existing and future property development projects. The Group has a number of alternative plans to mitigate the potential impacts on the Group's working capital should there be any significant adverse changes in the economic environment. As further described in the going concern basis contained in note 2.1 to the financial statements, the directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

## 45. Financial Risk Management Objectives and Policies *(continued)*

### Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2021					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	-	6,974,030	17,665,068	51,075,308	16,822,246	92,536,652
Lease liabilities	-	57,028	179,189	645,582	1,141,902	2,023,701
Trade and bills payables	13,348,056	-	-	-	-	13,348,056
Other payables and accruals	16,907,741	-	-	-	-	16,907,741
Due to joint ventures	21,692,348	-	-	-	-	21,692,348
Due to associates	3,585,519	-	-	-	-	3,585,519
Guarantees given to banks in connection with mortgages granted to certain purchasers of the Group's properties	21,016,362	-	-	-	-	21,016,362
Guarantees given to banks in connection with bank loans granted to joint ventures and associates	20,227,307	-	-	-	-	20,227,307
	<b>96,777,333</b>	<b>7,031,058</b>	<b>17,844,257</b>	<b>51,720,890</b>	<b>17,964,148</b>	<b>191,337,686</b>

	2020					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	-	6,076,551	23,508,724	47,201,550	14,075,448	90,862,273
Lease liabilities	-	57,020	180,988	757,220	1,324,831	2,320,059
Trade and bills payables	13,165,515	-	-	-	-	13,165,515
Other payables and accruals	15,448,894	-	-	-	-	15,448,894
Due to joint ventures	35,207,964	-	-	-	-	35,207,964
Due to associates	3,244,654	-	-	-	-	3,244,654
Guarantees given to banks in connection with mortgages granted to certain purchasers of the Group's properties	20,271,662	-	-	-	-	20,271,662
Guarantees given to banks in connection with bank loans granted to joint ventures and associates	32,939,744	-	-	-	-	32,939,744
	<b>120,278,433</b>	<b>6,133,571</b>	<b>23,689,712</b>	<b>47,958,770</b>	<b>15,400,279</b>	<b>213,460,765</b>

## 45. Financial Risk Management Objectives and Policies *(continued)*

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

The Group monitors capital using a gearing ratio, which is the net borrowings (total bank and other borrowings net of cash and bank balances) divided by total equity. The Group's policy is to maintain a stable gearing ratio. The gearing ratios as at the end of the reporting periods were as follows:

	2021 RMB'000	2020 RMB'000
Net borrowings	47,270,941	33,280,134
Total equity	59,701,933	53,916,691
Gearing ratio	79.2%	61.7%

## 46. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	34,764	52,067
Interests in subsidiaries	30,573,892	32,892,729
Interests in joint ventures	9,923,310	10,962,238
Total non-current assets	40,531,966	43,907,034
<b>CURRENT ASSETS</b>		
Prepayments, other receivables and other assets	239,814	295,786
Due from subsidiaries	6,072,164	6,250,851
Cash and bank balances	1,848,545	686,229
Total current assets	8,160,523	7,232,866
<b>CURRENT LIABILITIES</b>		
Trade payables	10,139	11,884
Other payables and accruals	3,784,950	3,757,256
Due to joint ventures	7,314,051	4,810,732
Interest-bearing bank and other borrowings	10,656,019	11,522,598
Total current liabilities	21,765,159	20,102,470
<b>NET CURRENT LIABILITIES</b>	<b>(13,604,636)</b>	(12,869,604)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>26,927,330</b>	31,037,430
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	26,053,445	28,863,612
Other payables and accruals	159,521	167,045
Deferred tax liabilities	134,938	76,033
Total non-current liabilities	26,347,904	29,106,690
<b>NET ASSETS</b>	<b>579,426</b>	1,930,740
<b>EQUITY</b>		
Issued capital	304,680	304,474
Treasury shares	(3,038)	(1,723)
Reserves (note)	277,784	1,627,989
<b>TOTAL EQUITY</b>	<b>579,426</b>	1,930,740

## Notes to Financial Statements

31 December 2021

### 46. Statement of Financial Position of the Company (continued)

Note:

A summary to the Company's reserves is as follows:

	Notes	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Employee share-based compensation reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
At 1 January 2020		1,670,178	308,006	(1,288,562)	34,575	(695,287)	28,910
Share options exercised	31	4,724	-	-	(807)	-	3,917
Share-based compensation expenses	32	-	-	-	19,487	-	19,487
Vested awarded shares transferred to employees	31	19,251	-	-	(19,425)	-	(174)
Shares issued as scrip dividend during the year	31	11,817	-	-	-	-	11,817
2019 final dividend declared	31	(1,334,360)	-	-	-	-	(1,334,360)
2020 interim dividend	31	(371,610)	-	-	-	(899,610)	(1,271,220)
Profit for the year		-	-	-	-	3,815,720	3,815,720
Exchange differences on translation into presentation currency		-	-	728,918	-	-	728,918
Distribution in specie	11	-	-	-	-	(375,026)	(375,026)
<b>At 31 December 2020 and 1 January 2021</b>		<b>-</b>	<b>308,006</b>	<b>(559,644)</b>	<b>33,830</b>	<b>1,845,797</b>	<b>1,627,989</b>
Share options exercised	31	2,166	-	-	(400)	-	1,766
Share-based compensation expenses	32	-	-	-	8,633	-	8,633
Vested awarded shares transferred to employees	31	22,702	-	-	(22,904)	-	(202)
Shares issued as scrip dividend during the year	31	21,041	-	-	-	-	21,041
2020 final dividend declared		-	-	-	-	(1,685,677)	(1,685,677)
2021 interim dividend		-	-	-	-	(1,177,713)	(1,177,713)
Profit for the year		-	-	-	-	1,106,112	1,106,112
Exchange differences on translation into presentation currency		-	-	377,334	-	-	377,334
Cancellation of shares	31	(1,499)	-	-	-	-	(1,499)
<b>At 31 December 2021</b>		<b>44,410</b>	<b>308,006</b>	<b>(182,310)</b>	<b>19,159</b>	<b>88,519</b>	<b>277,784</b>

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation of the Group in preparation for the listing of the Company, over the nominal value of the Company's shares in exchange therefor.

The employee share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

### 47. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 15 April 2022.



## Major Properties held by the Group

Property	The Group's interest (%)	Location	Site area ('000 sq.m.)	Total GFA ('000 sq.m.)	Usage	Expected date of completion
<b>Major completed properties held for sale</b>						
Uptown Riverside I	100	Tongzhou District, Beijing	17	56	Serviced apartment, office and commercial	N/A
The Summit	100	Zengcheng District, Guangzhou	994	1,717	Residential, villa, serviced apartment, office, commercial and hotel	N/A
The Sapphire	100	Xiangcheng District, Suzhou	327	885	Residential, serviced apartment, office, commercial and hotel	N/A
Vision of World	51	Fengxian District, Shanghai	80	252	Residential, serviced apartment, commercial and hotel	N/A
Chengdu Cosmos	100	South New District, Chengdu	149	1,034	Residential, serviced apartment, office, commercial and hotel	N/A
New Chang'an Mansion	100	Mentougou District, Beijing	26	55	Residential, office, commercial and hotel	N/A
The Core of Center (Beijing Niulanshan 1107# Project)	100	Shunyi District, Beijing	21	51	Residential	N/A
<b>Major properties under development</b>						
Richmond Greenville	100	Tianhe District, Guangzhou	47	101	Residential	2023
Oriental Dawn	50	Jiangan District, Hangzhou	64	128	Residential and commercial	2022
The Summit	100	Zengcheng District, Guangzhou	797	1,034	Residential, villa, serviced apartment, office, commercial and hotel	2022
Lakeside Mansion	100	Zengcheng District, Guangzhou	124	352	Residential and commercial	2022
Swan Harbor Park	50	Wuzhong District, Suzhou	85	345	Residential, serviced apartment, office and commercial	2022
Precious Mansion	100	Jiangan District, Hangzhou	43	108	Residential, villa, office and commercial	2022
Moonlit River	50	Wuzhong District, Suzhou	42	115	Residential	2023
Clover Shades	62.5	Huadu District, Guangzhou	88	138	Residential and commercial	2022

Property	The Group's interest (%)	Usage
<b>Major investment properties</b>		
International Finance Place, Plot J-6, Pearl River New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC	100	Office and commercial Medium term lease
International Metropolis Plaza, 58 Yaoyuan Road, Pudong new area, Shanghai, the PRC	75.5	Office and commercial Medium term lease

## Five Year Financial Summary

A summary of the results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

### Consolidated Results

	Year ended 31 December				2021 RMB'000
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	
Continuing operations					
Revenue	11,087,739	6,911,750	23,941,953	29,742,063	<b>23,844,720</b>
Profit before tax from continuing operations	5,497,429	5,286,922	13,368,449	10,062,908	<b>4,081,066</b>
Income tax expenses	(1,936,564)	(1,211,770)	(3,497,352)	(3,397,779)	<b>(1,518,128)</b>
Profit for the year from a discontinued operation	44,148	79,682	184,987	236,180	-
Profit for the year	3,605,013	4,154,834	10,056,084	6,901,309	<b>2,562,938</b>
Attributable to:					
Owners of the Company	3,620,071	4,035,415	9,805,813	6,676,592	<b>2,421,351</b>
Non-controlling interests	(15,058)	119,419	250,271	224,717	<b>141,587</b>
	3,605,013	4,154,834	10,056,084	6,901,309	<b>2,562,938</b>
<b>BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	RMB117 cents	RMB128 cents	RMB309 cents	RMB210 cents	<b>RMB76 cents</b>

### Consolidated Assets, Liabilities and Equity

	As at 31 December				2021 RMB'000
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	
<b>ASSETS</b>					
Non-current assets	53,206,924	63,761,404	84,577,931	94,396,477	<b>108,538,168</b>
Current assets	81,738,114	120,775,757	129,744,748	137,801,902	<b>123,710,883</b>
Total assets	134,945,038	184,537,161	214,322,679	232,198,379	<b>232,249,051</b>
<b>LIABILITIES</b>					
Current liabilities	49,407,316	90,697,356	109,671,769	121,113,896	<b>112,166,340</b>
Non-current liabilities	57,292,029	62,067,796	66,408,319	57,167,792	<b>60,380,778</b>
Total liabilities	106,699,345	152,765,152	176,080,088	178,281,688	<b>172,547,118</b>
<b>EQUITY</b>					
Equity attributable to owners of the Company	27,607,284	28,778,564	35,794,758	43,534,877	<b>44,320,536</b>
Non-controlling interests	638,409	2,993,445	2,447,833	10,381,814	<b>15,381,397</b>
Total equity	28,245,693	31,772,009	38,242,591	53,916,691	<b>59,701,933</b>

KWG GROUP HOLDINGS LIMITED

